



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 • Annual Report





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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
Cricket Square, P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

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

Jiangsu Mingfa Business Park
No.88 Pudong North Road
Pukou, Nanjing City
Jiangsu Province
PRC



PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6–8, 23/F, South Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPANY'S WEBSITE

www.ming-fa.com

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

846

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

LEGAL ADVISER AS TO HONG KONG LAWS

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

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

PUBLIC RELATIONS CONSULTANT

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Mingfa Group (International) Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report for the year ended 31 December 2014 (the "**year under review**").

In 2014, property market in China experienced a polarisation. Prices in first-tier cities and urban areas remained resilient due to limited supply and stable demand. On the other hand, the developers in suburban areas and lower-tier cities cut the selling price due to abundant supply and high inventory levels. The overall market cooled down as compared to previous years. Nevertheless, loosening signals from the Government such as cutting restrictions on home purchases, easing mortgage rules and lowering benchmark interest rates etc., revived the property market and stimulated property sales in the second half of 2014.

Sluggish sales have rocked confidence in China's property market in 2014. Property industry as one of the vital pillars of China's economy, the Government and People's Bank of China (the "**PBOC**") announced some supportive measures including easing of housing purchase restrictions



(the “**HPRs**”) and relaxation of credit constraints, to loosen the market. Currently, all cities have loosened restrictions on home purchases, except for Beijing, Shanghai, Guangzhou, Shenzhen and Sanya. During the year under review, down payment for purchasing properties and mortgage rates have been reduced and the ban on mortgage loans for buying the third house has been eased. Moreover, PBOC has also cut the benchmark rate for one-year deposits and the one-year lending rate. The formal relaxation of credit constraints will improve buyers’ affordability significantly, resulting in increasing effective property demand from both upgrades and first-time home buyers. These policies indicated administrative intervention of Government is started to be phased out. We are confident that the property market in China will be more stable and healthy in the coming years.

During the year under review, Mingfa has been selected and included under the MSCI China Index as a MSCI Global Small Cap Index constituent as well as one of the eligible stocks under Shanghai-Hong Kong Stock Connect. Leveraging its own competitive advantages, Mingfa has focused on developing residential and commercial properties in different cities with the aim to capture market opportunities arising from favourable government policies and rapid ongoing urbanisation in China. For the year under review, the Group has achieved revenue of approximately RMB3,792.6 million. The Group delivered a total gross floor area (the “**GFA**”) of approximately 420,664 square metres (“**sq.m.**”).

With the aim to optimising debt portfolio, the Group has endeavoured to maintain its capital structure in 2014. During the year under review, the Group had redeemed all convertible bonds by using internal resources and bank loans and this demonstrated Mingfa’s stable financial status and high creditworthiness. In addition, the Group has also issued senior guaranteed term notes with an aggregate principal amount of US\$60 million to Huarong (HK) International Holdings Limited (“**Huarong HK**”). The shareholder of Huarong HK is the largest asset management company in China and the note issue was clear evidence of Huarong HK’s confidence in strategic cooperation with the Group. As at 31 December 2014, the Group had

aggregated cash and cash equivalents and restricted cash of approximately RMB3,196.4 million (2013: approximately RMB2,099.7 million). The net gearing ratio remained at an optimal level of 43.5% in 2014 (2013: 37.0%).

The Group was aware of the changing market conditions and will develop and adopt suitable strategies in the future. Looking forward, Mingfa will continue to adopt diversified property mix strategy and develop a balanced portfolio of commercial and residential properties. Mingfa will strive for the steady and healthy development of the Group and bring fruitful returns to shareholders.

Last but not least, on behalf of the Board, I would like to express our deepest appreciation to our business partners, stakeholders and shareholders who grant us with confidence during the year. Resolute dedication of the Directors and our employees are also highly appreciated. We look forward to achieving remarkable milestones in the coming years!

Wong Wun Ming
Chairman

27 March 2015

Management Discussion and Analysis



FINANCIAL HIGHLIGHTS

For the year ended
31 December

	2014 (audited)	2013 (audited)	Percentage of increase/ (decrease)
Revenue <i>(RMB million)</i>	3,792.6	6,269.1	(39.5%)
Profit for the year <i>(RMB million)</i>	1,056.2	1,376.3	(23.3%)
Profit attributable to equity holders of the Company <i>(RMB million)</i>	829.3	1,399.2	(40.7%)
Basic earnings per share <i>(RMB cents)</i>	13.6	23.0	(40.9%)
Diluted earnings per share <i>(RMB cents)</i>	13.1	18.9	(30.7%)





RESULTS

The audited consolidated revenue of the Group was approximately RMB3,792.6 million for 2014 (2013: approximately RMB6,269.1 million), representing a decrease of 39.5% as compared to 2013. The audited consolidated profit for the year and profit attributable to equity holders of the Company were approximately RMB1,056.2 million and RMB829.3 million respectively for 2014 (2013: approximately RMB1,376.3 million and RMB1,399.2 million respectively), representing a decline of 23.3% and 40.7% respectively as compared to the previous year. The basic and diluted earnings per share were RMB13.6 cents and RMB13.1 cents respectively for 2014 (2013: RMB23.0 cents and RMB18.9 cents respectively), representing a decrease of approximately 40.9% and 30.7% respectively as compared to 2013.

The Board does not recommend payment of final dividend for the year ended 31 December 2014.

INDUSTRY REVIEW

The overall property market plunged in the beginning of 2014, resulting in a downtrend in the first half of the year. Property prices fell, sales volume weakened, inventory level climbed and valuation was undermined in most cities. The lackluster condition weighed on market sentiment and imposed a downside risk on the industry.

To turn the performance of the market around, the PRC Government launched various measures including the HPRs relaxation since June 2014, mortgage easing in September 2014 and different rate cuts by the PBOC in November 2014. Although HPRs remained in force in first-tier cities, there were more upgrade demand and demand in high quality properties, the elasticity of sales recovery would be more sensitive. Meanwhile, signs of healthier housing affordability in second- and third-tier cities caused by growth in disposable income have been identified, showing a positive prerequisite for a market turnaround.

The favourable fiscal policy directed the market upward and created a more flexible macro-credit environment, providing more funding channels and relaxing onshore loan access. These aided developers in maintaining solid balance sheets, as well as narrowing any cash flow deficit during periods of slow turnover.

Benefiting from the accommodative policies by the Government, pent-up demand started to release in the second half of 2014. However, the positive message took time to transit to the market and the overall impact from such catalyst was not completely reflected in the second half of 2014. It is expected that better conditions will be extended in 2015 and the overall market performance will improve steadily.



BUSINESS REVIEW

Sales and Earnings

The revenue of the Group was approximately RMB3,792.6 million for 2014 (2013: approximately RMB6,269.1 million), representing a decrease of 39.5% as compared to 2013. The reduced revenue was mainly due to the decrease in the GFA delivered from 787,024 sq.m. in 2013 to 420,664 sq.m. in 2014.

The gross profit of the Group was approximately RMB985.9 million for 2014, representing a drop of 55.2% as compared to 2013 (2013: approximately RMB2,201.6 million). The reason for the decline was due to the decrease in revenue.

The profit for the year of the Group has decreased by 23.3% from approximately RMB1,376.3 million in 2013 to approximately RMB1,056.2 million in 2014.

The audited consolidated profit attributable to the equity holders of the Company has reduced from approximately RMB1,399.2 million in 2013 to approximately RMB829.3 million in 2014, representing a decrease of approximately RMB569.9 million or 40.7% from that of 2013. The major reason for the decrease was due to less GFA delivered in 2014 as compared to 2013.

The cost of sales of the Group was RMB2,806.7 million for 2014, representing a decrease of approximately 31.0% as compared to 2013 (2013: approximately RMB4,067.5 million). Cost of sales decreased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB4,925.7 per sq.m. for 2014, representing a slight increase of approximately 0.8% over 2013 (2013: average cost of properties included in cost of sales was RMB4,888.8 per sq.m.).

The total GFA sold and delivered by the Group in 2014 was approximately 420,664 sq.m., representing a decrease of 46.6% as compared to 2013 (2013: approximately 787,024 sq.m.). Such decrease was due to less properties in Xiamen Mingfa Xiangwan Peninsula and Zhangzhou Mingfa Shopping Mall being delivered in 2014 as most of the properties had been delivered in 2013 upon full completion.

Management Discussion and Analysis



During the year under review, the average sales price (the “ASP”) of the Group’s properties delivered and recognised as sales was RMB6,884.1 per sq.m., representing a decrease of 7.3% as compared to 2013 (2013: RMB7,425.0 per sq.m.). The decrease was mainly due to the decrease in ASP of residential properties of 5.1% in 2014.

In the year under review, the Group recorded contracted sales of RMB1,889.7 million with GFA of 291,450 sq.m. (2013: approximately RMB6,320.0 million and 768,145 sq.m. respectively).

The GFA of the properties delivered by the Group in 2014 and the ASP per sq.m. were as follows:

	Sales Revenue		GFA Delivered		Average Selling Price	
	(RMB '000)		(sq.m.)		(RMB per sq.m.)	
	2014	2013	2014	2013	2014	2013
Hefei Mingfa Shopping Mall	150,027.6	388,459.0	22,165.8	65,566.0	6,768.4	5,924.7
Honglai Mingfa Commercial Centre	12,535.3	28,232.1	2,908.5	6,820.5	4,309.9	4,139.3
Huai'an Mingfa Shopping Mall	114,737.0	214,947.9	33,907.0	66,037.1	3,383.9	3,255.0
Nanjing Mingfa City Square	247,984.3	811,476.9	22,150.5	58,260.8	11,195.4	13,928.3
Nanjing Mingfa Pearl Spring Resort	1,396.7	12,472.2	80.8	766.7	17,285.9	16,268.0
Nanjing Mingfa Riverside New Town	410,247.7	566,332.3	47,689.7	77,666.2	8,602.4	7,291.9
Shenyang Mingfa Jinxiuhua City	299,284.4	0.0	66,894.7	0.0	4,474.0	n/a
Taizhou Mingfa City Complex	12,988.3	137,795.4	3,208.0	33,484.0	4,048.7	4,115.3
Wuxi Mingfa International New Town	341,353.4	471,279.1	59,569.0	81,893.4	5,730.4	5,754.8
Xiamen Mingfa Harbour Resort	24,177.3	0.0	1,436.7	0.0	16,828.4	n/a
Xiamen Mingfa Shopping Mall	36,249.4	28,164.5	1,154.0	992.3	31,412.1	28,382.9
Xiamen Mingfa Xiangwan Peninsula	525,013.1	1,713,070.6	51,372.3	173,983.4	10,219.8	9,846.2
Yangzhou Mingfa Jiangwan City	411,018.8	0.0	59,187.6	0.0	6,944.3	n/a
Yangzhou Mingfa Shopping Mall	2,168.3	97,622.1	264.5	6,359.9	8,197.7	15,349.7
Zhangzhou Mingfa Shopping Mall	180,456.1	1,085,838.2	26,711.3	159,957.6	6,755.8	6,788.3
Zhenjiang Jinxiu Yinshan	59,726.2	159,188.9	14,955.3	42,191.0	3,993.6	3,773.1
Others	66,540.0	128,747.0	7,008.1	13,045.4	9,494.7	9,869.2
	2,895,903.9	5,843,626.2	420,663.8	787,024.2	6,884.1	7,425.0



Project Location

Management Discussion and Analysis



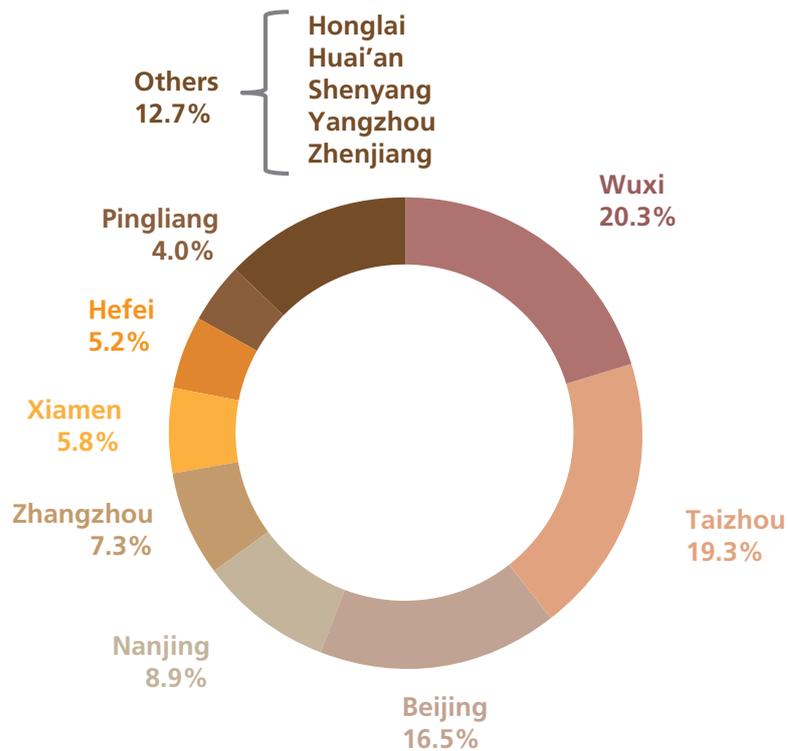
PRE-SOLD PROPERTIES

As at 31 December 2014, the attributable GFA of pre-sold properties not yet delivered to the buyers was 410,673 sq.m. (2013: 549,434 sq.m.). Set out below are the details of the properties, the Group's interests and the attributable pre-sold GFA of the Group:

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Beijing	Beijing Mingfa Mall	100%	67,641
Hefei	Hefei Mingfa Shopping Mall	100%	21,295
Honglai	Honglai Mingfa Commercial Centre	100%	4,077
Huai'an	Huai'an Mingfa Shopping Mall	100%	10,810
Nanjing	Nanjing Mingfa City Square	100%	2,655
Nanjing	Nanjing Mingfa Pearl Spring Resort	100%	6,508
Nanjing	Nanjing Mingfa Riverside New Town	100%	9,977
Nanjing	Nanjing Mingfa Shopping Mall	100%	4,627
Nanjing	Nanjing Mingfa New City Finance Building	64%	12,956
Pingliang	Pingliang Mingfa European City	60%	16,447
Shenyang	Shenyang Mingfa Jinxiuhua City	100%	11,218
Taizhou	Taizhou Mingfa City Complex	100%	79,338
Wuxi	Wuxi Mingfa International New Town	100%	80,289
Wuxi	Wuxi Mingfa Shopping Mall	70%	2,899
Xiamen	Xiamen Mingfa Harbour Resort	100%	4,061
Xiamen	Xiamen Mingfa Shopping Mall	70%	14,088
Xiamen	Xiamen Mingfa Xiangwan Peninsula	100%	5,817
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	10,596
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	8,170
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	21,923
Zhenjiang	Zhenjiang Jinxiu Yinshan	100%	15,281
Total			410,673



Pre-sold Properties by City in terms of GFA

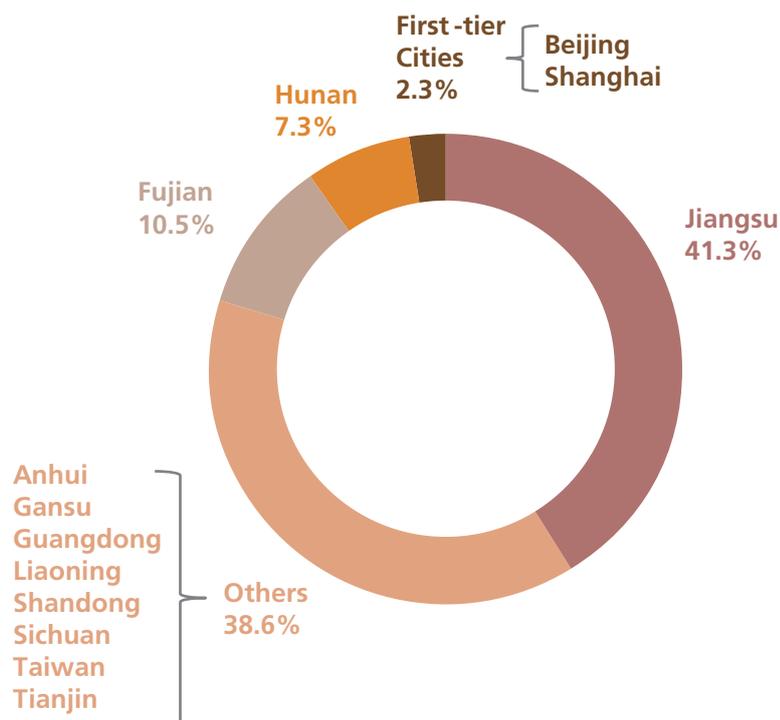


SUMMARY OF LAND BANK

As at 31 December 2014, land bank attributable to the Group increased by 18.7% to approximately 12.7 million sq.m. (2013: approximately 10.7 million sq.m.), consisting of 55 projects in total.

	Number of Projects	GFA (million sq.m.)
Completed Projects	19	1.7
Projects under Development	14	5.6
Projects for Future Development	22	5.4
Total	55	12.7

**Total Land Bank by Province
(as of 31 December 2014)**



The following tables summarise the details of the Group's land bank:

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
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 Jiangtou 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, Lvling Road, Siming District, Xiamen, Fujian Province	Apr/2005	Residential/ Commercial	Completed	18,697	14,146	100%	14,146
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	1,418	100%	1,418
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	8,641	100%	8,641
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	34,780	70%	24,346
Xiamen Mingfa Town	Located at Siming Industrial Park, Lvling Road, 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	101,072	100%	101,072
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in 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 Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2011	Residential/ Commercial/ Hotel	Completed	216,643	437,470	70%	306,229
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	200,952	100%	200,952
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	234,677	100%	234,677
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec/2012	Residential/ Commercial/ Office	Completed	128,683	90,103	100%	90,103

Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Honglai Mingfa Commercial Centre	Located at Honglai District, Nanan, Fujian Province	Jun/2012	Residential/ Commercial	Completed	27,065	16,678	100%	16,678
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	33,796	100%	33,796
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	Dec/2013	Residential/ Commercial/ Office/Hotel	Completed	223,589	250,630	100%	250,630
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 and under renovation	58,952	160,268	100%	160,268
Huai'an Mingfa Shopping Mall (Block C)	Located at Weihai East Road, Huaian, Jiangsu Province	Dec/2014	Residential	Completed	51,345	54,091	100%	54,091
Sub-total					2,758,765	1,798,234		1,656,559
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 120,340 sq.m. in December 2013. The remaining GFA of 284,338 sq.m. will be completed in December 2015	296,702	316,325	100%	316,325
Huai'an Mingfa Shopping Mall (Block A)	Located on Shenzhen South Road, Huai'an, Jiangsu Province	Dec/2016	Commercial	Approximately 60% of construction has been completed	133,110	266,335	100%	266,335
Shenyang Mingfa Jinxiuhua City	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2015	Residential/ Commercial	Completion certificate had been granted for GFA of 130,484 sq.m. in December 2014. The remaining GFA of 175,626 sq.m. will be completed in December 2015	61,222	239,215	100%	239,215
Wuxi Mingfa International New Town	Located at the south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2016	Residential/ Commercial	Completion certificate had been granted for GFA of 332,062 sq.m. in December 2014. The remaining GFA of 217,499 sq.m. will be completed in December 2016	258,297	316,532	100%	316,532

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
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/2016	Residential	Completion certificate had been granted for GFA of 86,052.95 sq.m. in December 2014. The remaining GFA of 135,480.25 sq.m. will be completed in May 2016	158,238	162,346	100%	162,346
Taizhou Mingfa City Complex	Located at the west of Machang Zhonggou, south of Huangang Avenue, Gaogang District, Taizhou, Jiangsu Province	Dec/2016	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 2016	292,487	694,608	100%	694,608
Zhangzhou Longhai Mingfa Mall	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec/2016	Residential/ Commercial	Approximately 90% of construction has been completed	78,622	277,762	100%	277,762
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Industrial	Completion certificate had been granted for GFA of 119,697 sq.m. in November 2014. The remaining GFA of 1,440,669 sq.m. will be completed in December 2016	520,122	1,560,366	100%	1,560,366
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec/2015	Residential/ Commercial	Approximately 90% 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/2016	Commercial	Approximately 50% 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/2016	Residential	Approximately 40% of construction has been completed	117,594	268,259	60%	160,955
Nanjing Mingfa New City Finance Building	Located at the north of New Town Business Avenue, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Residential/ Commercial	Approximately 25% of construction has been completed	59,042	401,297	64%	256,830
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Dec/2016	Residential/ Commercial	Approximately 30% of construction has been completed	285,594	928,837	100%	928,837
Xiamen Mingfeng Town	Located in Lingdou, Siming District, Xiamen, Fujian Province	Dec/2016	Commercial/ Office	Approximately 10% of construction has been completed	19,909	103,921	100%	103,921
Sub-total					2,380,132	5,832,267		5,580,496

Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties with land use rights certificate for future development								
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Guangdong Province	Dec/2017	Residential	To be developed	332,335	708,157	80%	566,526
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Industrial	To be developed	41,434	62,151	100%	62,151
Lanzhou Mingfa Zhongke Ecological park	Located in Weijia Village of Southwest Region, Gansu Province	Dec/2017	Residential/ Commercial	To be developed	1,371,786	1,371,786	51%	699,611
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2017	Commercial	To be developed	209,048	418,096	100%	418,096
Nanjing Mingfa Wealth Center	Located at New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Commercial/ Office	To be developed	56,694	283,470	100%	283,470
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2017	Residential/ Commercial	To be developed	154,024	462,072	100%	462,072
Zhangzhou Longhai Mingfa Mall (2011G15)	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec/2016	Residential	To be developed	29,426	88,278	100%	88,278
Taiwan Taoyuan 54 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Dec/2017	Commercial	To be developed	13,710	32,905	40%	13,162
Taiwan Taoyuan 169 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Dec/2017	Commercial	To be developed	16,110	38,663	40%	15,465
Sub-total					2,224,567	3,465,578		2,608,831
Properties with signed land use rights contract for future development								
Hong Six Highway rebuilding property	Located in Xixia Village, Honglai Town, Nanan, Fujian Province	Dec/2016	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 project in Nanjing Pukou G88	Located at the south of and along the Mountain Road, east of Caiba Road, Pukou District, Nanjing, Jiangsu Province	Dec/2016	Residential	Vacant	115,876	185,402	100%	185,402
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, Guan'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, Guan'an, Sichuan Province	Dec/2016	Residential/ Commercial	Vacant	76,363	305,452	100%	305,452

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Shenyang Mingfa Square	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2017	Residential/ Commercial	Vacant	260,292	481,946	100%	481,946
Shenyang Mingfa Wealth Center	Located at Young Street, Heping District, Shenyang	Dec/2017	Commercial	Vacant	5,468	54,677	100%	54,677
Zhangzhou Longhai Mingfa Mall (2011G16, 2012G13, 2012G14, 2012G15)	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec/2017	Residential	Vacant	138,889	248,025	100%	248,025
New project in Nanjing Pukou G86	Located at the intersection of the Jiangpu Street Technology University and Flower Avenue, Pukou District, Nanjing, Jiangsu Province	Dec/2017	Residential	Vacant	72,280	79,508	100%	79,508
New project in Nanjing Pukou G07	Located at the south along the Mountain Road, the east side to the Nanjing University of Technology, Pukou District, Jiangsu Province	Dec/2016	Commercial	Vacant	31,455	62,911	100%	62,911
New project in Nanjing Pukou G11	Located at Jiangpu Street, east to Xianzhuang Road, south to Jiangpu Secondary School, north to South River, west to the Guihua Road, Pukou District, Jiangsu Province	Dec/2016	Residential	Vacant	8,586	25,759	100%	25,759
Jinzhai Mingfa City Square	Located in New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Dec/2017	Residential/ Commercial	Vacant	105,504	355,900	100%	355,900
Sub-total					1,093,808	2,874,464		2,874,464
Total land bank					8,457,272	13,970,541		12,720,350

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 had been obtained as at 31 December 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 had been obtained as at 31 December 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.

Management Discussion and Analysis

SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT

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

Property Name	Location	Existing usage	Attributable GFA (sq.m.)	Term of leases	Percentage of interest in the properties attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Commercial	110,301	8–20 years	70%–100%
Xiamen Mingfa Group Mansion	Located in Qianpu Industrial Park, Xiamen, Fujian Province	Commercial	1,123	5–6 years	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	14,985	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 West Road, Siming District, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located at 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%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yangqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	4,687	15–20years	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	138,059	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	47,104	15 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Commercial	70,742	Under construction	100%

821,955

PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

The progress and current status of the development of the Group's major projects in various sites and locations are as follows:

Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is designed to be an integrated residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m.

As at 31 December 2014, completion certificate had been granted for GFA of 120,340 sq.m.

As at 31 December 2014, an aggregate GFA of 4,077 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

Huai'an Mingfa Shopping Mall (Block A)

Huai'an Mingfa Shopping Mall is located on Shenzhen South Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a commercial complex and will form an integral part of the Group's shopping mall.

The site area of the project is approximately 133,110 sq.m., with an aggregate GFA of approximately 266,335 sq.m.

The project is expected to be completed in December 2016.

Shenyang Mingfa Jinxiuhua City

Shenyang Mingfa Jinxiuhua City is located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province. Shenyang Mingfa Jinxiuhua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m.

As at 31 December 2014, completion certificate had been granted for 130,484 sq.m.

As at 31 December 2014, an aggregate GFA of 11,218 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2015.

Wuxi Mingfa International New Town

Wuxi Mingfa International New Town is located at south of Yangqiao town, Huishan district, Wuxi, Jiangsu Province.

Wuxi Mingfa International New Town is designed as an integrated residential complex complemented with commercial properties.

Management Discussion and Analysis

The site area of the project is approximately 258,297 sq.m., with an aggregate GFA of approximately 549,561 sq.m.

The project is expected to be completed in December 2016.

As at 31 December 2014, completion certificate had been granted for GFA of 332,062 sq.m.

As at 31 December 2014, an aggregate GFA of 80,289 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2016.

Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Jiangwan City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m.

As at 31 December 2014, completion certificate had been granted for 86,053 sq.m.

As at 31 December 2014, an aggregate GFA of 10,596 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2016.

Taizhou Mingfa City Complex

Taizhou Mingfa City Complex is located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province.

Taizhou Mingfa City Complex is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 292,487 sq.m. with an aggregate attributable GFA of approximately 731,300 sq.m.

The project is expected to be completed in December 2016.

As at 31 December 2014, completion certificate had been granted for GFA of 40,930 sq.m.

As at 31 December 2014, an aggregate GFA of 79,338 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2016.

Zhangzhou Longhai Mingfa Mall

Zhangzhou Longhai Mingfa Mall is located in Kekeng village, Bangshan town, Longhai, Zhangzhou, Fujian Province.

Zhangzhou Longhai Mingfa Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 78,622 sq.m. with an aggregate attributable GFA of approximately 277,762 sq.m.

The project is expected to be completed in December 2016.

As at 31 December 2014, an aggregate GFA of 21,923 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2016.

Nanjing Mingfa Business Park

Nanjing Mingfa Business Park is located in Nanjing High-Tech Development Zone, Pukou district, Nanjing, Jiangsu Province.

This project is intended to integrate technology development, business quarters and product exhibition centres, and expects to target middle-to-large scale, domestic and international businesses. The buildings within the project can be customised to meet the specific design and layout needs of the Group's customers.

The site area of the project is approximately 520,122 sq.m. with an aggregate attributable GFA of approximately 1,560,366 sq.m.

The project is expected to be completed in December 2016.

Beijing Mingfa Mall

Beijing Mingfa Mall is located in Beizang village, Daxing district, Beijing.

This project is designed as integrated residential complex complemented with commercial properties.

The site area of the project is approximately 45,414 sq.m., with an aggregate GFA of approximately 127,159 sq.m.

The project is expected to be completed in December 2015.

As at 31 December 2014, an aggregated GFA of 67,641 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2015.

Shanghai Mingfa Shopping Mall

Shanghai Mingfa Shopping Mall is located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai.

This project is designed as integrated commercial complex.

The site area of the project is approximately 53,779 sq.m., with an aggregate GFA of approximately 169,305 sq.m.

The project is expected to be completed in December 2016.

Pingliang Mingfa European City

Pingliang Mingfa European City is located at the west of Water bridge, north of Linjing Road, Kongdong district, Pingliang, Gansu Province.

This project is designed as integrated residential complex.

The site area of the project is approximately 117,594 sq.m. with an aggregate GFA of approximately 268,259 sq.m..

Management Discussion and Analysis

The project is expected to be completed in December 2016.

As at 31 December 2014, an aggregated GFA of 16,447 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2016.

Nanjing Mingfa New City Finance Building

Nanjing Mingfa New City Finance Building is located at the north of New Town Business Avenue, Pukou district, Nanjing, Jiangsu Province.

This project is designed as integrated office complex.

The site area of the project is approximately 59,042 sq.m. with an aggregate GFA of approximately 401,297 sq.m.

The project is expected to be completed in December 2016.

As at 31 December 2014, an aggregate GFA of 12,954 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2016.

Changsha Mingfa Shopping Mall

Changsha Mingfa Shopping Mall is located in Star Cheng town, Wangcheng county, Changsha, Hunan Province.

This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 285,594 sq.m. with an aggregate GFA of approximately 928,837 sq.m.

The project is expected to be completed in December 2016.

Properties to be Completed in 2015

Set out below are the properties expected to be completed by the Group in 2015. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 682,699 sq.m. including those already pre-sold as at 31 December 2014.

Property Name	Expected Completion Date	Usage	GFA Available for Sales/Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group
Zhenjiang Jinxiu Yinshan	Dec/2015	Residential/Commercial/Hotel	316,325	100%
Shenyang Mingfa Jinxiuhua City	Dec/2015	Residential/Commercial	239,215	100%
Beijing Mingfa Mall	Dec/2015	Residential/Commercial	127,159	100%

ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2014, the Group entered into 13 uncompleted 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. One MOU was signed in 2014, the rest were signed in or before 2013. These MOUs are not legally-binding and there is no assurance that the Group will be granted the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties’ intention of cooperation in the 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	

Management Discussion and Analysis

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	Note
Nanjing Software Park Starting Area Project (南京軟件園啓動區項目)	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project (南京紫金(浦口)科技創業特區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	
Guan'an Mingfa City Complex Project (廣安明發城市綜合體項目)	Guan'an City, Sichuan Province	10-Jul-13	158,001	632,003	
Jinzhai Mingfa City Square (金寨明發城市廣場)	Jinzhai City, Anhui Province	15-Dec-14	666,670	1,333,340	(6)
Total			9,844,179	24,611,613	

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.
- (6) The Group had acquired one plot of land under the MOU signed on 15 December 2014. The land is located at New City, Mei Shan Town, Jinzhai Country, Hefei, Anhui Province. Total land area and GFA is approximately 105,504 sq.m. and approximately 355,900 sq.m. respectively.

AWARDS AND RECOGNITION

The Group was granted various awards by the PRC Government and other recognized authorities in 2014, details of which are set out as follows:

Award	Awarding department	Date
Honorary Title of “Major Taxpayer 2013” in Taishan Street — Mingfa Group	Taishan Street Working Committee of CPC Nanjing Pukou District Committee Taishan Street Office of Nanjing Pukou District Government	January 2014
Honorary Title of “Honorary Charitable Enterprise 2012–2013” in Taishan Street — Mingfa Group	Taishan Street Chamber of Commerce of Pukou District Federation of Industry and Commerce	January 2014
Entity of Outstanding Contributions 2013 — Nanjing Real Estate	CPC Committee of Nanjing Hi-tech Industry Development Zone Nanjing Hi-tech Industry Development Zone Management Committee	1 January 2014
Best Commercial Property in the PRC Real Estate Industry 2013 — Mingfa Group	Annual Conference of the PRC Real Estate Industry and its General Rating Chart Organizing Committee	5 January 2014
Advanced Entity in the Development of Dingshan — Nanjing Real Estate	Dingshan Street Working Committee of CPC Pukou District Committee Dingshan Street Office of Pukou District Government	1 February 2014
Major Taxpayer — Nanjing Real Estate	Dingshan Street Working Committee of CPC Pukou District Committee Dingshan Street Office of Pukou District Government	1 February 2014
Beijing Structural Great Wall Cup: Silver Work Quality Award Certificate — Mingfa Group Beijing Real Estate	Beijing Quality Construction Work Evaluation Committee	28 August 2014
Fundraising Charity Auction of Calligraphic Works and Paintings by Celebrated Artists for the Rebuilding of Huiji Temple — Mingfa Group Nanjing Real Estate	Nanjing Pukou District Charity Association Huiji Temple, Pukou District, Nanjing	21 December 2014

PROSPECTS

During the cyclical downtrend, the Group stayed vigilant and prudent in both operation and execution. To maintain a certain level of margins, the Group retained its ASP with a stable pricing strategy and proactively adjusted its marketing plan in a timely manner in accordance with the latest market conditions. In the long run, the Group will continue to apply strategies in balanced property mix and geographical diversification in land bank to broaden income base and reduce risk efficiently.

One of the Group's core practices is to maintain no more than 50% of each property type in land bank. As at 31 December 2014, residential and commercial properties accounted for 48.0% and 28.3% of the Group's total attributable GFA respectively. The steady rental contribution of approximately RMB279.1 million from investment properties has cushioned the Group from external volatility in the property sales market and assured a stable income stream. The Group expects to have steady performance from its investment properties. In addition, a newly established business in the property construction segment, generating income of approximately RMB499.4 million during the year under review has further broadened the income base for the Group.

Low land cost strategy accompanied with exploration of high potential cities have been applied and remain as key policies of the Group. During the year under review, some land purchases in Pukou, Nanjing will be developed and turned into a focal point for sales contribution in the near future. In addition, joint collaboration in overseas land acquisitions in 2014, including Shouson Hill and Tung Chung in Hong Kong, as well as Taoyuan in Taiwan, will be an economical and practical way to explore the new market and enrich the Group's land bank abroad, accumulating the total attributable land reserve to GFA of approximately 12.7 million sq.m. as of 31 December 2014.

In regard to the capital market financing, the uplifted financing cost and sluggish investment atmosphere correlated with volatility in the property sector have concerned many developers. In light of the industry pick-up at the end of 2014, the Group has successfully issued US\$60 million one-year senior notes to Huarong (HK) International Holdings Limited in December 2014 demonstrating confidence from investors in the Group's prospect. The proceeds has been used for the Group's principal business, including working capital financing and property development. Together with the Group's good reputation with strong repayment ability and long-term relationship with the banks, the Group was granted favourable bank loans with lower interest cost.

The Group's creditworthiness was evidenced not only by the complete redemption of the two previously issued convertible bonds in 2014, but also its selection as a constituent of the MSCI Global Small Cap Index since May 2014 and an eligible stock for southbound trading under Shanghai-Hong Kong Stock Connect since November 2014. The selections further recognised the Group's presence and performance in the stock market.

The promotion of various easing facilities, signified by HPRs liberalization and liquidity injection by the PBOC, all acted as catalyst for boosting the property market as well as growth in the national GDP. The prevailing policies have provided a positive and clear direction in the onshore market with current lower interest rate, which facilitates maintaining the supply pipeline at moderate inventory levels as well as inspires a more positive sales outlook.

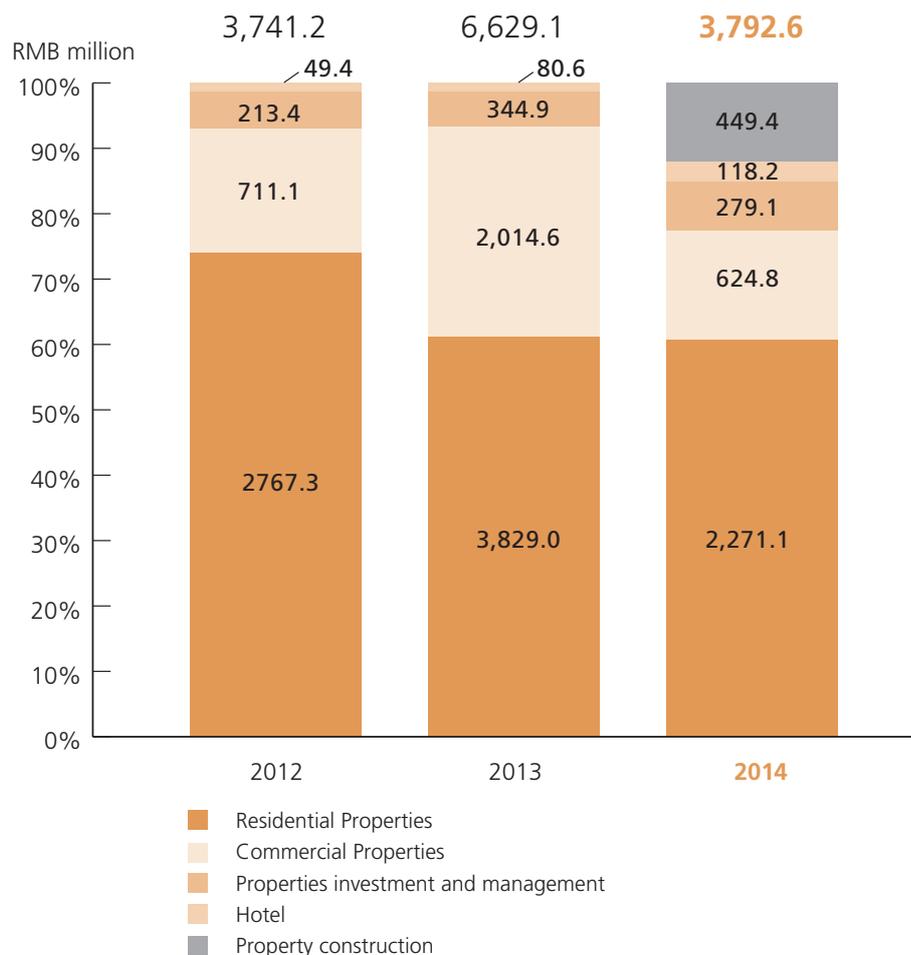
Looking ahead around the globe, despite concerns on the effectiveness of quantitative easing policies adopted in various countries and the expectation of interest rate rise by the US Federal Reserve in the second half or third quarter of 2015 which may swing the overall global market, the property market in the PRC, as one of the major economic pillars in the country, is expected to grow modestly and the Group is optimistic about the industry development trend in the years to come.

FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2014, revenue generated by the Group was approximately RMB3,792.6 million (2013: approximately RMB6,269.1 million), representing a decrease of 39.5% as compared to 2013. The decrease in revenue generated from properties sector in 2014 was mainly due to decrease in GFA delivered from 787,024 sq.m. in 2013 to 420,664 sq.m. in 2014. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Properties					Property construction (RMB' million)	Total (RMB' million)	Percentage of (Decrease)/ Increase
	Commercial Properties (RMB' million)	Residential Properties (RMB' million)	Investment and Management (RMB' million)	Hotel (RMB' million)	Hotel (RMB' million)			
2014	624.8	2,271.1	279.1	118.2	499.4	3,792.6	(39.5%)	
2013	2,014.6	3,829.0	344.9	80.6	—	6,269.1	67.6%	

Revenue by Segment



Management Discussion and Analysis

Revenue from the properties sector contributed 76.4% in total to the Group's revenue. Revenue from the commercial properties sector decreased by 69.0% which was primarily due to the decrease in delivery of commercial properties in Zhangzhou Mingfa Shopping Mall as most of the pre-sold properties had been delivered upon full completion in 2013 while decrease in revenue from the residential properties sector of 40.7% was mainly due to the decrease in delivery of residential properties in Xiamen Mingfa Xiangwan Peninsula as most of the pre-sold properties had been delivered upon full completion in 2013.

Revenue from the properties investment and management sector decreased by 19.1%, which was mainly due to the disposal of certain investment properties during 2014.

Income generated from hotel operations increased by 46.7% from RMB80.6 million for 2013 to RMB118.2 million for 2014. It was mainly due to the opening of new hotels in Yangzhou and Hefei, which contributed revenue of RMB10.2 million for 2014 in total.

Property construction business was a new business segment in 2014 which generated an income of approximately RMB499.4 million (2013: Nil).

The gross profit of the Group decreased in line with revenue and amounted to approximately RMB985.9 million for 2014, representing a decrease of approximately 55.2% as compared to 2013 (2013: approximately RMB2,201.6 million).

The profit for the year of the Group decreased by 23.3% from approximately RMB1,376.3 million in 2013 to approximately RMB1,056.2 million in 2014.

The profit attributable to the equity holders of the Company was approximately RMB829.3 million for 2014, representing a decrease of approximately RMB569.9 million or approximately 40.7% from 2013 (2013: approximately RMB1,399.2 million). It was mainly due to the decrease in the recognised revenue for 2014 arisen from the decrease in GFA delivered from 787,024 sq.m. in 2013 to 420,664 sq.m. in 2014.

The cost of sales of the Group was RMB2,806.7 million for 2014, representing a decrease of approximately 31.0% as compared to 2013 (2013: approximately RMB4,067.5 million). Cost of sales decreased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB4,925.7 per sq.m. for 2014, representing a very small increase of approximately 0.8% over 2013 (2013: average cost of properties included in cost of sales was RMB4,888.8 per sq.m.).

Fair value gains on investment properties and derivative financial instruments increased by 165.4% and decreased by 92.9% respectively to RMB1,203.2 million and RMB6.3 million respectively (2013: RMB453.4 million and RMB88.9 million respectively). Fair value gains on investment properties was mainly due to the increase in fair value gains on valuation of Nanjing Mingfa International Industrial Material Park before disposal while the decrease in fair value gains on financial derivative was due to the redemption of 2015 Bonds in early 2014.

Other gains decreased by 61.1% from RMB378.7 million in 2013 to RMB147.3 million in 2014. The decrease in other gains was due to decrease in exchange gain generated from RMB depreciation.

Selling, general and administrative expenses and other operating expenses of the Group were RMB591.2 million in 2014, representing an increase of approximately 9.1% over 2013 (2013: approximately RMB542.1 million). Additional administrative expenses had been incurred for newly established project companies.

Net finance costs of the Group decreased by 97.4% to RMB6.9 million in 2014 (2013: approximately RMB267.1 million). The decrease was due to the replacement of borrowings with higher interest cost by those with lower interest cost. Meanwhile, more interest expenses had been capitalised in 2014.

CAPITAL STRUCTURE

As at 31 December 2014, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB732.1 million (31 December 2013: approximately RMB971.2 million). Restricted cash of the Group was RMB2,464.2 million (31 December 2013: RMB1,128.5 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB8,217.9 million and RMB3,984.3 million respectively (31 December 2013: approximately RMB6,609.7 million and RMB2,031.7 million respectively).

Total interest expenses including the capitalised interest expenses amounted to approximately RMB765.7 million (2013: approximately RMB848.5 million) in total. In addition, interests with an amount of approximately RMB721.9 million (2013: approximately RMB565.5 million) were capitalised in 2014.

Set out below are the major ratios of the Group:

	As at and for the year ended 31 December	
	2014	2013
Gross profit margin	26.0%	35.1%
Operating profit margin	46.2%	41.2%
Net profit margin	27.8%	22.0%
Returns on equity	7.5%	13.7%
Current ratio	1.17	1.16
Interest cover ⁽¹⁾	2.3 times	3.0 times
Total liabilities to total assets	71.1%	68.2%
Bank loans and other borrowings to shareholders' funds	110.1%	84.3%
Non-current bank loans and other borrowings to total assets	9.8%	5.7%
Gearing ratio ⁽²⁾	43.5%	37.0%

(1) Including amount of interests capitalised

(2) Defined as net debt (total borrowings and derivative financial instruments less cash and cash equivalents and cash restricted for borrowings) divided by the sum of shareholders' funds and net debt

PLEDGES OF ASSETS

As at 31 December 2014, investment properties of the Group with net book value of approximately RMB4,145.4 million (31 December 2013: approximately RMB3,850.0 million), buildings of approximately RMB555.2 million (31 December 2013: approximately RMB315.6 million), land use rights of approximately RMB3,166.8 million (31 December 2013: approximately RMB2,572.4 million), completed properties held for sale of approximately RMB2,734.9 million (31 December 2013: approximately RMB1,115.6 million), properties under development of approximately RMB951.6 million (31 December 2013: approximately RMB498.1 million), available-for-sale financial assets of approximately RMB50.0 million (31 December 2013: Nil), other non-current assets of approximately RMB268.7 million (31 December 2013: Nil) and restricted bank deposits of approximately RMB2,458.6 million (31 December 2013: approximately RMB1,118.0 million) were pledged to secure the banking facilities of the Group. Cash deposits of approximately RMB5.69 million (31 December 2013: approximately RMB10.5 million) were restricted and deposited in certain banks as security for bank notes.

CAPITAL COMMITMENTS

As at 31 December 2014, the contracted capital commitments of the Group were approximately RMB6,083 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.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2014, the contingent liabilities of the Group were approximately RMB4,005.5 million (31 December 2013: approximately RMB4,147.6 million), which were 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 completion of transfer of property title by the Group to the buyers.

FOREIGN EXCHANGE RISK

As at 31 December 2014, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 92.0%, 1.2% and 6.8% (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, US dollars and New Taiwan dollars in respective proportions of 63.1%, 19.0%, 17.2% and 0.7% (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 in 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 will be made and transacted either 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 in 2014, and the Group believes that the foreign exchange risk exposed by the Group was relatively minimal.

INTEREST RATE RISK

As at 31 December 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.

HUMAN RESOURCES

As at 31 December 2014, the Group employed a total of 2,412 staff (31 December 2013: 2,445 staff). There were no material changes in the number of staff. For 2014, the staff costs of the Group including Directors' emoluments were approximately RMB231.1 million (2013: approximately RMB212.0 million), representing an increase of approximately 9.0%. The increase was mainly due to the annual salary adjustment. The staff costs include basic salary and welfare expenses, whereby employees' welfare covered a medical insurance plan, a pension plan, an unemployment insurance plan, a pregnancy insurance plan and training.

The Group values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provided various trainings for accounting teams in relation to the latest reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts. In practice, the Group annually conducts reviews on the remuneration packages and performance appraisal with employees which are taken into account for bonus entitlement and 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.

PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

Management Discussion and Analysis

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

For 2014, the contribution to the above MPF Scheme and retirement benefit scheme made by the Group amounted to approximately RMB23.1 million (2013: approximately RMB22.6 million).

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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company (the “**Shareholders**”) as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices, during the year ended 31 December 2014, all code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) were fulfilled by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, 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 year ended 31 December 2014.

BOARD OF DIRECTORS

Directors during the year under review were as follows:

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

Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all family brothers.

The Directors’ biographical information are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. All Executive Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.

A total of 10 Board meetings were held during the year under review. The individual attendance of each Director was as follows:

Name of Director	Number of Attendance
Wong Wun Ming	10
Huang Qingzhu	4
Huang Lianchun	3
Huang Li Shui	2
Dai Yiyi	6
Qu Wenzhou	7
Lau Kin Hon	6

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

Save as disclosed in the section of “Biographical Details of Directors and Senior Management” in this annual report, none of the Directors has any other directorships in listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company’s corporate governance. The role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had appointed three independent non-executive Directors (the “Independent Non-Executive Directors”) who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the Independent Non-Executive Directors has been appointed for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months’ notice in writing or in accordance with the provisions set out in the respective service agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has set up a remuneration committee (the “**Remuneration Committee**”) with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based on remuneration and to ensure none of the Directors can determine their own remuneration.

The Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors, Independent Non-Executive Directors and senior management of the Company and have access to professional advice, if necessary.

The basis of the emoluments payable to the Directors is determined with reference to the range of prevailing remuneration for directors of listed companies in Hong Kong and is subject to the approval of the Board. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Further particulars regarding Directors’ remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 33 to the financial statements.

The chairperson of the Remuneration Committee is Mr. Qu Wenzhou. The other members are Mr. Dai Yiyi and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

One Remuneration Committee meeting was held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Qu Wenzhou (<i>chairperson of the Remuneration Committee</i>)	1
Mr. Dai Yiyi	1
Mr. Lau Kin Hon	1

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities include:

- (a) to assess performance of Executive Directors and to review the remuneration policy and structure of the Directors and senior management of the Group; and
- (b) to review and approve the remuneration packages for all Executive Directors, Independent Non-Executive Directors and senior management.

NOMINATION OF DIRECTORS

The Company has set up a nomination committee (the “**Nomination Committee**”) with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

The chairperson of the Nomination Committee is Mr. Dai Yiyi. The other members are Mr. Qu Wenzhou and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

One Nomination Committee meeting was held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Dai Yiyi (<i>chairperson of the Nomination Committee</i>)	1
Mr. Qu Wenzhou	1
Mr. Lau Kin Hon	1

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities include:

- (a) to review the structure, size and composition of the Board;
- (b) to assess the independence of Independent Non-Executive Directors; and
- (c) to recommend re-election of retiring Directors, namely Mr. Huang Lianchun as Executive Director, and Mr. Dai Yiyi and Mr. Qu Wenzhou as Independent Non-Executive Director to the Board.

BOARD DIVERSITY POLICY

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Company recognises and embraces the benefits of diversity of Board to enhance the quality of its performance. The Board has adopted a board diversity policy as set out in the Terms of Reference of Nomination Committee effective from 26 August 2013. All Board appointments will continue to be made on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Under the board diversity policy, selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Each of the Board members possessed different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, procurement management, administration and business management, property and hotel management, investment development, legal and human resource management, etc. The Board is characterized by significant diversity in terms of age, designation, length of service, skills and knowledge.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Audit Committee**”) with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process, reviewing the corporate governance practices of the Company; and performing other duties and responsibilities as assigned by the Board.

The Board delegates its following responsibility and duties in relation to the corporate governance to the Audit Committee:

- to develop and review the policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company’s compliance with the CG Code and disclosure in the Company’s Corporate Governance Report according to the Listing Rules.

The chairperson of the Audit Committee is Mr. Qu Wenzhou. The other members are Mr. Dai Yiyi and Mr. Lau Kin Hon. All are Independent Non-Executive Directors.

Two Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Attendance
Mr. Qu Wenzhou (<i>chairperson of the Audit Committee</i>)	2
Mr. Dai Yiyi	2
Mr. Lau Kin Hon	2

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities include:

- (a) to review and adopt the accounting policies and treatments to be adopted in the interim report and the annual report of the Group;
- (b) to review the interim and the annual consolidated financial statements;
- (c) to review the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget and the effectiveness of the internal audit function;
- (d) to review the performance of the external independent auditor; and
- (e) to review the corporate governance policies and practices of the Company and make recommendation to the Board; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirement; to review the training and continuous professional development of the Directors and senior management of the Company and to review the disclosure made in the corporate governance report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment as our Directors, each newly appointed Director receives comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being our Director, in order to ensure each Director is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company has been encouraging all Directors and also senior executives to equip themselves with relevant up-dated knowledge and skills. According to the training record maintained by the Company, all Directors has confirmed that he has received certain trainings during the year under review. A summary of their records of training in 2014 is as follows:

Name of Director	Types of Training/Development (Note 1)
Executive Directors	
Wong Wun Ming	B, C
Huang Qingzhu	B, C
Huang Lianchun	B, C
Huang Li Shui	B, C
Independent Non-Executive Directors	
Dai Yiyi	B, C
Qu Wenzhou	B, C
Lau Kin Hon	B, C

Note 1: The letter "A" denotes the activities which include in-house briefings/trainings, seminars, conferences or forums. The letter "B" denotes the activities which include reviewing company business updates, company news and reports and industry updates. The letter "C" denotes the activities which include reading updates of laws, rules and regulations, accounting standards, newspapers and industry journals.

REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT

The remuneration of the members of the senior management of the Group for the year ended 31 December 2014 and 2013 fall within the following bands:

	Number of Individuals	
	2014	2013
Emolument Bands		
Nil to RMB500,000	3	3
RMB500,001 — RMB1,000,000	2	2
RMB1,000,001 — RMB2,000,000	1	1

AUDITOR'S REMUNERATION

For 2014, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.25 million in aggregate.

During the year under review, there were no other significant non-audit service assignments performed by the auditor of the Company.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the duties and responsibilities of the compliance department of the Group, the existing internal compliance procedures and the customized and continuing compliance trainings, and have resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group.

SHAREHOLDERS' RIGHTS

Communication Channel

The Company publishes corporate communications and its Shareholders Communication Policy on the website of its own (<http://ming-fa.com>).

Shareholders of the Company and the investment community may at any time make enquiries to the Company and make a request for the Company's information to the extent such information is publicly available through the following means:

By post:

Mingfa Group (International) Company Limited
Units 6–8, 23/F., South Tower, Concordia Plaza
1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong
Attention: Company Secretary

By telephone: +852 2620 5885

By email: info@ming-fa.com

The Board and senior management maintain a continuing dialogue with the Shareholders and investment community through various channels including the Company's annual general meeting. The chairman and other members of the Board attend the annual general meeting of the Company. Directors will answer questions raised by the Shareholders on the performance of the Group. The Company also holds investor relations conference following the release of full year results announcement at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

GENERAL MEETING

One general meeting was held during the year under review. In respect of code provision A.6.7 of the CG Code, the following lists out the individual attendance of each Director at the annual general meeting of the Company which was held on 30 May 2014:

Name of Director	Number of Attendance
Wong Wun Ming	1
Huang Qingzhu	0
Huang Lianchun	0
Huang Li Shui	0
Dai Yiyi	1
Qu Wenzhou	1
Lau Kin Hon	1

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company (the "EGM")

Registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at a general meeting of the Company (the "**EGM Requisitionist(s)**") can deposit a written request to convene an EGM at the registered office of the Company, which is presently situated at the offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

EGM Requisitionist(s) must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrars of the Company (the "**Share Registrars**") will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the company secretary of the Company will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provision allowing Shareholders to move new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed "Procedures for Shareholders to convene an EGM".

Procedures for Shareholders to Propose a Person for Election as a Director

Details of the procedures had been made available online in the websites of the Company (<http://ming-fa.com>) and of the Stock Exchange (www.hkex.com.hk).

CONSTITUTIONAL DOCUMENT

During the year under review, no amendment to the memorandum and articles of association of the Company was made.

DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

All Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

For and on Behalf of the Board
Mingfa Group (International) Company Limited

Wong Wun Ming
Chairman

27 March 2015

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

Mr. WONG Wun Ming (黃煥明), aged 51, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006-2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong has involved in PRC real estate development since 1986 when he formed his own construction company. Mr. Wong accumulated valuable experience in construction and management as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 44, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 20 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of the Group from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as a senior economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Lianchun (黃連春), aged 42, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Biographical Details of Directors and Senior Management

Prior to being appointed as a Director, Mr. Huang served as a general manager of Mingfa Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

Mr. HUANG Li Shui (黃麗水), aged 57, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than 20 years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DAI Yiyi (戴亦一), aged 47, was appointed as an Independent Non-Executive Director on 9 October 2009. Mr. Dai obtained his doctorate degree in economics from Xiamen University in 1999 and his bachelor degree in economics in 1989 and also graduated from the Sixth Ford Class (福特班六期) of the Sino-American Economic Studies Training Centre at Renmin University of China. He later became a certified property valuer in the PRC in 1997. Mr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

Since 2005, Mr. Dai has acted as a consultant to the Fujian Province Real Estate Association. He was a senior visiting scholar at Northwestern University from 2007 to 2008. He was the Director and Deputy Director of the EMBA Professional Graduate Program of Xiamen University School of Management from 2003 to 2007. He was a senior visiting scholar at McGill University's School of Management in 2002 and a deputy director of the Department of Planning and Statistics at Xiamen University School of Economics from 1993 to 2001.

Mr. Dai is currently an independent director of Shanghai Xinye Resources Holdings Limited (stock code: 600603), which is a company listed on the Shanghai Stock Exchange engaging in real estate development and resources. Mr. Dai is also the independent non-executive director of China SCE Property Holdings Limited (stock code: 1966) and Cosmo Lady (China) Holdings Company Limited (stock code: 2298), both of which are listed on the Hong Kong Stock Exchange. Mr. Dai was the independent director of Xiamen C&D Inc. (stock code: 600153) from April 2007 to April 2013 and Xiamen ITG Group Corp., Ltd. (stock code: 600755) from May 2008 to April 2014, both of which are listed on the Shanghai Stock Exchange. Mr. Dai was also the independent director of Guangdong Shirongzhaoye Co., Ltd. (stock code: 002016) from December 2008 to December 2012 and Fujian Septwolves Industry Co., Ltd. (stock code: 002029) from July 2007 to July 2013, both of which are listed on the Shenzhen Stock Exchange.

Mr. QU Wenzhou (屈文洲), aged 42, was appointed as an Independent Non-Executive Director on 19 August 2010. Mr. Qu is a professor of Finance, a doctoral supervisor, a doctor of Economics (Finance), a post doctor of the School of Economics and Management of Tsinghua University, a chartered financial analyst (CFA), a certified public accountant (CPA). He is currently the vice president of the Institute for Financial and Accounting Studies of Xiamen University, the director of the Chinese Capital Market Research Centre of Xiamen University. He is also the secretary for the Subject Appraisal Panel (Business and Administration Unit) of the Academic Degree Committee of the State Council, a member of the Eleventh All-China Youth Federation, a member of the Fujian Province Youth Federation, a member of the Xiamen City Youth Federation, an expert of the Communication Panel of National Natural Science Foundation of China and National Social Science Fund, a member of the Social Sciences and Humanities Federation of Xiamen University and the reviewer of the "Economic Research Journal", "Journal of Management Sciences in China", "Journal of Financial Research", "Nankai Business Review", "Quarterly Journal of Finance" and "China Financial Review". Mr. Qu is also the adviser of Quanzhou City People's Government, the consultant of Haixi Equity Investment Center, an expert panel member with the China Securities Regulatory Commission, a mentor at the ChiNext Training Center of the Shenzhen Stock Exchange, and a visiting professor for the EMBA (Finance) programme of Renmin University of China and the EMBA programme of South China University of Technology.

Mr. Qu has more than ten years of experience in securities investments through his work with the Research Institute of the Shenzhen Stock Exchange, his role as a securities investment manager in a securities trust firm. He is a forerunner with the professional qualifications of "Securities Investment Consultancy Qualification" awarded by the China Securities Regulatory Commission, and other qualifications such as "Securities Underwriting Qualification", "Securities Trading Qualification", "Fund Practice Qualification", and "Futures Practice Qualification".

Mr. Qu is currently an independent director of Shandong Airlines Co., Ltd. (stock code: 200152) and Shenzhen Laibao Hi-Tech Co., Ltd. (stock code: 002106), both companies are listed on Shenzhen Stock Exchange. Mr. Qu is also the independent director of Geo-Jade Petroleum Corp (Stock code: 600759), a company listed on Shanghai Stock Exchange. Mr. Qu was the independent director of Susino Umbrella Co., Ltd. (stock code: 002174) from 14 October 2005 to 13 October 2011 and Fujian Zhonghe Co., Ltd. (stock code: 002070) from 14 March 2008 to 14 April 2011, both companies are listed on the Shenzhen Stock Exchange. Mr. Qu was the 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. LAU Kin Hon (劉建漢), aged 47, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau is a practicing solicitor in Hong Kong. Mr. Lau received his bachelor of laws degree from University College, London, U.K. He is currently a partner of a law firm in Hong Kong. Mr. Lau is a non-executive director of Lisi Group (Holdings) Limited (Stock code: 526), an executive director of CL Group (Holdings) Limited (Stock code: 8098) and was a non-executive director of Evershine Group Holdings Limited (Previous name: TLT Lottotainment Group Limited) (Stock code: 8022) from 4 March 2013 to 2 October 2013, all of which are listed on The Stock Exchange of Hong Kong Limited.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. POON Wing Chuen (潘永存), aged 49, is our Chief Financial Officer and Company Secretary and his responsibilities are to oversee the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group in May 2008 and has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. JIANG Yong (江勇), aged 39, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000. Mr. Jiang was chosen as the representative of the 15th People's Congress of Siming District of Xiamen, Fujian (思明區十五屆人大代表) in 2006. He qualified as a senior economist in the PRC in 2002. Mr. Jiang graduated with a bachelor degree in law from Southwest University of Political Science and Law in 1999. He passed the China Corporate Legal Consultant Qualification Examination in 2003 and passed the PRC National Judicial Examination in 2006.

Mr. YU Wei Ning (俞偉寧), aged 51, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998. Mr. Yu has received various qualifications and certifications in finance, property agent practice as well as construction management. Mr. Yu obtained Economist Qualification ISO9002 (1994) and ISO9001 (2000) in 1998 and 2004 respectively. In 2003, Mr. Yu obtained the Qualification of Project Manager of Construction and Decoration Project (Grade II) in Xiamen (廈門建築裝飾工程二級專案經理資格) and in 2006, passed the Review and Valuation on Senior Economist held by the Bureau of Human Resources of Fujian Province (福建省人事廳高級經濟師評審). He is a qualified economist in the PRC and a registered real estate agent (註冊房地產經紀人執業資格). Mr. Yu received his bachelor degree from The Open University of Fujian in 1986 and graduated from the University of Xiamen Investment and Economics Research Class in 1999. Mr. Yu obtained the certificate for Mall China accredited operation manager in 2008 and Mall China professional manager in 2009.

Mr. WANG Chih-Cheng (王志成), aged 52, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has over 20 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

Ms. HAO Jin (郝晉), aged 37, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

COMPANY SECRETARY

Mr. POON Wing Chuen (潘永存), aged 49, our Chief Financial Officer, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed as the Company Secretary of the Company on 12 September 2008. Mr. Poon has confirmed that he has taken no less than 15 hours of relevant professional trainings during 2014 and that he has complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

Report of the Directors

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. The nature of the principal activities of the Group remained the same without change during the year under review.

SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC during the year under review and are set out in Note 5 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out at the end of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group during the year under review are set out in Note 6 and Note 7 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year under review are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and in Note 22 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, distributable reserve of the Company amounted to approximately RMB241.8 million (2013: approximately RMB449.2 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement of this annual report.

The Board does not recommend payment of final dividend for the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING (THE “AGM”)

The AGM will be held on Friday, 29 May 2015. The notice of the AGM will be sent together with the annual report to shareholders of the Company in due course. The notice of the AGM and the proxy form will be published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.ming-fa.com>) and be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

The register of members of the Company will be closed and no transfer of shares will be registered during the following period:

To determine the identity of shareholders of the Company who are entitled to attend and vote at the AGM

Latest time for lodging transfers	: 4:30 p.m. on Friday, 22 May 2015
Closure of register of members	: Tuesday, 26 May 2015 to Friday, 29 May 2015, both days inclusive
Date of the AGM	: Friday, 29 May 2015

To qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time for lodging transfers as stated above.

DIRECTORS

The Directors as at 31 December 2014 and up to the date of this annual report were as follows:

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

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of 3 years until terminated by not less than 3 months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to their respective basic salary as agreed with the Company.

Each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the Independent Non-Executive Directors is entitled to their respective annual Directors' fees as agreed with the Company.

The appointments of the Executive Directors and the Independent Non-Executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Director has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. For the year ended 31 December 2014, the remuneration including Directors' fees amounted to approximately RMB1.3 million. For details, please refer to Note 33 to the consolidated financial statements.

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

As at 31 December 2014, the total number of issued shares of the Company was 6,093,451,026 ordinary shares.

As at 31 December 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 (the "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 as set out in Appendix 10 of the 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	Interest of a controlled corporation ^(Note 2)	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 5,086,500,000 shares of the Company Pursuant to the SFO.

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 ^(Note 1)	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation ^(Note 2)	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation ^(Note 3)	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation ^(Note 4)	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 31 December 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.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES" in this report, at no time during the year under review were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transaction" in this report, no arrangement or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end or at any time during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 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 have 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 ^(Note 1)	Approximate Percentage of Interest in the Company
Ms. Chen Bihua ^(Note 2)	Interest of spouse	5,100,000,000 shares (L)	83.7%
Huarong (HK) International Holdings Limited ^(Note 3)	Interest of a controlled corporation	602,852,204 shares (L)	9.89%
中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Limited) ^(Note 4)	Interest of a controlled corporation	1,261,031,204 shares (L)	20.69%

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 1,261,031,204 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) 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) Huarong (HK) International Holdings Limited is deemed to be interested in 602,852,204 shares in which Cinda International Securities Limited held as security agent pursuant to a share charge executed in December 2014 by Galaxy Earnest Limited in favour of Huarong (HK) International Holdings Limited.
- (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 these 1,261,031,204 shares in which Cinda International Securities Limited held as security agent for (i) twelve note holders pursuant to a note purchase agreement executed in December 2013 by the Company involving 658,179,000 shares of the Company and (ii) 602,852,204 shares as mentioned in note (3) above.

Save as disclosed above, as at 31 December 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 have 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 (the “**Share Option Scheme**”). Up to 31 December 2014, no option was granted under the Share Option Scheme.

A summary of the principal terms of the Share Option Scheme is set out below.

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Share Option Scheme

Any Directors (including Non-Executive Directors and Independent Non-Executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital as at 31 December 2014

600,000,000 shares (approximately 9.84% of total issued share capital).

Maximum Entitlement of Each Participant Under the Share Option Scheme

In any 12-month period, in aggregate not exceeding 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

The Period Within Which the Shares Must Be Taken Up Under an Option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The Amount Payable on Application or Acceptance of the Option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

The Basis of Determining the Exercise Price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;
- (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

The Remaining Life of the Share Option Scheme

Up to 9 October 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group.

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 43 to the consolidated financial statements and other than the sale of property to Mr. Huang Li Shui as described in the section headed "Connected Transaction" in this report, such transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirms sufficiency of public float as at the date of this annual report.

CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 7 February 2014. On 10 March 2014, the Company redeemed all remaining convertible bonds due 2016 issued by the Company on 23 May 2011 and which were listed on the Singapore Stock Exchange Securities Trading Limited ("2016 Bonds").

Details of the convertible bonds issued by the Company are set out in Note 24 to the consolidated financial statements.

SENIOR NOTES

Reference is made to the announcements of the Company dated 24 January 2013, 25 January 2013 and 1 February 2013, the Company issued senior notes due 2018 in an aggregate principal amount of US\$100,000,000, bearing interest rate at 13.25% per annum by way of debt issue to professional investors, as described in the offering circular dated 25 January 2013 and the senior notes were listed on Hong Kong Stock Exchange (stock code: 5901). The Company used the majority of the net proceeds to refinance certain of its outstanding indebtedness and the remaining amount for general corporate purposes.

Details of the senior notes issued by the Company are set out in Note 24 to the consolidated financial statements.

SENIOR GUARANTEED TERM NOTES DUE 2014 (“2014 NOTES”)

Reference is made to the announcement of the Company dated 16 December 2013 (capitalized terms in this paragraph have the same meanings as those defined therein). The Company, together with the Guarantors and the Chargor (Galaxy Earnest Limited (銀誠有限公司)) entered into a Note Purchase Agreement with the Tranche 1 Purchasers in relation to the issuance of the 2014 Notes, the principal amount of which was US\$58,500,000. No listing of the 2014 Notes on the Stock Exchange or other stock exchanges was sought. The Company intended to use the net proceeds in the operation of the Company’s principal business including working capital financing and property development projects.

On the Completion Date (17 December 2013), the Chargor, being the controlling shareholder of the Company, entered into a share charge to charge 658,179,000 Shares in favour of the security agent for the interest of the Holders. Upon the occurrence of an event of default, including: (a) a change of control such that the Chargor ceases to hold at least 50% of the issued share capital of the Company or ceases to be the single largest shareholder directly of the Company; or (b) all of Wong Wun Ming (黃煥明), being the beneficial controlling shareholder of the Company, Huang Qingzhu (黃慶祝), Huang Lianchun (黃連春) and Huang Li Shui (黃麗水) cease to be executive Directors of the Company, the 2014 Notes shall become immediately due and repayable in accordance with the conditions of the 2014 Notes.

The 2014 Notes were redeemed on the Maturity Date (16 December 2014) in full.

GUARANTEED TERM NOTES DUE 2015 (“2015 NOTES”)

Reference is made to the Company’s announcement dated 29 December 2014 (capitalized terms in this paragraph have the same meanings as those defined therein). The Company, together with the Guarantors and the Chargor (Galaxy Earnest Limited (銀誠有限公司)) entered into a Note Purchase Agreement with the Purchaser in relation to the issuance of the 2015 Notes, in an aggregate principal amount of US\$60,000,000. No listing of the 2015 Notes on the Stock Exchange or other stock exchanges was sought. The Company intended to use the net proceeds in the operation of the Company’s principal business including working capital financing and property development projects.

On the Completion Date (30 December 2014), the Chargor, being the controlling shareholder of the Company, entered into a share charge to charge 602,852,204 Shares in favour of the security agent for the interest of the Holders. Upon the occurrence of an event of default, including (a) a change of control such that the Chargor ceases to hold at least 50% of the issued share capital of the Company or ceases to be the single largest shareholder directly of the Company; or (b) among Wong Wun Ming (黃煥明), being the beneficial controlling shareholder of the Company, Huang Qingzhu (黃慶祝), Huang Lianchun (黃連春) and Huang Li Shui (黃麗水) any two of them cease to be executive Directors of the Company, the 2015 Notes shall become immediately due and repayable in accordance with the conditions of the 2015 Notes.

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 (明發集團財務有限公司) made further capital contribution of USD50 million to the equity capital of Mingfa Group (Taizhou) Real Estate Co., Ltd. (明發集團(泰州)房地產開發有限公司) in 2014, and following completion of the capital contribution, Mingfa Group Finance Company Limited (明發集團財務有限公司) remains as the sole equity holder holding 100% interest of Mingfa Group (Taizhou) Real Estate Co., Ltd. (明發集團(泰州)房地產開發有限公司).

Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd.

Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司) made further capital contribution of USD70 million to the equity capital of Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. (南京明發科技商務城建設發展有限公司) in 2014, and following completion of the capital contribution, Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司) remains as the sole equity holder holding 100% interest of Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. (南京明發科技商務城建設發展有限公司).

Huizhou Fuzhiye Real Estate Co., Ltd.

Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. (惠州富之頁工貿實業發展有限公司) was merged into Huizhou Fuzhiye Real Estate Co., Ltd. (惠州富之頁房地產開發有限公司) (previous name: Huizhou Fuzhiye Industrial and Trading Co., Ltd.) (前名：惠州富之頁工貿實業有限公司). Accordingly Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. (惠州富之頁工貿實業發展有限公司) was de-registered and Huizhou Fuzhiye Real Estate Co., Ltd. (惠州富之頁房地產開發有限公司) increased its registered and fully paid capital by USD11.2 million. Dowence Development Limited (都運時發展有限公司) remains as the sole equity holder holding 100% interest of Huizhou Fuzhiye Real Estate Co., Ltd. (惠州富之頁房地產開發有限公司).

Changsha Mingfa City Construction Development Co., Ltd.

Mingfa Group Company Limited (明發集團有限公司) made further capital contribution of RMB50 million to the equity capital of Changsha Mingfa City Construction Development Co., Ltd. (長沙明發城市建設開發有限公司) in 2014, and following completion of the capital contribution, Mingfa Group Company Limited (明發集團有限公司) remains as the sole equity holder holding 100% interest of Changsha Mingfa City Construction Development Co., Ltd. (長沙明發城市建設開發有限公司).

SIGNIFICANT INVESTMENTS

Saved as those disclosed under the section headed "Management Discussion and Analysis" in this annual report, the Group did not have any significant investments during the year under review.

PARTICIPATION IN THE COMMUNITY AND GIVING BACK TO SOCIETY

The Group has been paying close attention to the needs of the society and the Group is willing to shoulder social responsibilities and make contributions to those in need, particularly in the areas of education and environmental protection.

In 2014, the Group donated a total of approximately RMB2.0 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and to give back to society.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company redeemed all remaining 2016 Bonds in an aggregate principal amount of HK\$11,000,000 and accrued interest on 10 March 2014, details of which were set out in the overseas regulatory announcement of the Company dated 7 February 2014.

Save for the above-mentioned, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

TAXATION

Details of the taxation of the Group are set out in Note 34 to the consolidated financial statements.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

MATERIAL LITIGATION AND ARBITRATION

Dispute Relating to Yangcheng Lake Project

As at the date of this annual 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 2014 interim report.

Details of the dispute have been set out in the annual reports of 2009 to 2013 and in the interim reports of 2010, 2012 to 2014 of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

During the year under review, 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 (the "**Transferor**") and an independent third party to the Company (the "**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.*) (the "**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.

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

Save for the above-mentioned, the Group had no material acquisition or disposal of subsidiaries during the year under review.

CONNECTED TRANSACTION

On 22 September 2014, the following parties entered into a provisional sale and purchase agreement (the “**Agreement**”):

- (a) Mingfa Property Investment Company Limited, a wholly-owned subsidiary of the Company (the “**Vendor**”); and
- (b) Mr. Huang Li Shui, an Executive Director (the “**Purchaser**”).

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase a residential property located in Sai Kung, Hong Kong at the consideration of HK\$130,000,000 (the “**Disposal**”). Such Disposal constitutes a connected transaction of the Company but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The Board considered that it was a good opportunity to dispose of the residential property and intended to use the net proceeds arising from the Disposal as general working capital and additional fund for future development. Details of the Agreement have been set out in the announcement of the Company dated 22 September 2014.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries during the year under review.

SUBSEQUENT EVENTS

There was no matter between the balance sheet date (i.e. 31 December 2014) and the date of this annual report that would cause material impact on the Group.

AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of PricewaterhouseCoopers as the Company’s auditor for the ensuing year will be proposed at the forthcoming AGM.

On Behalf of the Board
Mingfa Group (International) Company Limited

Wong Wun Ming
Chairman

27 March 2015

Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF
MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED**

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 191, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*



羅兵咸永道

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

Consolidated Balance Sheet

As at 31 December 2014

		As at 31 December	
	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,475,041	1,521,738
Investment properties	7	7,393,525	8,704,268
Land use rights	9	160,119	155,829
Intangible assets	10	7,172	7,177
Associated companies	12	1,158,636	210,435
Joint ventures	13	262,017	264,895
Deferred income tax assets	26	366,238	414,044
Available-for-sale financial assets	19	20,000	20,000
Amount due from a related party	16	220,886	—
Amounts due from non-controlling interests	17	—	265,000
Other receivables	15	14,396	13,589
Other non-current assets	8	4,043,057	2,245,062
		15,121,087	13,822,037
Current assets			
Land use rights	9	7,300,146	6,783,714
Properties under development	11	5,871,966	4,132,947
Completed properties held for sale	14	6,607,124	6,296,805
Inventories		9,731	6,834
Trade and other receivables and prepayments	15	1,670,821	1,447,959
Prepaid income taxes		118,498	230,992
Amounts due from related parties	16	537,505	53,879
Amounts due from non-controlling interests	17	20,428	496,620
Available-for-sale financial assets	19	117,000	—
Restricted cash	18	2,464,240	1,128,500
Cash and cash equivalents	18	732,142	971,184
		25,449,601	21,549,434
Total assets		40,570,688	35,371,471
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	21	536,281	536,281
Reserves	22	10,547,089	9,717,806
		11,083,370	10,254,087
Non-controlling interests in equity		625,822	988,671
Total equity		11,709,192	11,242,758

The notes on pages 72 to 191 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2014

		As at 31 December	
	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	23	1,459,979	1,515,479
Borrowings	24	3,984,346	2,031,671
Deferred income tax liabilities	26	1,612,630	1,949,336
		7,056,955	5,496,486
Current liabilities			
Trade and other payables	27	7,909,370	6,670,142
Advanced proceeds received from customers		2,902,624	2,775,825
Amounts due to related parties	28	356,700	348,209
Amounts due to non-controlling interests	17	230,453	160,564
Income tax payable		2,175,776	2,017,813
Borrowings	24	8,217,892	6,609,730
Derivative financial instruments	25	2,432	46,230
Provision for other liabilities and charges	29	9,294	3,714
		21,804,541	18,632,227
Total liabilities		28,861,496	24,128,713
Total equity and liabilities		40,570,688	35,371,471
Net current assets		3,645,060	2,917,207
Total assets less current liabilities		18,766,147	16,739,244

The notes on pages 72 to 191 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Balance Sheet of the Company

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	5,147,515	4,209,080
Current assets			
Amounts due from related parties	16	1	1
Cash and cash equivalents	18	115,671	203,513
		115,672	203,514
Total assets		5,263,187	4,412,594
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	21	536,281	536,281
Reserves	22	241,834	449,230
Total equity		778,115	985,511
LIABILITIES			
Non-current liabilities			
Borrowings	24	2,209,913	599,052
Current liabilities			
Trade and other payables	27	32,689	614
Amounts due to related parties	28	30,418	39,312
Borrowings	24	2,209,620	2,741,875
Derivative financial instruments	25	2,432	46,230
		2,275,159	2,828,031
Total liabilities		4,485,072	3,427,083
Total equity and liabilities		5,263,187	4,412,594
Net current liabilities		(2,159,487)	(2,624,517)
Total assets less current liabilities		2,988,028	1,584,563

The notes on pages 72 to 191 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenues	5	3,792,610	6,269,093
Cost of sales	31	(2,806,662)	(4,067,469)
Gross profit		985,948	2,201,624
Fair value gains on investment properties	7	1,203,202	453,396
Fair value gains on derivative financial instruments	3(e)	6,318	88,931
Other gains	30	147,273	378,674
Selling and marketing costs	31	(148,947)	(178,541)
Administrative expenses	31	(370,283)	(330,084)
Other operating expenses	31	(71,972)	(33,438)
Operating profit		1,751,539	2,580,562
Finance income	32	36,867	15,921
Finance costs	32	(43,792)	(283,031)
Finance costs — net	32	(6,925)	(267,110)
Share of results of			
— Associated companies	12	(4,803)	(6,946)
— Joint ventures	13	(2,879)	(3,564)
		(7,682)	(10,510)
Profit before income tax		1,736,932	2,302,942
Income tax expense	34	(680,772)	(926,628)
Profit for the year		1,056,160	1,376,314
Attributable to:			
Equity holders of the Company		829,310	1,399,229
Non-controlling interests		226,850	(22,915)
		1,056,160	1,376,314
Earnings per share for profit attributable to equity holders of the Company			
(RMB cents)	36		
— Basic		13.6	23.0
— Diluted		13.1	18.9
Dividends	35	—	—

The notes on pages 72 to 191 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit for the year	1,056,160	1,376,314
Other comprehensive income/(loss):		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	5,242	—
<i>Item that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	(5,269)	(13,929)
Other comprehensive loss for the year, net of tax	(27)	(13,929)
Total comprehensive income for the year	1,056,133	1,362,385
Attributable to:		
Equity holders of the Company	829,283	1,385,300
Non-controlling interests	226,850	(22,915)
	1,056,133	1,362,385

The notes on pages 72 to 191 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Capital and reserves attributable to equity holders of the Company		Non-controlling interests	Total
	Share capital	Reserves		
	RMB'000 (Note 21)	RMB'000 (Note 22)	RMB'000	RMB'000
Balance at 1 January 2014	536,281	9,717,806	988,671	11,242,758
Comprehensive income				
Profit for the year	—	829,310	226,850	1,056,160
Other comprehensive income/(loss)				
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	—	5,242	—	5,242
— Currency translation differences	—	(5,269)	—	(5,269)
Total comprehensive income for the year	—	829,283	226,850	1,056,133
Transactions with owners				
Capital injection to a subsidiary by non-controlling interests	—	—	354,000	354,000
Disposal of subsidiaries (Notes 42(b) and 42(c))	—	—	(943,699)	(943,699)
Balance at 31 December 2014	536,281	10,547,089	625,822	11,709,192

	Capital and reserves attributable to equity holders of the Company		Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)		
Balance at 1 January 2013	536,281	8,332,506	972,158	9,840,945
Comprehensive income/(loss)				
Profit for the year	—	1,399,229	(22,915)	1,376,314
Other comprehensive loss				
— Currency translation differences	—	(13,929)	—	(13,929)
Total comprehensive income for the year	—	1,385,300	(22,915)	1,362,385
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	—	—	31,428	31,428
Acquisition of subsidiaries	—	—	8,000	8,000
	—	—	39,428	39,428
Balance at 31 December 2013	536,281	9,717,806	988,671	11,242,758

The notes on pages 72 to 191 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Operating activities			
Net cash (used in)/generated from operations	37	(1,730,480)	576,869
Interest received		36,061	15,294
Interest paid		(807,188)	(576,422)
PRC enterprise income tax paid		(72,832)	(296,819)
PRC land appreciation tax paid		(130,132)	(204,638)
Net cash used in operating activities		(2,704,571)	(485,716)
Investing activities			
Additions of property, plant and equipment and investment properties		(92,984)	(227,846)
Net cash advances (made to)/received from related parties		(1,000)	3,000
Net cash advances received from/(made to) third parties		104,753	(176,371)
Acquisition of a subsidiary, net of cash acquired	42(a)	(357,608)	(84,450)
Advances to a joint venture		—	(50,000)
Advances to associated companies		(222,413)	(40,561)
Loan to a joint venture		(220,886)	—
Capital injection to associated companies		—	(60,561)
Proceeds from sale of investment properties and property, plant and equipment		180,907	178,426
Additions of available-for-sale financial assets	19	(117,000)	(20,000)
Disposal of subsidiaries, net of cash disposed	42(b), 42(c)	188,980	—
Capital injection to a joint venture		(1)	—
Payments for acquisition of additional interest in an associated company		(45,373)	—
Net cash used in investing activities		(582,625)	(478,363)

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Financing activities			
Drawdown of borrowings		9,395,824	4,707,437
Repayments of borrowings		(5,610,157)	(3,545,927)
Net cash advances received from non-controlling interests		61,861	3,990
Net cash advances (repaid to)/received from related parties		(16,797)	34,623
Net cash advances received from a joint venture		17,270	185,288
Net cash advances received from an associated company		8,321	600
Net cash advances (repaid to)/received from third parties		(11,249)	544,857
Increase in restricted cash relating to financing activities		(1,330,050)	(710,500)
Capital contribution from non-controlling interests		—	31,428
Cash received in connection with the disposal of partial interest in a subsidiary		544,007	24,080
Net cash generated from financing activities		3,059,030	1,275,876
Effect of foreign exchange rate changes on cash		(10,876)	(5,159)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(239,042)	306,638
Cash, cash equivalents and bank overdrafts at beginning of the year		971,184	664,546
Cash and cash equivalents at end of the year	18	732,142	971,184

The notes on pages 72 to 191 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and 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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap.32) for this financial year and the comparative period.

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

(i) Amendments and interpretation of HKFRSs adopted by the Group in 2014

The following amendments to existing standards and interpretation of HKFRSs 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” on 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- 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 to 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.
- Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions executed on or after 1 July 2014:
 - Amendment to HKFRS 2 "Share-based Payment" clarifies the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'.
 - Amendments to HKFRS 3 "Business Combinations", and consequential amendments to HKFRS 9 "Financial Instruments", HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and HKAS 39 "Financial Instruments — Recognition and Measurement" clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 "Financial Instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) *New/revised standards and amendments of HKFRSs that have been issued but are not effective in 2014 and have not been early adopted by the Group*

Certain new/revised standards and amendments of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2014 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014). The amendments include changes from the 2010–2012 cycle of the annual improvements project that affect the following 4 standards: HKFRS 8 "Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets".

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014). The amendments include changes from the 2011–2013 cycle of the annual improvements project that affect the following 3 standards: HKFRS 3 "Business Combinations", HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property".

Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016). The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3 "Business Combinations").

Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016). The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016). The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

Amendment to HKAS 27 on equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016). The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards and amendments of HKFRSs that have been issued but are not effective in 2014 and have not been early adopted by the Group (continued)

Annual improvements 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments include changes from the 2012–2014 cycle of the annual improvements project that affect the following 4 standards: HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, HKFRS 7 “Financial Instruments: Disclosures”, HKAS 19, “Employee Benefits” and HKAS 34 “Interim Financial Reporting”.

Amendments to HKAS 1 for the disclosure initiative (effective for annual periods beginning on or after 1 January 2016). The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

HKFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017). HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) *New/revised standards and amendments of HKFRSs that have been issued but are not effective in 2014 and have not been early adopted by the Group (continued)*

The Group has not early adopted the above or any other new/revised standards, amendments to the existing standards that have been issued but are not effective in 2014. The Group is in the process of making an assessment on the impact of these new/revised standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's result of operations and financial position, except for the new financial reporting standard HKFRS 15 "Revenue from Contracts with Customers" which the Group is not yet in a position to conclude.

(b) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (or to the Controlling Shareholders under merger accounting). They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations

The Group applies the acquisition method to account for business combinations except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss (Note 2(k)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment test is performed according to Note 2(j).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. There are two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

- **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investment in a joint venture is accounted for using the equity method of accounting. The interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The consolidated balance sheet includes the Group's share of the net assets of the joint ventures and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.

- **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

In respect of the Group's interest in a joint operation, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of any assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other operators in relation to the joint operation; any income from the sale or use of its share of the output of the joint operation, together with its share of any expense incurred by the joint operation; and any expense that it has incurred in respect of its interest in the joint operation.

(e) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

- Assets and liabilities are translated at the closing rate at balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

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

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

Buildings	20–40 years
Machinery	5–20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated income statement.

(h) Assets under construction

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as income approach or discounted cash flow projections. These valuations are performed at balance sheet date by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated income statement.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as other comprehensive income and recorded in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss in the consolidated income statement. On subsequent disposal of the investment property, the revaluation surplus included in equity is transferred to retained earnings directly and not made through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties (continued)

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated income statement.

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gains or losses from fair value adjustments on investment properties.

(j) Impairment of investments in subsidiaries, associated companies, joint ventures, joint operations and non-financial assets

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

(k) Intangible assets — goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred, the amount of the non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

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

(m) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated income statement.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date (or greater than normal operating cycle of the business if longer) which are classified as non-current assets.

(q) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Interest on available-for-sale securities calculated using the effective interest method is recognised in consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established. Fair value adjustments on available-for-sale financial assets are recognised as other comprehensive income and accumulated within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity investments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of contractual agreements. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months after the balance sheet date which are classified as current assets.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and are grouped with bank overdrafts in the consolidated cash flow statement. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Restricted cash is excluded from cash and cash equivalents.

(t) Borrowings

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

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivatives, financial liability, represent the value of the option that bondholders have to convert into ordinary shares and early redemption option. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the consolidated income statement.

If the convertible bonds are converted into ordinary shares, the carrying amounts of the corresponding embedded derivative and debt components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed or repurchased, any difference between the amount paid and the carrying amounts of the corresponding embedded derivative and debt components is recognised in consolidated income statement.

(v) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries/associated companies/joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax (continued)

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

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

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

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

(w) Trade and other payables

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

(x) Employee benefits

(i) *Employee leave entitlements*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

(ii) Retirement benefits

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

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

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

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

(y) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Provisions and contingent liabilities

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

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

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

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

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

(aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

(i) Sales of properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Revenue recognition (continued)

(ii) *Rental income*

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectability is reasonably assured.

(iii) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

(iv) *Property construction income*

Property construction income is recognised based on the percentage of completion method, by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

(v) *Sales of construction materials*

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

(vi) *Decoration services*

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vii) *Interest income*

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

(viii) *Dividend income*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

(ac) Leases

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

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor), are charged as expense to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

(iii) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

(ad) Dividend distribution

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

3 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.

(a) Market risk

(i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar ("HK dollar"), United States dollar ("US dollar") and New Taiwan dollar ("NTD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances, certain balances with related parties and certain borrowings denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB101,718,000 higher/lower (2013: RMB157,831,000 higher/lower), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits, balances with non-controlling interests, related parties and third parties, certain borrowings and derivative financial instruments.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against US dollar with all other variables held constant, the post-tax profit for the year would have been RMB95,456,000 higher/lower (2013: RMB37,527,000), mainly as a result of net foreign currency losses/gains on translation of US dollar denominated bank deposits, amounts due from related parties and certain borrowings.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against NTD with all other variables held constant, the post-tax profit for the year would have been RMB3,302,000 higher/lower (2013: Nil), mainly as a result of net foreign currency losses/gains on translation of NTD denominated bank deposits and certain borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18) and an amount due from a joint venture (Note 16), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

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

As at 31 December 2014, if interest rates on borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB7,513,000 (2013: RMB4,456,000) lower/higher.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties and amounts due from non-controlling interests included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the five major counterparties as at 31 December 2014.

Counter party	Rating (note)	As at 31 December	
		2014 RMB'000	2013 RMB'000
Bank A	A/A-1	1,232,116	377,728
Bank B	N/A	432,161	57,394
Bank C	AA-/A-1+	314,140	203,282
Bank D	BBB+/A-2	305,667	971
Bank E	A/A-1	280,679	881,007
		2,564,763	1,520,382

Note: These are Standard and Poor's credit rating.

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Management does not expect any losses from non-performance of these counterparties.

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 monitor these deposits and advances to ensure actions taken to recover these balances in the case of any risk of default.

(c) 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
Group					
As at 31 December 2014					
Borrowings	8,182,628	1,943,309	1,556,469	500,007	12,182,413
Interest payments on borrowings (note)	655,925	205,345	285,845	78,161	1,225,276
Trade and other payables	7,909,370	—	—	—	7,909,370
Amounts due to related parties	356,700	—	—	—	356,700
Amounts due to non-controlling interests	230,453	—	—	—	230,453
Financial guarantees	4,005,525	—	—	—	4,005,525
	21,340,601	2,148,654	1,842,314	578,168	25,909,737
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 31 December 2014 and 2013 respectively without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2014 and 2013 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Company					
At 31 December 2014					
Borrowings	2,174,356	1,613,452	611,900	—	4,399,708
Interest payments on borrowings (note)	176,395	91,397	85,617	—	353,409
Trade and other payables	32,689	—	—	—	32,689
Amounts due to related parties	30,418	—	—	—	30,418
	2,413,858	1,704,849	697,517	—	4,816,224
At 31 December 2013					
Borrowings	2,729,077	—	620,623	—	3,349,700
Interest payments on borrowings (note)	184,505	78,739	163,587	—	426,831
Trade and other payables	614	—	—	—	614
Amounts due to related parties	39,312	—	—	—	39,312
	2,953,508	78,739	784,210	—	3,816,457

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

(d) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and derivative financial instruments less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management (continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Borrowings and derivative financial instruments	12,204,670	8,687,631
Less: Cash and cash equivalents and cash restricted for borrowings	(3,190,692)	(2,089,184)
Net debt	9,013,978	6,598,447
Total equity	11,709,192	11,242,758
Total capital	20,723,170	17,841,205
Gearing ratio	43.5%	37.0%

(e) 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 31 December 2014. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	—	—	137,000	137,000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	2,432	2,432

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

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

(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.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

(iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2014 and 2013:

	Available-for-sale financial assets	
	2014 RMB'000	2013 RMB'000
Opening balance	20,000	—
Addition	117,000	20,000
Closing balance	137,000	20,000
Total gains or losses for the year included in profit or loss for available-for-sale financial assets held at the end of the year	—	—
	Derivative financial instruments	
	2014 RMB'000	2013 RMB'000
Opening balance	46,230	310,283
Repurchase of convertible bonds	—	(11,035)
Redemption of convertible bonds	(37,480)	(164,087)
Gains recognised in profit or loss	(6,318)	(88,931)
Closing balance	2,432	46,230
Total gains for the year included in profit or loss for derivative financial liabilities held at the end of the year	(6,318)	(88,931)

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Group

Assets as per balance sheet	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Loans and receivables		
Trade and other receivables	1,300,407	1,035,089
Amounts due from related parties	758,391	53,879
Amounts due from non-controlling interests	20,428	761,620
Restricted cash	2,464,240	1,128,500
Cash and cash equivalents	732,142	971,184
	5,275,608	3,950,272
Available-for-sale financial assets	137,000	20,000
Total	5,412,608	3,970,272

Liabilities as per balance sheet	As at 31 December 2014			As at 31 December 2013		
	Financial liabilities at fair value	Other financial liabilities at amortised cost	Total	Financial liabilities at fair value	Other financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	12,202,238	12,202,238	—	8,641,401	8,641,401
Trade and other payables (excluding other taxes payable)	—	7,723,253	7,723,253	—	6,456,140	6,456,140
Derivative financial instruments	2,432	—	2,432	46,230	—	46,230
Amounts due to related parties	—	356,700	356,700	—	348,209	348,209
Amounts due to non-controlling interests	—	230,453	230,453	—	160,564	160,564
Total	2,432	20,512,644	20,515,076	46,230	15,606,314	15,652,544

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

Company

Assets as per balance sheet	As at 31 December	
	2014 RMB'000	2013 RMB'000
Loans and receivables		
Amounts due from related parties	1	1
Cash and cash equivalents	115,671	203,513
Total	115,672	203,514

Liabilities as per balance sheet	As at 31 December 2014			As at 31 December 2013		
	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	4,419,533	4,419,533	—	3,340,927	3,340,927
Other payables	—	32,689	32,689	—	614	614
Amounts due to related parties	—	30,418	30,418	—	39,312	39,312
Derivative financial instruments	2,432	—	2,432	46,230	—	46,230
Total	2,432	4,482,640	4,485,072	46,230	3,380,853	3,427,083

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Estimated fair value of investment properties

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

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions are disclosed in Note 7.

(e) Provision for properties under development and completed properties held for sale

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

(f) Provision for delay in delivering properties

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated income statement. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of derivative financial instruments as at 31 December 2014 and the post-tax profit for the year would have been approximately RMB1,309,000 (2013: RMB12,906,000) and RMB2,411,000 (2013: RMB19,579,000) lower respectively were the expected volatility increase by 3% and 5% from management's estimates.

(h) Joint operation with Powerlong Group Development Co., Ltd. ("Baolong")

On 8 November 2002, the Group entered into a joint operation contract ("Master Agreement") with 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 (Note 13(b)).

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 meter 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.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint operation with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

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 for further judgment and no final rulings have been made.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint operation with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

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 (Note 13(b)).

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.

5 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2013: three) reportable operating segments:

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties;
- (iv) the property construction segment which is a new business of the Group in 2014 engages in construction operation.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

5 REVENUES AND SEGMENT INFORMATION (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no significant non-current assets of the Group are located outside the PRC.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or non-controlling interests relating to respective segments. They exclude deferred income tax assets, prepaid income taxes and available-for-sale financial assets.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, income tax payable and derivative financial instruments.

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Sale of properties		
— commercial	624,849	2,014,641
— residential	2,271,055	3,828,986
	2,895,904	5,843,627
Hotel operating income	118,241	80,554
Rental income		
— from investment properties	234,219	306,859
— others	12,512	10,460
Property management fee income	32,334	27,593
Property construction income	499,400	—
	3,792,610	6,269,093

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information

The segment results and other segment items for the year ended 31 December 2014 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	624,849	2,271,055	121,036	279,065	499,400	—	—	3,795,405
Inter-segment revenues	—	—	(2,795)	—	—	—	—	(2,795)
Revenues	624,849	2,271,055	118,241	279,065	499,400	—	—	3,792,610
Operating profit/(loss)	106,781	267,378	(31,993)	1,363,038	17,433	28,902	—	1,751,539
Finance costs — net								(6,925)
Share of results of associated companies	(2,191)	(2,611)	(1)	—	—	—	—	(4,803)
Share of results of joint ventures	(770)	(2,109)	—	—	—	—	—	(2,879)
Profit before income tax								1,736,932
Income tax expense								(680,772)
Profit for the year								1,056,160
Other segment information								
Capital and property development expenditure	1,540,438	4,901,528	28,299	6,547	—	—	—	6,476,812
Depreciation	5,395	12,470	26,569	2,171	—	4,002	—	50,607
Amortisation of land use rights as expenses	3,047	3,898	—	—	—	—	—	6,945
Fair value gains on investment properties	—	—	—	1,203,202	—	—	—	1,203,202
Fair value gains on derivative financial instruments	—	—	—	—	—	6,318	—	6,318
Net gain from redemption of 2015 and 2016 Bonds	—	—	—	—	—	23,988	—	23,988
Impairment of goodwill recognised as expenses	—	5	—	—	—	—	—	5

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2014 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	20,156,194	28,639,168	2,295,698	8,073,168	499,400	8,512,244	(29,647,573)	38,528,299
Associated companies	203,983	41,822	—	912,831	—	—	—	1,158,636
Joint ventures	69,408	190,120	—	2,489	—	—	—	262,017
	20,429,585	28,871,110	2,295,698	8,988,488	499,400	8,512,244	(29,647,573)	39,948,952
Unallocated:								
Deferred income tax assets								366,238
Prepaid income taxes								118,498
Available-for-sale financial assets								137,000
Total assets								40,570,688
Segment liabilities	11,397,165	20,306,309	241,989	305,088	217,419	10,048,023	(29,647,573)	12,868,420
Unallocated:								
Deferred income tax liabilities								1,612,630
Borrowings								12,202,238
Derivative financial instruments								2,432
Income tax payable								2,175,776
Total liabilities								28,861,496

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment results and other segment items for the year ended 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
Total segment revenues	2,014,641	3,828,986	84,164	344,912	—	—	6,272,703
Inter-segment revenues	—	—	(3,610)	—	—	—	(3,610)
Revenues	2,014,641	3,828,986	80,554	344,912	—	—	6,269,093
Operating profit/(loss)	825,038	763,225	(43,286)	876,221	159,364	—	2,580,562
Finance costs — net							(267,110)
Share of results of associated companies	(1,645)	(5,301)	—	—	—	—	(6,946)
Share of results of joint ventures	(953)	(2,611)	—	—	—	—	(3,564)
Profit before income tax							2,302,942
Income tax expense							(926,628)
Profit for the year							1,376,314
Other segment information							
Capital and property development expenditure	1,491,535	3,135,114	34,644	169,091	—	—	4,830,384
Depreciation	3,035	13,668	26,197	1,710	4,517	—	49,127
Amortisation of land use rights as expenses	3,921	2,503	—	—	—	—	6,424
Fair value gains on investment properties	—	—	—	453,396	—	—	453,396
Fair value gains on derivative financial instruments	—	—	—	—	88,931	—	88,931
Net loss from repurchase and redemption of 2016 Bonds	—	—	—	—	11,442	—	11,442
Impairment of goodwill recognised as expenses	—	7	—	—	—	—	7

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The 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

6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2014	1,017,372	400,797	10,298	61,191	94,468	120,331	1,704,457
Additions	52,393	1,008	1,149	12,620	4,439	—	71,609
Transfer to investment properties (Note 7)	—	(7,638)	—	—	—	—	(7,638)
Transfer upon completion	(285,768)	232,200	—	—	—	53,568	—
Amortisation of land use rights (Note 9)	311	—	—	—	—	—	311
Disposals	—	—	—	(363)	—	(74,260)	(74,623)
Disposal of subsidiaries (Notes 42(b), 42(c))	—	—	—	(678)	(491)	—	(1,169)
As at 31 December 2014	784,308	626,367	11,447	72,770	98,416	99,639	1,692,947
Accumulated depreciation							
As at 1 January 2014	—	(74,056)	(7,487)	(31,013)	(58,483)	(11,680)	(182,719)
Charge for the year	—	(24,610)	(1,254)	(11,179)	(10,650)	(2,914)	(50,607)
Transfer to investment properties (Note 7)	—	786	—	—	—	—	786
Disposals	—	—	—	269	—	14,133	14,402
Disposal of subsidiaries (Notes 42(b), 42(c))	—	—	—	144	88	—	232
As at 31 December 2014	—	(97,880)	(8,741)	(41,779)	(69,045)	(461)	(217,906)
Net book value							
As at 31 December 2014	784,308	528,487	2,706	30,991	29,371	99,178	1,475,041

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2013	—	395,797	9,611	48,198	78,984	120,331	652,921
Additions	—	5,000	687	13,069	15,752	—	34,508
Transfer from completed properties held for sale, to be converted into hotel buildings	1,017,372	—	—	—	—	—	1,017,372
Disposals	—	—	—	(76)	(268)	—	(344)
As at 31 December 2013	1,017,372	400,797	10,298	61,191	94,468	120,331	1,704,457
Accumulated depreciation							
As at 1 January 2013	—	(49,732)	(6,581)	(22,761)	(46,788)	(8,013)	(133,875)
Charge for the year	—	(24,324)	(906)	(8,306)	(11,924)	(3,667)	(49,127)
Disposals	—	—	—	54	229	—	283
As at 31 December 2013	—	(74,056)	(7,487)	(31,013)	(58,483)	(11,680)	(182,719)
Net book value							
As at 31 December 2013	1,017,372	326,741	2,811	30,178	35,985	108,651	1,521,738

Depreciation of property, plant and equipment of RMB50,607,000 (2013: RMB49,127,000) has been charged to the consolidated income statement.

As at 31 December 2014, certain buildings of RMB555,218,000 (2013: RMB315,599,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2014 (2013: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	8,704,268	7,952,701
Additions	6,010	163,147
Transfer from property, plant and equipment (Note 6)	6,852	—
Transfer from land use rights (Note 9)	53,396	223,151
Transfer from deferred government grants (Note 23)	(21,493)	(123,563)
Transfer from completed properties held for sale	182,163	172,436
Fair value gains	1,203,202	453,396
Revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	6,989	—
Disposals	(87,862)	(137,000)
Disposal of a subsidiary which became an associated company (Note 42(b))	(2,660,000)	—
Ending balance	7,393,525	8,704,268

The investment properties were revalued on an existing use basis at each balance sheet date by DTZ Debenham Tie Leung Limited (“DTZ”), an independent professional qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The estimated future development costs of investment properties under construction were deducted when arriving at the fair value of such properties which amounted to RMB346,000,000 as at 31 December 2014 (2013: RMB170,000,000).

The Group’s interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	7,393,525	8,704,268

As at 31 December 2014, investment properties of RMB4,145,383,000 (2013: RMB3,849,948,000) were pledged as collateral for the Group’s borrowings (Note 24).

7 INVESTMENT PROPERTIES — GROUP (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2014 using		
	Quoted Prices in active markets for identical assets	Significant Other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	7,047,525
— Investment properties under development	—	—	346,000
Total	—	—	7,393,525

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	8,534,268
— Investment properties under development	—	—	170,000
Total	—	—	8,704,268

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES — GROUP (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2014 Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	8,534,268	170,000	8,704,268
Additions	—	6,010	6,010
Transfer from property, plant and equipment	6,852	—	6,852
Transfer from land use rights	15,863	37,533	53,396
Transfer from deferred government grants	—	(21,493)	(21,493)
Transfer from completed properties held for sale	182,163	—	182,163
Fair value gains	1,049,252	153,950	1,203,202
Revaluation surplus upon transfer of an owner-occupied property to investment property	6,989	—	6,989
Disposals	(87,862)	—	(87,862)
Disposal of a subsidiary which became an associated company (Note 42(b))	(2,660,000)	—	(2,660,000)
Ending balance	7,047,525	346,000	7,393,525
Total gains for the year included in profit or loss under fair value gains on investment properties	1,049,252	153,950	1,203,202

	Year ended 31 December 2013 Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,272,701	680,000	7,952,701
Additions	72,223	90,924	163,147
Transfer from land use rights	6,594	216,557	223,151
Transfer from deferred government grants	—	(123,563)	(123,563)
Transfer from completed properties held for sale	172,436	—	172,436
Transfer upon completion	1,000,000	(1,000,000)	—
Fair value gains	147,314	306,082	453,396
Disposals	(137,000)	—	(137,000)
Ending balance	8,534,268	170,000	8,704,268
Total gains for the year included in profit or loss under fair value gains on investment properties	147,314	306,082	453,396

7 INVESTMENT PROPERTIES — GROUP (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2014 and 2013 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer, including:

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

Valuation techniques

For completed investment properties, the valuation was determined using the income capitalisation approach which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuation was based on a direct comparison model taking into account the following estimates (in addition to the inputs noted above)

Costs to complete These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;

Completion dates Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

7 INVESTMENT PROPERTIES — GROUP (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2014 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	7,047,525	Income capitalisation approach	Rental value	RMB21–312 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.50%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–7.00%	The higher the reversionary yield, the lower the fair value
Investment properties under development	346,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB397,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,500–9,000 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	20%–25% of property value	The higher the profit margin required, the lower the fair value
Description	Fair value at 31 December 2013 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	8,534,268	Income capitalisation approach	Rental value	RMB20–303 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.50%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–7.00%	The higher the reversionary yield, the lower the fair value
Investment properties under development	170,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB175,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,000–8,000 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	20% of property value	The higher the profit margin required, the lower the fair value

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

8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Prepayments or deposits for land use rights (note (a))	3,920,367	2,120,092
Prepayments for acquisition of a subsidiary (note (b))	33,000	33,000
Unamortised development costs for properties where the use rights had been transferred (note (c))	89,690	91,970
	4,043,057	2,245,062

Notes:

- (a) The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

As at 31 December 2014, other non-current assets of RMB268,690,000 (2013: Nil) were pledged as collateral for the Group's borrowings (Note 24).

- (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 prepayments and the acquisition has not been completed as at 31 December 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 are 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 RMB148,097,000 as at 31 December 2014 (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.

9 LAND USE RIGHTS — GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	6,939,543	4,773,851
Additions	1,074,238	3,376,193
Acquisition of a subsidiary (Note 42(a))	94,308	—
Amortisation		
— capitalised in property, plant and equipment	(311)	—
— capitalised in properties under development	(166,618)	(108,774)
— recognised as expenses	(6,945)	(6,424)
Transfer to cost of sales	(385,286)	(872,152)
Transfer to investment properties (Note 7)	(53,396)	(223,151)
Disposal of a subsidiary (Note 42(c))	(35,268)	—
Ending balance	7,460,265	6,939,543
Land use rights		
— relating to property, plant and equipment under non-current assets	160,119	155,829
— relating to properties developed for sale under current assets	7,300,146	6,783,714
	7,460,265	6,939,543
Outside Hong Kong, held on leases of:		
Over 50 years	2,455,959	2,797,999
Between 10 to 50 years	5,004,306	4,141,544
	7,460,265	6,939,543

Land use rights comprise cost of acquiring rights to use certain land, which are all located outside Hong Kong and primarily in mainland China for property development over fixed periods.

Amortisation of land use rights of RMB6,945,000 (2013: RMB6,424,000) has been charged to the administrative expenses.

As at 31 December 2014, land use rights of RMB3,166,794,000 (2013: RMB2,572,355,000) were pledged as collateral for the Group's borrowings (Note 24).

10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	7,177	7,184
Impairment of goodwill recognised as expenses (note)	(5)	(7)
Ending balance	7,172	7,177

Note: 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.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Property development	7,172	7,177

The recoverable amount of a CGU is determined based on the higher of the fair value (less cost to sell) of the related properties, determined by independent professional qualified valuers, or its value-in-use estimate.

11 PROPERTIES UNDER DEVELOPMENT — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	4,470,766	3,280,837
Interest capitalised	1,401,200	852,110
	5,871,966	4,132,947

11 PROPERTIES UNDER DEVELOPMENT — GROUP (continued)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest capitalised		
Opening balance	852,110	436,966
Additions (Note 32)	721,900	565,507
Transfer to cost of sales	(91,289)	(90,127)
Transfer to completed properties held for sale	(81,521)	(61,066)
Transfer to investment properties	—	830
Ending balance	1,401,200	852,110

The properties under development are all located outside Hong Kong and primarily in mainland China.

As at 31 December 2014, properties under development of RMB951,610,000 (2013: RMB498,144,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 6.29% for the year ended 31 December 2014 (2013: 9.31%).

12 ASSOCIATED COMPANIES — GROUP

On 20 June 2011, the Group obtained 33.33% equity interest in Eagle Rights Limited ("Eagle Rights"), an unlisted entity incorporated in the British Virgin Islands, by injecting cash capital of US\$15,000,000 (equivalent to RMB97,699,000). The associated company has a Hong Kong subsidiary which has acquired a property project in Japan on 31 July 2011.

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 the 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.

On 6 February 2013, the Group obtained 49% equity interest in Nanjing Software Valley Mingfa Communications Technology Development Co., Ltd. ("Mingfa Tongxin"), an unlisted entity incorporated in the PRC, by injecting cash capital of US\$9,800,000 (equivalent to RMB60,561,000).

In 2014, the Group obtained 20% equity interest in Speedy Gains Limited ("Speedy Gains"), an unlisted entity incorporated in the British Virgin Islands, by injecting capital of US\$2 (equivalent to RMB12). The associated company has a Hong Kong subsidiary which has succeeded in the bid on 22 October 2014 to acquire a leasehold land in Hong Kong for hotel development.

12 ASSOCIATED COMPANIES — GROUP (continued)

In 2014, the Group entered into an agreement with Nanjing Software Valley Development Company Limited (南京軟件谷發展有限公司) (“Nanjing Software Valley”), the 49% non-controlling interests, to dispose its 3% equity interest in Nanjing Software Valley Mingfa Information Technology Development Company Limited (“Software Valley Mingfa”), a PRC subsidiary in which the Group holds 51% equity interest before the disposal, to Nanjing Software Valley at a cash consideration of RMB79,800,000. The transaction was completed on 31 December 2014 and since then, Software Valley Mingfa became an associated company of the Group.

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	210,435	170,749
Additions	45,373	60,561
Disposal of a subsidiary which became an associated company (Note 42(b))	912,831	—
Share of results		
— Loss for the year	(4,803)	(6,946)
Share of other comprehensive loss		
— Exchange differences	(5,200)	(13,929)
Ending balance	1,158,636	210,435

Nature of investments in associated companies in 2014

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights	Japan	33.33%	Equity accounting
Shimao Mingfa	PRC	37.50%	Equity accounting
Mingfa Tongxin	PRC	49.00%	Equity accounting
Software Valley Mingfa	PRC	48.00%	Equity accounting
Speedy Gains	Hong Kong	20.00%	Equity accounting

Nature of investments in associated companies in 2013

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights	Japan	33.33%	Equity accounting
Shimao Mingfa	PRC	25.00%	Equity accounting
Mingfa Tongxin	PRC	49.00%	Equity accounting

12 ASSOCIATED COMPANIES — GROUP (continued)

As at 31 December 2014, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Mingfa Tongxin	200,000	—
Software Valley Mingfa	265,000	—
Speedy Gains	145,152	—
Total	610,152	—

Summarised financial information for the associated companies

Set out below are the summarised financial information for associated companies which are accounted for using the equity method.

Summarised balance sheet

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa	Speedy Gains
	As at 31 December		As at 31 December		As at 31 December		As at	As at
	2014	2013	2014	2013	2014	2013	31 December 2014	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Current assets	91,749	101,853	550,199	486,677	318,880	129,348	273,742	9,665
Non-current assets	72,820	77,364	224	351	549	313	2,677,423	1,443,632
	164,569	179,217	550,423	487,028	319,429	129,661	2,951,165	1,453,297
Liabilities								
Current liabilities	(39,089)	(30,301)	(291,708)	(226,853)	(236)	(7,113)	(359,415)	(722,022)
Non-current liabilities	—	—	—	—	(200,000)	—	(690,018)	(731,275)
	(39,089)	(30,301)	(291,708)	(226,853)	(200,236)	(7,113)	(1,049,433)	(1,453,297)
Net assets	125,480	148,916	258,715	260,175	119,193	122,548	1,901,732	—

12 ASSOCIATED COMPANIES — GROUP (continued)

Summarised statement of comprehensive income

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software	Speedy
	Year ended		Year ended		Year ended		Valley	Gains
	31 December		31 December		31 December		Mingfa	Year ended
	2014	2013	2014	2013	2014	2013	31 December	31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2014	2014
Income	20,585	19,574	—	—	—	—	—	—
Expenses	(28,418)	(35,477)	(1,460)	(4,537)	(3,355)	(1,045)	—	—
Loss after tax	(7,833)	(15,903)	(1,460)	(4,537)	(3,355)	(1,045)	—	—
Other comprehensive loss								
— Exchange differences	(15,603)	(41,791)	—	—	—	—	—	—
Total comprehensive loss	(23,436)	(57,694)	(1,460)	(4,537)	(3,355)	(1,045)	—	—

The information above reflects the amounts presented in the financial statements of the associated companies, adjusted for differences in accounting policies between the Group and the associated companies, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associated companies:

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software	Speedy
	As at 31 December		As at 31 December		As at 31 December		Valley	Gains
	2014		2014		2014		Mingfa	As at
	2014	2013	2014	2013	2014	2013	31 December	31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2014	2014
Opening net assets	148,916	206,610	260,175	264,712	122,548	123,593	1,901,732	—
Loss for the year	(7,833)	(15,903)	(1,460)	(4,537)	(3,355)	(1,045)	—	—
Exchange differences	(15,603)	(41,791)	—	—	—	—	—	—
Closing net assets	125,480	148,916	258,715	260,175	119,193	122,548	1,901,732	—
% of interest held	33.33%	33.33%	37.50%	25.00%	49.00%	49.00%	48.00%	20.00%
Group's interests in associated companies	41,822	49,634	97,018	65,044	58,405	60,049	912,831	—
Goodwill	—	—	48,560	35,708	—	—	—	—
Carrying amount	41,822	49,634	145,578	100,752	58,405	60,049	912,831	—

13 JOINT ARRANGEMENTS — GROUP

(a) Joint ventures

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	264,895	218,459
Capital injection to a joint venture (note (a))	1	—
Share of results		
— Loss for the year	(2,879)	(3,564)
Advances to a joint venture (note (b))	—	50,000
Ending balance	262,017	264,895

Note:

- (a) In 2014, the Group set up a joint venture named Powerland Holdings Limited (“Powerland”) which is an unlisted entity incorporated in the British Virgin Islands, with joint venture parties named Emperor International Holdings Limited and Smart Launch Limited and injected capital of US\$2 to the joint venture according to the share percentage of 20%. The joint venture will engage in a residential property development project in Hong Kong.
- (b) Pursuant to agreement dated 31 December 2009, the Group agreed to cooperatively develop a project with a joint venture party named Fujian Nan’an Guanqiao Foodstuff City Investment Development Co., Ltd. (“Nan’an Guanqiao Foodstuff City”). To complete the transaction, Nan’an Guanqiao Foodstuff City and the Group set up a joint venture named as Quanzhou Mingfa Huachang Development and Construction Co., Ltd (“Quanzhou Huachang”) in the PRC and injected capital of RMB5,000,000 respectively according to their respective share percentages of 50% and 50% in 2010. Nan’an Guanqiao Foodstuff City assisted the joint venture to obtain the land use rights. On 5 January 2011, the Group and Nan’an Guanqiao Foodstuff City further injected capital of RMB50,000,000 respectively according to their respective share percentages of 50% and 50% in the joint venture. In 2013, the Group advanced RMB50,000,000 to the joint venture for property development.
- (c) The Group also has an interest in a joint venture, Mingsheng (Quanzhou) Property Management Co., Ltd. (“Mingsheng Quanzhou”) which is incorporated in the PRC and primarily engages in property management business.

As at 31 December 2014, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Powerland	213,784	—

As at 31 December 2014, Quanzhou Huachang has contingent liabilities of RMB50,235,000 (2013: Nil) relating to the guarantees which it provided in favour of certain banks for the grant of mortgage loans to certain purchasers of Quanzhou Huachang’s properties.

13 JOINT ARRANGEMENTS — GROUP (continued)

(a) Joint ventures (continued)

Nature of investments in joint ventures in 2014

Name of entity	Place of business	% of interest held	Measurement method
Quanzhou Huachang	PRC	50	Equity accounting
Mingsheng Quanzhou	PRC	50	Equity accounting
Powerland	Hong Kong	20	Equity accounting

Nature of investments in joint ventures in 2013

Name of entity	Place of business	% of interest held	Measurement method
Quanzhou Huachang	PRC	50	Equity accounting
Mingsheng Quanzhou	PRC	50	Equity accounting

Summarised financial information for the joint ventures

Set out below are the summarised financial information for the joint ventures which are accounted for using the equity method.

Summarised balance sheet

	Quanzhou Huachang		Mingsheng Quanzhou		Powerland
	As at 31 December		As at 31 December		As at
	2014	2013	2014	2013	31 December
	RMB'000	RMB'000	RMB'000	RMB'000	2014
					RMB'000
Assets					
Current assets	1,241,320	678,980	6,756	4,990	2,763,656
Non-current assets	636	1,044	—	—	—
	1,241,956	680,024	6,756	4,990	2,763,656
Liabilities					
Current liabilities	(358,040)	(275,352)	(1,778)	(12)	(1,902)
Non-current liabilities	(485,000)	—	—	—	(2,761,754)
	(843,040)	(275,352)	(1,778)	(12)	(2,763,656)
Net assets	398,916	404,672	4,978	4,978	—

13 JOINT ARRANGEMENTS — GROUP (continued)

(a) Joint ventures (continued)

Summarised statement of comprehensive income

	Quanzhou Huachang		Mingsheng Quanzhou		Powerland
	Year ended		Year ended		Year ended
	31 December		31 December		31 December
	2014	2013	2014	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income	—	992	24	32	—
Expenses	(5,756)	(8,120)	(24)	(32)	(5)
Loss after tax/Total comprehensive loss	(5,756)	(7,128)	—	—	(5)

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amounts of the Group's interests in joint ventures:

	Quanzhou Huachang		Mingsheng Quanzhou		Powerland
	As at 31 December		As at 31 December		As at
	2014		2014		31 December
	2014	2013	2014	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	404,672	411,800	4,978	4,978	5
Loss the year	(5,756)	(7,128)	—	—	(5)
Closing net assets	398,916	404,672	4,978	4,978	—
% of interest held	50%	50%	50%	50%	20%
Group's interests in joint ventures	199,458	202,336	2,489	2,489	—
Goodwill	60,070	60,070	—	—	—
Carrying amount	259,528	262,406	2,489	2,489	—

13 JOINT ARRANGEMENTS — GROUP (continued)

(b) Joint operation

As described in Note 4(h), the Group has a 70% interest in the profits or losses and assets and liabilities of a joint operation located in Xiamen which is engaged in property development and property investment. Baolong has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the joint operation, after taking into account the gain arising from effecting the transfer of the allocated properties pursuant to the Memorandum entered into with Baolong on 15 November 2012 (Note 4(h)), and these amounts are included in the consolidated balance sheet and consolidated income statement.

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Assets		
Current assets	508,875	553,541
Non-current assets	375,211	295,518
	884,086	849,059
Liabilities		
Current liabilities	495,087	480,112
Non-current liabilities	177,981	166,772
	673,068	646,884
Net assets	211,018	202,175

13 JOINT ARRANGEMENTS — GROUP (continued)

(b) Joint operation (continued)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Income	39,524	30,649
Fair value gains on investment properties	45,681	2,306
Expenses	(76,362)	(46,023)
Profit/(loss) after income tax	8,843	(13,068)
Proportionate interest in joint operation's		
— operating lease rentals receivable	6,218	448,911
— financial guarantees	54,371	123,742

14 COMPLETED PROPERTIES HELD FOR SALE — GROUP

All completed properties held for sale are located in mainland China on leases between 40 to 70 years.

As at 31 December 2014, completed properties held for sale of RMB2,734,858,000 (2013: RMB1,115,571,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2014, there was no impairment provision made on completed properties held for sale (2013: Nil).

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables (note (a))	623,043	298,733
Less: Provision for impairment of trade receivables (note (d))	(50,737)	(49,136)
Trade receivables — net	572,306	249,597
Deposits for resettlement costs	2,538	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 (e))	204,479	204,479
Other receivables	326,961	269,382
Prepayments for construction costs	210,256	257,016
Prepaid business tax and other levies on pre-sale proceeds	174,554	169,443
	1,685,217	1,461,548
Less: Non-current portion of other receivables (note (b))	(14,396)	(13,589)
Current portion	1,670,821	1,447,959

As at 31 December 2014 and 2013, 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:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	336,023	74,298
Over 90 days and within 1 year	96,314	92,235
Over 1 year and within 2 years	121,437	85,346
Over 2 years	69,269	46,854
	623,043	298,733

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP (continued)

Notes: (continued)

(a) (continued)

The ageing analysis of trade receivables past due but not impaired is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	8,715	5,189
Over 90 days and within 1 year	8,115	5,509
	16,830	10,698

As at 31 December 2014, trade receivables of RMB16,830,000 (2013: RMB10,698,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2014, trade receivables of RMB50,737,000 (2013: RMB49,136,000) are considered impaired. The ageing of these receivables are over 1 year.

- (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) Movements in provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	49,136	47,461
Additional provision for receivable impairment	3,031	2,103
Receivables written off during the year as uncollectible	(1,430)	(428)
Ending balance	50,737	49,136

- (e) The amount relates to reimbursement of certain accrued expenses in connection with a disposal of equity interest to be received from the buyer.

16 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Group		
Receivables from related parties		
Controlled by the Controlling Shareholders		
Growing Group Limited (“Growing Group”)	106	105
Better Luck Group Limited (“Better Luck”)	50	50
Gainday Holdings Limited (“Gainday”)	50	50
Tin Sun Holdings Limited (“Tin Sun Holdings”)	50	50
Run Fast International Limited	25	25
Bloom Luck Holdings Limited	29	28
Xiamen Mingfa Property Development Company Limited (廈門市明發物業發展有限公司) (“Xiamen Property Development”)	746	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 (Note 12)		
Eagle Rights (鈞濠有限公司)	16,218	9,759
Shimao Mingfa (長春世茂明發置業有限公司)	111,750	42,500
Software Valley Mingfa (南京軟件谷明發信息科技發展有限公司)	259,085	—
Speedy Gains	146,704	—
Loan to a related party		
Joint venture (Note 13)		
Powerland	220,886	—
	758,391	53,879
Less: Non-current portion comprising loan to Powerland	(220,886)	—
Current portion	537,505	53,879

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP (continued)

Except for an amount of RMB742,600,000 due from Nanjing Software Valley as at 31 December 2013 which has been settled in 2014, the balances with non-controlling interests were unsecured, interest-free, had no fixed repayment terms and were non-trade in nature. The fair value of the non-current receivables from Nanjing Software Valley as at 31 December 2013 are based on cash flows discounted using a market rate which are within level 2 of the fair value hierarchy.

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	2,941,669	1,877,998
Denominated in HK\$	37,152	9,609
Denominated in US\$	216,926	212,077
Denominated in NTD	635	—
	3,196,382	2,099,684
Less: Restricted cash	(2,464,240)	(1,128,500)
Total cash and cash equivalents	732,142	971,184
Company		
Cash at bank and in hand:		
Denominated in RMB	65	—
Denominated in HK\$	34,079	1,679
Denominated in US\$	81,527	201,834
Total cash and cash equivalents	115,671	203,513

As at 31 December 2014, the Group's cash of approximately RMB2,458,550,000 (2013: RMB1,118,000,000) was restricted and deposited in certain banks as security for certain borrowings (Note 24).

As at 31 December 2014, the Group's cash of approximately RMB5,690,000 (2013: RMB10,500,000) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH (continued)

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

The weighted average effective interest rate on bank deposits as at 31 December 2014 was 1.90% (2013: 1.86%).

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	20,000	—
Addition	117,000	20,000
Ending balance	137,000	20,000
Less: Non-current portion	(20,000)	(20,000)
Current portion	117,000	—
	As at 31 December	
	2014 RMB'000	2013 RMB'000
Unlisted equity shares (note (a))	20,000	20,000
Wealth-management products (note (b))	117,000	—
	137,000	20,000

Notes:

- (a) Unlisted equity shares of 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 for the year ended 31 December 2014 and 2013 from the investment cost.
- (b) The interest rate of these wealth-management products approximates to 3.5% and the maturity date is 15 January 2015. There is no significant change in fair value of these financial assets as at 31 December 2014 from the purchase cost.

As at 31 December 2014, the wealth-management products of RMB50,000,000 (2013: Nil) were pledged as collateral for the Group's borrowings (Note 24).

20 INVESTMENT IN SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	5,147,515	4,209,080
	5,147,515	4,209,080

The amounts due from subsidiaries are interest-free, unsecured and have no specific repayment terms. The Company's intention is that the amounts due from subsidiaries will only be recalled when the subsidiaries have surplus cash.

Details of the subsidiaries of the Group as at 31 December 2014 are set out in Note 39.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2013 amounted to RMB998,671,000 of which RMB685,626,000 relates to a PRC subsidiary Software Valley Mingfa. The other non-controlling interests are not material. As at 31 December 2014, 3% equity interest of Software Valley Mingfa was disposed to the other 49% non-controlling interests and became an associated company of the Group (Note 12).

The total non-controlling interests as at 31 December 2014 amounted to RMB625,822,000 of which RMB348,443,000 relates to a PRC subsidiary Nanjing Mingfa New Town Real Estate Company Limited ("Mingfa New Town") in which the non-controlling interests hold an equity interest of 36%. The other non-controlling interests are not material.

Set out below is the summarised financial information for Mingfa New Town which has non-controlling interests that is material to the Group for the year ended 2014 and 2013. The financial information represents the amounts before intra-group transactions elimination.

20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

(b) Material non-controlling interests (continued)

Summarised balance sheet

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current		
Assets	698,660	136,604
Liabilities	(325,501)	(99,726)
Total current net assets	373,159	36,878
Non-current		
Assets	5,406	1,205
Liabilities	—	—
Total non-current net assets	5,406	1,205
Net assets	378,565	38,083

Summarised statement of comprehensive income

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Revenue	—	—
Loss before income tax	(18,024)	(1,921)
Income tax	4,506	—
Post-tax loss/Total comprehensive loss	(13,518)	(1,921)

20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

(b) Material non-controlling interests (continued)

Summarised cash flows

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Cash flows from operating activities:		
Cash generated from/(used in) operations	11,545	(48,270)
Interest received	35	9
Net cash generated from/(used in) operating activities	11,580	(48,261)
Net cash used in investing activities	(67,044)	(31,319)
Net cash generated from financing activities	40,353	99,707
Net (decrease)/increase in cash and cash equivalents	(15,111)	20,127
Cash and cash equivalents at beginning of the year	20,131	4
Cash and cash equivalents at end of the year	5,020	20,131

Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB5,020,000 as at 31 December 2014 of Mingfa New Town are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

21 SHARE CAPITAL

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

22 RESERVES

Group

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (c)	Statutory reserves RMB'000 note (d)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	146,601	631,266	253,701	209,196	125,509	252,131	8,099,402	9,717,806
Comprehensive income/(loss)								
Profit for the year	—	—	—	—	—	—	829,310	829,310
Other comprehensive income/(loss)								
Item that will not be reclassified subsequently to profit or loss								
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	—	—	5,242	—	—	—	—	5,242
Item that may be reclassified subsequently to profit or loss								
— Currency translation differences	—	—	—	—	—	(5,269)	—	(5,269)
Total comprehensive income for the year attributable to equity holders of the Company	—	—	5,242	—	—	(5,269)	829,310	829,283
Disposal of a subsidiary which became an associated company (Note 42 (b))	—	—	—	—	—	(273,731)	273,731	—
Balance at 31 December 2014	146,601	631,266	258,943	209,196	125,509	(26,869)	9,202,443	10,547,089
Representing:								
Proposed final dividend								—
Others								10,547,089
								10,547,089

22 RESERVES (continued)

Group (continued)

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (c)	Statutory reserves RMB'000 note (d)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	146,601	631,266	264,979	209,196	125,509	266,060	6,688,895	8,332,506
Comprehensive income/(loss)								
Profit for the year	—	—	—	—	—	—	1,399,229	1,399,229
Other comprehensive loss, which may be reclassified subsequently to profit or loss								
— Currency translation differences	—	—	—	—	—	(13,929)	—	(13,929)
Total comprehensive income for the year attributable to equity holders of the Company	—	—	—	—	—	(13,929)	1,399,229	1,385,300
Transfer of net revaluation surplus to retained earnings upon disposal of certain investment properties which were formerly owner-occupied properties	—	—	(11,278)	—	—	—	11,278	—
Balance at 31 December 2013	146,601	631,266	253,701	209,196	125,509	252,131	8,099,402	9,717,806
Representing:								
Proposed final dividend								—
Others								9,717,806
								9,717,806

22 RESERVES (continued)

Company

	Share premium RMB'000	Accumulated profit/(losses) RMB'000	Total RMB'000 (note e)
Balance at 1 January 2014	631,266	(182,036)	449,230
Loss for the year	—	(207,396)	(207,396)
Balance at 31 December 2014	631,266	(389,432)	241,834
Representing:			
Proposed final dividend			—
Others			241,834
			241,834
	Share premium RMB'000	Accumulated profit/(losses) RMB'000	Total RMB'000 (note e)
Balance at 1 January 2013	631,266	3,659	634,925
Loss for the year	—	(185,695)	(185,695)
Balance at 31 December 2013	631,266	(182,036)	449,230
Representing:			
Proposed final dividend			—
Others			449,230
			449,230

Notes:

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing of the Company on the Stock Exchange. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.
- (b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when owner-occupied properties became investment properties which are being carried at fair value. In year 2013, the Group disposed certain units of these investment properties. Consequently the revaluation surplus net of tax, arose when the disposed investment properties were transferred from owner-occupied properties and recognised as other comprehensive income in prior years, was released to retained earnings directly.
- (c) Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.

22 RESERVES (continued)

Company (continued)

Notes: (continued)

- (d) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.
- (e) The distributable reserve of the Company as at 31 December 2014 amounted to RMB241,834,000 (2013: RMB449,230,000).

23 DEFERRED GOVERNMENT GRANTS — GROUP

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	1,515,479	1,666,423
Additions	—	33,832
Disposal of a subsidiary (Note 42(c))	(3,150)	—
Amortisation, credited to the consolidated income statement	(30,857)	(61,213)
Transfer to investment properties (Note 7)	(21,493)	(123,563)
Ending balance	1,459,979	1,515,479
	As at 31 December	
	2014 RMB'000	2013 RMB'000
Representing:		
Original amount	1,755,491	1,758,641
Accumulated amortisation	(129,902)	(99,045)
Transfer to investment properties	(165,610)	(144,117)
Net book amount	1,459,979	1,515,479

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
For the development of property projects	1,755,491	1,758,641

24 BORROWINGS

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	7,326,844	4,523,475
Convertible bonds (notes (b) and (c))	—	1,343,682
Senior notes (note (d))	631,725	626,053
Other borrowings — secured (note (a))	566,000	180,000
	8,524,569	6,673,210
Less: Amounts due within one year	(4,540,223)	(4,641,539)
	3,984,346	2,031,671
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	2,165,529	1,368,085
Other borrowings — guaranteed and secured (note (a))	742,140	600,106
Other borrowings — unsecured (note (a))	770,000	—
Current portion of long-term borrowings (note (a))	4,540,223	4,641,539
	8,217,892	6,609,730

24 BORROWINGS (continued)

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	1,613,452	—
Convertible bonds (notes (b) and (c))	—	1,343,682
Senior notes (note (d))	631,725	626,053
	2,245,177	1,969,735
Less: Amounts due within one year	(35,264)	(1,370,683)
	2,209,913	599,052
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	1,807,216	1,031,086
Other borrowings — guaranteed (note (a))	367,140	340,106
Current portion of long-term borrowings (note (a))	35,264	1,370,683
	2,209,620	2,741,875

(a) Details on borrowings

As at 31 December 2014, the Group's certain borrowings of RMB5,383,964,000 (2013: RMB3,986,323,000) were secured by its other non-current assets (Note 8), land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2014, the Group's certain borrowings of RMB2,550,057,000 (2013: RMB1,077,151,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2014, the Group's certain borrowings of RMB50,000,000 (2013: Nil) were secured by its available-for-sale financial assets (Note 19). As at 31 December 2014, the Group's certain borrowings of RMB2,449,352,000 (2013: RMB1,268,086,000) were secured by its restricted cash (Note 18).

As at 31 December 2014, the Group's certain borrowings of RMB367,140,000 (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, together with a charge on certain shares of the Company held by Galaxy Earnest Limited.

As at 31 December 2014, the unsecured other borrowings of RMB770,000,000 (2013: Nil) were provided by certain third parties through entrusted arrangement with no guarantee or security required. The interest ranges from 12% to 14% per annum.

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2014	2,701,100	566,786	716,460	3,984,346
As at 31 December 2013	779,576	568,043	684,052	2,031,671
Borrowings included in current liabilities:				
As at 31 December 2014	4,586,991	3,630,901	—	8,217,892
As at 31 December 2013	4,243,607	2,366,123	—	6,609,730

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Borrowings:		
Between 1 and 2 years	1,943,309	325,343
Between 2 and 5 years	1,541,030	1,634,288
Over 5 years	500,007	72,040
	3,984,346	2,031,671
Wholly repayable within 5 years	3,004,811	1,518,401
Wholly repayable after 5 years	979,535	513,270
	3,984,346	2,031,671

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2014 and 2013 were as follows:

	As at 31 December 2014	2013
Bank borrowings — RMB	6.96%	7.10%
Bank borrowings — HK\$	2.19%	2.19%
Bank borrowings — NTD	2.50%	—
Bank Borrowings — US\$	2.89%	—
Convertible bonds — HK\$	—	13.91%
Senior notes — US\$	13.25%	13.25%
Other borrowings — RMB	11.17%	12.89%
Other borrowings — US\$	8.00%	8.00%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
As at 31 December 2014		
Bank borrowings (note (i))	3,197,885	3,268,052
Senior notes (note (iii))	596,461	651,031
Other borrowings (note (i))	190,000	209,721
	3,984,346	4,128,804
As at 31 December 2013		
Bank borrowings (note (i))	1,352,619	1,344,858
Convertible bonds (note (ii))	7,947	9,034
Senior notes (note (iii))	591,105	680,513
Other borrowings (note (i))	80,000	81,174
	2,031,671	2,115,579

Notes:

- (i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 4.78% as at 31 December 2014 (2013: 7.05%).
- (ii) The fair values of the liability component of the convertible bonds are calculated using the market interest rate as at 31 December 2013 and are within Level 3 of the fair value hierarchy.
- (iii) The fair values of senior notes are based on quoted prices in active market and are within Level 1 of the fair value hierarchy.

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The fair values of current borrowings equal their carrying amounts.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Denominated in RMB	7,702,502	5,299,752
Denominated in HK\$	2,314,800	2,375,490
Denominated in US\$	2,104,733	966,159
Denominated in NTD	80,203	—
	12,202,238	8,641,401

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Denominated in HK\$	2,314,800	2,374,768
Denominated in US\$	2,104,733	966,159
	4,419,533	3,340,927

(b) 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.

24 BORROWINGS (continued)

(b) 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:

	Group and Company
	RMB'000
Liability component as at 1 January 2013	1,266,535
Interest expenses (Note 32)	168,020
Coupon paid	(61,395)
Exchange gains	(38,056)
Liability component as at 31 December 2013	1,335,104
Interest expenses (Note 32)	7,343
Redemption of convertible bonds	(1,343,295)
Exchange losses	848
Liability component as at 31 December 2014	—

24 BORROWINGS (continued)

(c) 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. After the redemption and as at 31 December 2013, an aggregate principal amount of HK\$11,000,000 of the 2016 Bonds remained outstanding.

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.

24 BORROWINGS (continued)

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

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

	Group and Company
	RMB'000
Liability component as at 1 January 2013	1,068,447
Interest expenses (Note 32)	75,358
Repurchase of convertible bonds	(52,035)
Redemption of convertible bonds	(1,036,079)
Coupon paid	(29,295)
Exchange gains	(17,818)
Liability component as at 31 December 2013	8,578
Interest expenses (Note 32)	250
Redemption of convertible bonds	(8,870)
Exchange losses	42
Liability component as at 31 December 2014	—

(d) 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%

24 BORROWINGS (continued)

(d) 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 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.

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 2014, and is therefore not recognised.

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Opening balance	626,053	—
Additions	—	607,168
Interest expenses (Note 32)	84,712	77,251
Coupon paid	(81,333)	(41,004)
Exchange losses/(gains)	2,293	(17,362)
Ending balance	631,725	626,053

25 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
2015 Bonds — Embedded derivatives (note (a))	—	43,299
2016 Bonds — Embedded derivatives (note (a))	—	800
Warrants (note (b))	2,432	2,131
	2,432	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. The embedded derivatives of the 2015 Bonds issued on 10 December 2010 are valued at HK\$140,764,000 (equivalent to RMB114,139,000) at 31 December 2012 and HK\$55,072,000 (equivalent to RMB43,299,000) at 31 December 2013 respectively by DTZ. The embedded derivatives of the 2016 Bonds issued on 23 May 2011 are valued at HK\$234,420,000 (equivalent to RMB190,079,000) at 31 December 2012 and HK\$1,017,000 (equivalent to RMB800,000) at 31 December 2013 by DTZ. The fair value change is made through profit and loss.

During the year ended 31 December 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 31).

During the year ended 31 December 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 30).

- (b) The warrants are issued together with the 2015 Bonds (Note 24(b)) on 10 December 2010, which are valued at HK\$2,710,000 (equivalent to RMB2,131,000) at 31 December 2013 and HK\$3,083,000 (equivalent to RMB2,432,000) at 31 December 2014 respectively by DTZ. The fair value change is made through profit and loss.

25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair values of the derivative financial instruments were determined using the Binomial Option Pricing model. As at 31 December 2014, the significant inputs into the models were volatility of 41.01% and the risk free interest rate of 0.12%. As at 31 December 2013, the significant inputs into the models were volatility of 34.53% for 2015 Bonds and 38.74% for 2016 Bonds respectively, dividend yield of 2.00% for 2015 Bonds and 2016 Bonds and the risk free interest rate of 0.32% for 2015 Bonds and 0.46% for 2016 Bonds respectively.

26 DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	352,496	376,328
— to be recovered within 12 months	13,742	37,716
	366,238	414,044
Deferred income tax liabilities		
— to be settled after more than 12 months	(1,430,447)	(1,672,670)
— to be settled within 12 months	(182,183)	(276,666)
	(1,612,630)	(1,949,336)
	(1,246,392)	(1,535,292)

The net movement on the deferred income tax liabilities is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	1,535,292	1,326,503
Charged to the consolidated income statement (Note 34)	207,351	208,789
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property	1,747	—
Disposal of a subsidiary which became an associated company (Note 42(b))	(497,998)	—
Ending balance	1,246,392	1,535,292

26 DEFERRED INCOME TAX — GROUP (continued)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2014 and 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2014	73,728	324,364	117,984	516,076
Credited/(Charged) to the consolidated income statement	52,630	40,472	(21,346)	71,756
Disposal of a subsidiary which became an associated company (Note 42(b))	—	—	(17,020)	(17,020)
As at 31 December 2014	126,358	364,836	79,618	570,812
As at 1 January 2013	104,306	257,216	77,651	439,173
Credited/(Charged) to the consolidated income statement	(30,578)	67,148	40,333	76,903
As at 31 December 2013	73,728	324,364	117,984	516,076

26 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2014 (Charged)/Credited to the consolidated income statement	(1,207,147)	(100,270)	(391,526)	(352,425)	(2,051,368)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property	(308,528)	—	52,936	(23,515)	(279,107)
Disposal of a subsidiary which became an associated company (Note 42(b))	—	(1,747)	—	—	(1,747)
	515,018	—	—	—	515,018
As at 31 December 2014	(1,000,657)	(102,017)	(338,590)	(375,940)	(1,817,204)
As at 1 January 2013 Charged to the consolidated income statement	(1,141,302)	(100,270)	(226,009)	(298,095)	(1,765,676)
	(65,845)	—	(165,517)	(54,330)	(285,692)
As at 31 December 2013	(1,207,147)	(100,270)	(391,526)	(352,425)	(2,051,368)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB94,012,000 (2013: RMB75,916,000) as at 31 December 2014 in respect of accumulated losses amounting to RMB376,048,000 (2013: RMB303,664,000) as at 31 December 2014. Accumulated losses amounting to RMB54,384,000, RMB83,880,000, RMB77,704,000, RMB62,724,000 and RMB72,384,000, as at 31 December 2014 will expire in 2015, 2016, 2017, 2018 and 2019 respectively.

27 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables (note (a))	5,024,787	4,071,332
Other payables (note (b))	2,698,466	2,384,808
Other taxes payable	186,117	214,002
	7,909,370	6,670,142

Notes:

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	4,710,953	3,920,959
Over 90 days and within 1 year	313,834	150,373
	5,024,787	4,071,332

- (b) Other payables comprise:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deposits and advances from constructors	4,121	135
Deposits received from tenants and customers	190,357	64,292
Advances from third parties (note)	2,059,013	1,928,710
Consideration payable on acquisition of a joint venture	50,000	50,000
Consideration payable on acquisition of subsidiaries	96,442	96,138
Payable to a joint operation partner Baolong	32,912	22,766
Miscellaneous	265,621	222,767
	2,698,466	2,384,808

Note: The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for advances of RMB54,000,000 (2013: RMB68,000,000) made from Nanjing Guoding Investment Property Company and HK\$254,000,000 (equivalent to RMB200,373,000) (2013: HK\$835,000,000, equivalent to RMB656,502,000) made from Mr. Zeng Huansha which bear interest at 12% and 15.5% per annum respectively and are due for repayment upon receiving demand from the lender.

27 TRADE AND OTHER PAYABLES (continued)**Company**

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Other payables	32,689	614

28 AMOUNTS DUE TO RELATED PARTIES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Group		
Controlling Shareholders Mr. Wong Wun Ming	129,671	146,771
Joint venture (Note 13(a)) Quanzhou Huachang (泉州明發華昌商業城開發建設有限公司)	218,108	200,838
Associated company Mingfa Tongxin (南京軟件谷明發通信科技發展有限公司)	8,921	600
	356,700	348,209
Amounts due to related parties:		
Denominated in RMB	227,029	201,438
Denominated in HK\$	129,671	146,771
	356,700	348,209
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Company		
Controlling Shareholders Mr. Wong Wun Ming	30,418	39,312

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.

29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP

	Year ended at 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	3,714	15,017
Additional/(Reversal of) provision (Note 31)	18,355	(2,822)
Utilised during the year	(12,775)	(8,481)
Ending balance	9,294	3,714
Representing:	86,290	67,935
Provided amounts		
Utilised amounts	(76,996)	(64,221)
Net book amount	9,294	3,714

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Provision for delay in delivering properties	9,294	3,714

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement, and subject to periodic review on the estimation. It is expected that RMB9,294,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2014.

30 OTHER GAINS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Government grants (note (a))	544	437
Net exchange gain	—	105,715
Net gain from disposal of equity interests in subsidiaries (Notes 42(b), 42(c))	27,180	—
Compensation income (note (b))	51,187	269,340
Net gain from redemption of 2015 and 2016 Bonds	23,988	—
Net gain from disposal of property, plant and equipment	42,650	—
Miscellaneous	1,724	3,182
	147,273	378,674

Notes:

- (a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local governments by certain subsidiaries which were credited to the consolidated income statement directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government on a case by case basis there is no assurance that the Group will continue to enjoy such grants in the future.

- (b) In 2014, the Group received total compensation of RMB51,187,000 (2013: RMB269,340,000) 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.

31 EXPENSES BY NATURE

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Staff costs — including directors' emoluments (note (a))	231,147	211,957
Auditor's remuneration	2,750	2,750
Depreciation	50,607	49,127
Amortisation of land use rights	6,945	6,424
Advertising, promotion and commission costs	92,070	132,780
Cost of properties sold	2,316,660	3,520,411
Business tax and other levies on sales of properties (note (b))	190,100	328,191
Direct outgoings arising from investment properties that generate rental income	84,261	60,064
Operating lease expenses on land and buildings	47,594	36,041
Hotel operating expenses	98,633	86,105
Charitable donations	2,021	6,606
Office expenses	92,547	99,394
Professional fees	12,253	10,041
Provision for impairment of receivables (Note 15)	3,031	2,103
Impairment of goodwill (Note 10)	5	7
Additional/(Reversal of) provision for delay in delivering properties (Note 29)	18,355	(2,822)
Net loss from repurchase and redemption of 2016 Bonds	—	11,442
Net exchange loss	23,398	—
Miscellaneous	125,487	48,911
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	3,397,864	4,609,532

31 EXPENSES BY NATURE (continued)

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Wages and salaries	189,540	174,090
Pension costs — defined contribution plans	23,115	22,615
Other allowances and benefits	18,492	15,252
	231,147	211,957

(b) Business tax and other levies on sales of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties. These expenses are included in cost of sales.

32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Finance income		
— interest income on bank deposits and loan to a related party (Note 43(b))	36,867	15,921
Interest expenses on bank borrowings which are		
— wholly repayable within five years	(445,340)	(373,925)
— wholly repayable over five years	(52,827)	(40,098)
Interest expenses on other borrowings and advances from third parties	(175,220)	(113,886)
Interest expenses on convertible bonds and senior notes (Notes 24(b), 24(c) and 24(d))	(92,305)	(320,629)
Less: Interest capitalised	721,900	565,507
Finance costs	(43,792)	(283,031)
Net finance costs	(6,925)	(267,110)

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each executive director of the Company for the year ended 31 December 2014 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
<i>Executive directors</i>						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	46	—	—	—	46
Mr. Huang Li Shui	—	434	—	—	—	434
<i>Independent non-executive directors</i>						
Mr. Lau Kin Hon	189	—	—	—	—	189
Mr. Dai Yiyi	189	—	—	—	—	189
Mr. Qu Wenzhou	189	—	—	—	—	189
	567	720	24	—	—	1,311

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)**(a) Directors' emoluments (continued)**

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

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
<i>Executive directors</i>						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
<i>Non-executive director</i>						
Mr. Chi Miao (resigned effective 18 November 2013)	—	—	—	—	—	—
<i>Independent non-executive directors</i>						
Mr. Wong Po Yan (resigned effective 19 March 2013)	41	—	—	—	—	41
Mr. Lau Kin Hon (appointed effective 19 March 2013)	147	—	—	—	—	147
Mr. Dai Yiyi	181	—	—	—	—	181
Mr. Qu Wenzhou	181	—	—	—	—	181
	550	282	24	—	—	856

No emolument was paid to non-executive director for the year ended 31 December 2013.

The chief executive of the Group is Mr. Wong Wun Ming (also a director) whose emoluments have been presented above.

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

During the years ended 31 December 2014 and 2013, none of the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the five highest paid individuals for the years ended 31 December 2014 and 2013 are set out below:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Basic salaries and allowance	4,733	4,607
Bonuses	—	—
Retirement scheme contributions	58	63
	4,791	4,670

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2014 and 2013 presented fall within the range of following bands:

Emolument bands	Number of individuals	
	2014	2013
HK\$500,001–HK\$1,000,000	3	3
HK\$1,000,001–HK\$1,500,000	1	1
HK\$2,000,001–HK\$2,500,000	1	1

34 INCOME TAX EXPENSE

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current income tax		
— PRC enterprise income tax	297,520	290,230
— PRC land appreciation tax	175,901	427,609
	473,421	717,839
Deferred income tax		
— PRC enterprise income tax	183,836	154,459
— PRC withholding income tax	23,515	54,330
	207,351	208,789
	680,772	926,628

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before income tax	1,736,932	2,302,942
Less: PRC land appreciation tax	(175,901)	(427,609)
	1,561,031	1,875,333
Calculated at PRC enterprise income tax rate of 25%	390,258	468,833
Effect of expenses not deductible for income tax purposes (note (a))	87,732	9,864
Income not subject to tax (note (b))	(14,730)	(49,689)
Tax losses not recognised as deferred tax assets	18,096	15,681
PRC enterprise income tax	481,356	444,689
PRC land appreciation tax	175,901	427,609
PRC withholding income tax	23,515	54,330
Total tax charge	680,772	926,628

34 INCOME TAX EXPENSE (continued)

Notes:

- (a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, interest expense on convertible bonds and senior notes.
- (b) Income not subject to tax mainly comprises fair value gains on derivative financial instruments and unrealised exchange gain.

Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2014 (2013: Nil).

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.

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.

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.

35 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2014 (2013: Nil).

36 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 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 year.

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	829,310	1,399,229
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,093,451
Basic earnings per share (RMB cents)	13.6	23.0

(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.

36 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

For the years ended 31 December 2014 and 2013, as the average market share price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit attributable to equity holders of the Company	829,310	1,399,229
Interest expenses on convertible bonds (net of tax)	564	31,450
Exchange losses/(gains) on convertible bonds		
— liability component	890	(55,874)
Changes in fair value of convertible bonds		
— embedded derivatives	(6,619)	(84,997)
Net (gain)/loss from repurchase and redemption of 2015 and 2016 Bonds	(23,988)	11,442
Profit used to determine diluted earnings per share	800,157	1,301,250
Weighted average number of ordinary shares in issue (thousands)	6,093,451	6,093,451
Adjustment for conversion of convertible bonds (thousands)	22,784	795,281
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,116,235	6,888,732
Diluted earnings per share (RMB cents)	13.1	18.9

37 NET CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax for the year	1,736,932	2,302,942
Adjustments for:		
Interest income	(36,867)	(15,921)
Interest expense	43,792	283,031
Depreciation	50,607	49,127
Share of results of:		
— Associated companies	4,803	6,946
— Joint ventures	2,879	3,564
Amortisation of land use rights	6,945	6,424
Amortisation of other non-current assets	2,280	2,280
Fair value gains on investment properties	(1,203,202)	(453,396)
Fair value gains on derivative financial instruments	(6,318)	(88,931)
Additional provision for impairment of receivables	3,031	2,103
Net (gain)/losses from disposal of property, plant and equipment	(42,650)	61
Impairment of goodwill	5	7
Net exchange loss on cash and borrowings	23,398	5,159
Net (gain)/loss from repurchase and redemption of 2015 and 2016 Bonds	(23,988)	11,442
Net gain from disposal of equity interests in subsidiaries	(27,180)	—
	534,467	2,114,838
Changes in working capital:		
Properties under development and completed properties held for sale	(1,476,648)	345,487
Land use rights	(1,917,627)	(939,960)
Restricted cash relating to operating activities	(5,690)	40,404
Trade and other receivables and prepayments	(87,963)	(152,947)
Trade and other payables	1,081,145	(915,232)
Advanced proceeds received from customers	141,836	84,279
Net cash (used in)/generated from operations	(1,730,480)	576,869

Non-cash transaction

The principal non-cash transaction for the year ended 31 December 2014 is the capital injection of RMB354,000,000 in the form of land use rights (2013: Nil) to a subsidiary by non-controlling interests.

38 PENSIONS — DEFINED CONTRIBUTION PLANS

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

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

Retirement scheme contributions for the employees incurred for the years ended 31 December 2014 and 2013, which have been charged to the consolidated income statement of the Group, are as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Gross scheme contributions	23,115	22,615

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the subsidiaries, associated companies and joint ventures of the Group as at 31 December 2014 and 2013 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$1,000,000,000	HK\$1,000,000,000	100%	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	100%	100%	Property development
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限 公司	9 September 2005	Foreign investment enterprise	US\$178,980,000	US\$178,980,000	100%	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限 公司	13 February 2007	Sino-foreign joint venture	HK\$230,000,000	HK\$230,000,000	100%	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US\$110,000,000	US\$110,000,000	100%	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限 公司	1 November 2005	Sino-foreign joint venture	US\$29,990,000	US\$29,990,000	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	100%	100%	Property development
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限 公司	15 September 2004	Sino-foreign joint venture	US\$14,804,000	US\$14,804,000	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US\$2,880,000	US\$2,880,000	100%	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	100%	100%	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Xiamen Ming Sheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK\$68,000,000	HK\$68,000,000	100%	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	Furniture manufacturing
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. 南京明發化工倉儲有限公司 (note (a))	7 September 2005	Foreign investment enterprise	US\$7,250,000	US\$1,100,000	50%	50%	Development of logistic centre
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US\$23,500,000	US\$23,500,000	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	18 October 1998	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Development of business centre

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$10,000,000	HK\$10,000,000	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US\$10,000,000	US\$1,504,875	100%	100%	Industrial manufacturing
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Property development
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US\$90,000,000	US\$90,000,000	100%	100%	Property development
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司	10 February 2010	Domestic enterprise	RMB100,000,000	RMB100,000,000	70%	70%	Property development
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Domestic enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$5,000,000	US\$5,000,000	100%	100%	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司	2 June 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property development
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK\$5,800,000	HK\$5,800,000	100%	100%	Property development
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)經營管理有限公司	15 July 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property development
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司	2 July 2010	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Ming Sheng (Zhangzhou) Property Management Co., Ltd. 明勝(漳州)物業經營管理有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	100%	100%	Property development
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司	15 November 2010	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	Property development
Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. 惠州富之真工貿實業發展有限公司 (note (h))	31 October 2011	Foreign investment enterprise	—	—	—	80%	Property development
Huizhou Fuzhiye Real Estate Co., Ltd. (Previously named as: Huizhou Fuzhiye Industrial and Trading Co., Ltd.) 惠州富之真房地產開發有限公司 (原名：惠州富之真工貿實業有限公司) (note (h))	31 October 2011	Foreign investment enterprise	US\$34,700,000	US\$27,546,373	80%	80%	Property development
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司	3 May 2011	Foreign investment enterprise	US\$15,500,000	US\$2,325,000	100%	100%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US\$29,800,000	US\$20,000,000	100%	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US\$99,500,050	US\$61,500,050	100%	100%	Property development
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US\$30,000,000	US\$5,000,000	100%	100%	Property development
Xiamen Mingfa Daisi Hotel Co., Ltd. 廈門明發戴斯酒店有限公司	4 November 2011	Foreign investment enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US\$28,000,000	US\$28,000,000	100%	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發(龍海)房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK\$50,000,000	HK\$50,000,000	100%	100%	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團(深圳)房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Xiamen Mingfa Harbour Resort Hotel Management Company Limited 廈門明發海灣度假村酒店管理有限公司	29 February 2012	Foreign investment enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Hotel management
Lanzhou Zhongke Ecological Agriculture Integrated Development Company Limited 蘭州中科生態農業綜合開發有限公司	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	51%	51%	Property development
Nanjing Mingfa Tongda Electronics and Information Technology Company Limited 南京明發通達電子信息技術發展有限公司(note (e))	12 July 2012	Sino-foreign joint venture	US\$20,000,000	US\$20,000,000	—	90%	Development of business centre
Mingfa (China) Investments Company Limited 明發(中國)投資有限公司	23 October 2012	Foreign investment enterprise	US\$60,000,000	US\$60,000,000	100%	100%	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司	24 December 2012	Domestic enterprise	RMB200,000,000	RMB112,000,000	64%	64%	Property development
Beijing Ming Sheng Jun Chi Property Management Company Limited 北京明勝俊馳物業管理有限公司	14 November 2012	Foreign investment enterprise	RMB5,000,000	RMB777,062	100%	100%	Property management
Nanjing Mingfa Tong Neng Computer Industry Development Company Limited 南京明發通能計算機產業發展有限公司	28 November 2012	Sino-foreign joint venture	US\$50,000,000	US\$10,000,050	75%	75%	Development of business centre
Shenyang Mingfa Creative Real Estate Company Limited 瀋陽明發創意房地產開發有限公司	5 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Shenyang Mingfa Jin Lang Real Estate Company Limited 瀋陽明發金廊置業有限公司	22 November 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Shenyang Mingfa Zhi Gang Real Estate Co., Ltd. 瀋陽明發智港置業有限公司	1 February 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Mingfa Group Shanghai Real Estate Co., Ltd. 明發集團上海房地產開發有限公司	10 May 2013	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Property development
Mingfa Group Shanghai Investment Co., Ltd. 明發集團上海投資有限公司	2 April 2013	Sino-foreign joint venture	RMB200,000,000	RMB40,000,000	100%	100%	Property development
Changsha Mingfa City Construction Development Co., Ltd. 長沙明發城市建設開發有限公司	15 May 2013	Domestic enterprise	RMB800,000,000	RMB800,000,000	100%	100%	Property development
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司	21 March 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Nanjing Mingfa Tong Sheng Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司	19 June 2013	Sino-foreign joint venture	US\$10,000,000	US\$6,600,295	70%	70%	Property development
Ping Liang Shi Ding Sheng Real Estate Co., Ltd. 平涼市鼎盛置業投資有限公司 (note (f))	8 July 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	60%	60%	Property development
Yangzhou Mingfa Supplies Trading Co., Ltd. 揚州明發物資貿易有限公司	30 July 2013	Foreign investment enterprise	US\$30,000,000	—	100%	100%	Property development
Mingfa Group Nanjing Pukou Real Estate Co., Ltd. 明發集團南京浦口房地產開發有限公司	25 November 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	100%	100%	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司	20 December 2013	Foreign investment enterprise	US\$10,000,000	US\$1,500,050	100%	100%	Property development
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司	22 August 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Property development
Xia Men Hai Yi Education Development Co., Ltd. 廈門海誼教育發展有限公司 (note (g))	18 November 2013	Domestic enterprise	RMB1,050,000	RMB1,050,000	100%	100%	Education

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — established in the PRC (continued)							
Xiamen International Exhibition Vocational Collage 廈門國際會展職業學院	18 November 2013	Domestic enterprise	RMB3,100,000	RMB3,100,000	100%	100%	Education
Mingfa (China) Investment Development Group Co., Ltd 明發(中國)投資發展集團有限公司	20 May 2013	Foreign investment enterprise	US\$30,000,000	—	100%	100%	Investment holding
Nanjing Mingfa Spa Hotel Management Co., Ltd 南京明發溫泉酒店管理有限公司	17 August 2014	Domestic enterprise	RMB20,000,000	—	100%	—	Hotel Operation
Shanghai Mingfa Hotel Management Co., Ltd. 上海大酒店管理有限公司	22 January 2014	Domestic enterprise	RMB5,000,000	RMB5,000,000	100%	—	Hotel Operation
Hefei Mingfa International Hotel Co., Ltd. 合肥大酒店管理有限公司	3 January 2014	Foreign investment enterprise	US\$15,000,000	US\$10,302,000	100%	—	Hotel Operation
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司	17 March 2014	Domestic enterprise	RMB60,000,000	RMB60,000,000	100%	—	Property development
Mingfa Group Nanjing Ruiye Real Estate Co., Ltd. 明發集團南京瑞業房地產開發有限公司(note (d))	28 May 2014	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	100%	—	Property development
Mingfa Group Anhui Jinzhai City Development Co., Ltd 明發集團安徽金寨城市開發有限公司	9 December 2014	Foreign investment enterprise	RMB200,000,000	—	100%	—	Property development
Subsidiaries — incorporated in Taiwan							
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司(台灣)	1 April 2013	Limited liability company	NTD10,000,000	NTD10,000,000	99%	99%	Property development
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Limited 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	25 January 2008	Partnership	—	—	100%	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — incorporated in Hong Kong (continued)							
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港名勝資產管理有限公司	10 September 2009	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	31 October 2011	Limited liability company	HK\$10,000	HK\$10,000	80%	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Mingfa Group Financial Investments Company Limited 明發集團金融投資有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	—	100%	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) City Center Integrated Projects Company Limited 明發集團(中國)城市綜合體建設有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — incorporated in Hong Kong (continued)							
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司	3 May 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Truefull Construction Holdings Limited 明發竹風建設集團有限公司	23 November 2012	Limited liability company	HK\$200,000,000	—	80%	80%	Investment holding
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) World Center Development Company Limited 明發集團(中國)世界貿易中心開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Investments Company Limited 明發集團投資有限公司	13 November 2014	Limited liability company	HK\$1,000	HK\$1,000	100%	—	Investment holding
Subsidiaries — incorporated in British Virgin Islands							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$11,100	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — incorporated in British Virgin Islands (continued)							
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	19 November 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Yue Fa Investments Limited 越發投資有限公司*	17 November 2010	Limited liability company	US\$50,000	US\$1	—	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
HaoFa Limited 好發有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	11 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	29 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Baile Investments Limited 百樂投資有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US\$1,000	US\$1,000	80%	80%	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2014	2013	
Subsidiaries — incorporated in British Virgin Islands (continued)							
Easycrest Limited 易冠有限公司*	30 April 2014	Limited liability company	US\$1	US\$1	100%	—	Property development
Jingmei Limited 景美有限公司*	6 October 2014	Limited liability company	US\$1	US\$1	100%	—	Property development
Sharp Pass Limited 銳通有限公司*	21 October 2014	Limited liability company	US\$1	US\$1	100%	—	Property development
Associated companies — established in the PRC							
Changchun Shimao Mingfa Real Estate Company Limited (Previously named as: Changchun Shimao Ke Rui Real Estate Company Limited) 長春世茂明發置業有限公司 (原名：長春世茂科瑞置業有 限公司) (note (c))	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	37.5%	25%	Property development
Nanjing Software Valley Mingfa Communication Technology Development Co Ltd 南京軟件谷明發通信科技發展有 限公司	6 February 2013	Sino-foreign joint venture	US\$20,000,000	US\$20,000,000	49%	49%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited 南京軟件谷明發信息科技發展有 限公司 (note (b))	6 February 2013	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	48%	51%	Development of logistic centre
Associated companies — incorporated in British Virgin Islands							
Eagle Rights Limited 鈞濠有限公司	20 June 2011	Limited liability company	US\$45,000,000	US\$45,000,000	33.33%	33.33%	Investment holding
Speedy Gains Limited	15 February 2013	Limited liability company	US\$10	US\$10	20%	—	Investment holding
Joint venture — established in the PRC							
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	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	50%	50%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 November 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	50%	50%	Property development
Joint venture — incorporated in British Virgin Islands							
Powerland Holdings Limited	09 June 2014	Limited liability company	US\$50,000	US\$10	20%	—	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Notes:

- (a) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Mingfa Chemical Warehousing Co., Ltd. by virtue of possessing dominating position in the meeting of board of directors and also has the power to determine and share the variable returns from the entity, therefore, it is regarded as a subsidiary of the Group.
- (b) 3% equity interest was disposed by the Group on 31 December 2014 and the subsidiary became an associated company (Note 42(b)).
- (c) 12.5% equity interest was obtained by the Group on 31 March 2014.
- (d) 100% equity interest was obtained by the Group on 12 June 2014 (Note 42(a)).
- (e) 90% equity interest was disposed by the Group on 8 December 2014 (Note 42(c)).
- (f) 60% equity interest was obtained by the Group on 08 July 2013.
- (g) 100% equity interest was obtained by the Group on 18 November 2013.
- (h) The two companies were merged in 2014 with the original registered and fully paid capital amounted to US\$11,200,000 of Huizhou Fuzhiye Industrial and Trading Development Co., Ltd. absorbed by Huizhou Fuzhiye Real Estate Co., Ltd.

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

40 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2014 and 2013.

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	4,005,525	4,147,595

Note:

- (a) 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 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.

41 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Authorised but not contracted for	965,710	285,771
Contracted but not provided for		
— Properties being developed by the Group for sale	261,997	581,288
— Land use rights	5,811,423	4,868,403
	6,073,420	5,449,691

(b) Commitments for equity investments

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Chengdu (Note 8(b))	9,544	9,544

(c) Operating lease commitments

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within one year	33,679	45,788
Between two to five years	78,293	104,870
After five years	28,045	47,236
	140,017	197,894

41 COMMITMENTS (continued)

(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:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within one year	187,687	310,025
Between two to five years	624,457	1,145,281
After five years	1,114,417	1,919,675
	1,926,561	3,374,981

42 ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Acquisition of a subsidiary

On 12 June 2014, the Group completed an acquisition of 100% equity interest in a PRC entity Mingfa Group Nanjing Ruiye Real Estate Co., Ltd. at a cash consideration of approximately RMB358,358,000. The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired and the net outflow of cash on acquisition are as below:

	Purchased value
	RMB'000
Land use rights	94,308
Properties under development	22,118
Other non-current assets	241,148
Cash and cash equivalents	750
Trade and other receivables and prepayments	37
Trade and other payables	(3)
Total net assets	358,358
Purchase consideration settled in cash	358,358
Less: Cash and cash equivalents in the subsidiary acquired	(750)
Net outflow of cash on acquisition	357,608

42 ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (continued)

(b) Partial disposal of a subsidiary with remaining interest retained as investment in an associated company

In 2014, the Group entered into an agreement with Nanjing Software Valley, the 49% non-controlling interests, to dispose its 3% equity interest in Software Valley Mingfa, a PRC subsidiary in which the Group holds 51% equity interest before the disposal, to Nanjing Software Valley at a cash consideration of RMB79,800,000. The transaction was completed on 31 December 2014 and since then, Software Valley Mingfa became an associated company of the Group.

	RMB'000
Consideration received	79,800
Fair value of retained investment	912,831
Net assets disposed of	(969,883)
Gain on disposal	22,748

The assets and liabilities disposed and the net inflow of cash from the disposal are as below:

	RMB'000
Cash and cash equivalents	1,062
Investment properties	2,660,000
Property, plant and equipment	403
Trade and other receivables and prepayments	272,680
Deferred income tax assets	17,020
Trade and other payables	(269,415)
Borrowings	(265,000)
Deferred income tax liabilities	(515,018)
Total net assets	1,901,732
Less: Carrying value of the non-controlling interests	(931,849)
Net assets disposed of	969,883
Cash received	79,800
Less: Cash and cash equivalents in the subsidiary disposed of	(1,062)
Net inflow of cash from the disposal	78,738

42 ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (continued)

(c) Disposal of a subsidiary

On 8 December 2014, the Group disposed its entire 90% equity interest in a PRC subsidiary, Nanjing Mingfa Tongda Electronics and Information Technology Company Limited (南京明發通達電子信息技術發展有限公司) (“Nanjing Tongda”), to a third party at a cash consideration of RMB110,520,000. The disposal was completed by the end of 2014.

	RMB'000
Consideration received	110,520
Net assets disposed of	(106,088)
Gain on disposal	4,432

The assets and liabilities disposed and the net inflow of cash from the disposal are as below:

	RMB'000
Cash and cash equivalents	278
Land use rights	35,268
Properties under development	158,029
Property, plant and equipment	534
Trade and other receivables and prepayments	43,157
Deferred government grants	(3,150)
Trade and other payables	(115,828)
Income tax payable	(350)
Total net assets	117,938
Less: Carrying value of the non-controlling interests	(11,850)
Net assets disposed of	106,088
Cash received	110,520
Less: Cash and cash equivalents in the subsidiary disposed of	(278)
Net inflow of cash from the disposal	110,242

43 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

(i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

(ii) Controlled by the Controlling Shareholders

Xiamen Property Development*	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司

(iii) Common directors

Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司
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* These companies were subsidiaries of the Group before they were disposed.

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

43 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Other than those disclosed elsewhere in the financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Purchase of construction materials from Nanjing Qianqiuye	165	7,900
Sale of a residential property (recorded as self-use building under property, plant and equipment) to Mr. Huang Li Shui		
— proceeds	102,864	—
— gain	42,650	—
Interest income from loan to Powerland, a joint venture (Note 16)	119	—

(c) Key management compensation

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries and other short-term employee benefits	5,141	4,819
Retirement scheme contributions	61	78
	5,202	4,897

44 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 63 to 191 were approved and authorised for issue by the board of directors of the Company on 27 March 2015.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

RESULTS

	2014 RMB'000	Year ended 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	3,792,610	6,269,093	3,741,096	2,978,828	3,007,872
Profit before tax	1,736,932	2,302,942	2,545,769	2,535,757	1,713,259
Income tax	(680,772)	(926,628)	(786,481)	(930,102)	(548,834)
Profit for the year	1,056,160	1,376,314	1,759,288	1,605,655	1,164,425
Attributable to:					
Equity holders of the Company	829,310	1,399,229	1,764,745	1,596,967	1,167,848
Non-controlling interests	226,850	(22,915)	(5,457)	8,688	(3,423)
	1,056,160	1,376,314	1,759,288	1,605,655	1,164,425

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2014 RMB'000	As at 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	40,570,688	35,371,471	32,314,091	26,862,787	18,210,217
Total liabilities	(28,861,496)	(24,128,713)	(22,473,146)	(19,592,958)	(12,582,877)
Non-controlling interests in equity	(625,822)	(988,671)	(972,158)	(264,106)	(89,867)
	11,083,370	10,254,087	8,868,787	7,005,723	5,537,473