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Mingfa Group (International) Company Limited
明 發 集 團（國 際）有 限 公 司
(於開曼群島註冊成立的有限公司)
(股份代號：00846)

完成發行200,000,000美元於2020年到期按15.0%計息的債券
及
海外監管公告

茲提述明發集團(國際)有限公司(「**本公司**」)於2019年1月10日刊發的公告(「**該公告**」)，內容有關建議發行債券。除另有界定者外，本公告所用全部詞彙與該公告所界定者具有相同涵義。

董事會欣然宣佈，配售協議項下的所有先決條件已獲達成，而債券的發行已於2019年1月16日完成。

請參閱隨附有關債券的發售通函(「**發售通函**」)，發售通函已於2019年1月21日在新交所的網站刊發。

在聯交所網站刊載發售通函僅為促使向香港投資者同步發佈資料及遵照上市規則第13.10B條，而概無任何其他目的。

發售通函並不構成向任何司法權區的公眾人士提呈出售任何證券的招股章程、通告、通函、冊子或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且並非旨在邀請公眾人士提出認購或購買任何證券的要約。

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承董事會命
明發集團(國際)有限公司
主席兼執行董事
黃煥明

香港，2019年1月21日

於本公告日期，董事會包括：

執行董事： *黃煥明先生、黃慶祝先生、黃連春先生及黃麗水先生*

獨立非執行董事： *劉建漢先生、朱健宏先生、黃天祐博士太平紳士及林家禮博士*

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

You must read the following disclaimer before continuing. The following disclaimer applies to this offering circular following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

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Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The securities referred to in the attached offering circular have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING CIRCULAR, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED OFFERING CIRCULAR ON THE BASIS THAT YOU HAVE CONFIRMED TO HEAD & SHOULDERS SECURITIES LIMITED (THE "PLACING AGENT") THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY OF SUCH OFFERING CIRCULAR AND AMENDMENTS AND SUPPLEMENTS THERETO BY ELECTRONIC TRANSMISSION.

You are reminded that this offering circular is confidential and has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

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This offering circular is being furnished in connection with an offering not subject to registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in this offering circular. You are reminded that the information in the attached offering circular is not complete and may be changed.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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OFFERING CIRCULAR

CONFIDENTIAL

MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
明發集團(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

US$200,000,000
15.0% BONDS DUE 2020

Issue Price: 100%
plus, accrued interest, if any, from the issue date

The US$200,000,000 15.0% Bonds due 2020 (the "**Bonds**") will be issued by Mingfa Group (International) Company Limited 明發集團(國際)有限公司 (the "**Issuer**") and bear interest from 16 January 2019 (the "**Issue Date**") at 15.0% per annum payable semi-annually in arrears on 16 July 2019 and 15 January 2020. The Bonds will mature on 15 January 2020. The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The Bonds will be issued in denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.

Following the occurrence of a Change of Control Event (as defined in "Terms and Conditions of the Bonds"), the holder of any Bond will have the right (the Put Right), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in "Terms and Conditions of the Bonds") at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date.

For a more detailed description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 163.

Investing in the Bonds involves significant risks. See "Risk Factors" beginning on page 16.

Application will be made for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Bonds.

The Bonds will be issued in registered form and represented by a global certificate (the "**Global Certificate**") which will be registered in the name of the Hong Kong Monetary Authority (the "**HKMA**") as the operator of the CMU (as defined below) (the "**CMU Operator**"), and shall be deposited on or about the Issue Date with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), the book-entry clearing system operated by the HKMA. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream**"), such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU Operator. Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions" beginning on page 188.

It is expected that the delivery of the Bonds will be made on or about 16 January 2019 against payment therefor in immediately available funds.

Placing Agent

Head & Shoulders Securities Limited

The date of this offering circular is 10 January 2019

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This offering circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that the information contained in this offering circular is correct as of any time after that date.

This offering circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this offering circular before making a decision whether to purchase the Bonds. You must not use this offering circular for any other purpose or disclose any information in this offering circular to any other person.

We have prepared this offering circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" below.

No representation or warranty, express or implied, is made by the Placing Agent or any of its affiliates or advisers as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Prospective investors in the Bonds should rely only on the information contained in the final offering circular. Each person receiving this offering circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Placing Agent or any person affiliated with it in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates or the Bonds not contained in this offering circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Placing Agent.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act. We are not, and the Placing Agent is not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Placing Agent to inform themselves about and to observe any such restrictions. For terms and conditions of the restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see the sections headed "Transfer Restrictions" and "Subscription and Sale" below.

This offering circular summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment, taxation, or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

We and the Placing Agent reserve the right to reject any offer to purchase any Bonds, in whole or in part, for any reason, or to sell less than the aggregate principal amount of the Bonds offered by this offering circular.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", "the Group" and words of similar import, we are referring to Mingfa Group (International) Company Limited itself, or to Mingfa Group (International) Company Limited and its subsidiaries, as the context requires. When we use the terms "Issuer" and "Company", we are referring to Mingfa Group (International) Company Limited.

Market data and certain industry forecast and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Placing Agent or our or their respective directors and advisers, and none of us, the Placing Agent, or our or their respective directors and advisers makes any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this offering circular relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. None of the Placing Agent or their respective directors and advisers makes any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

References to the "PRC" and "China" are to the People's Republic of China and, for the purposes of this offering circular, except where the context requires, do not include the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC Government" or the "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and organisations of such government thereof, or, where the context requires, any of them.

In this offering circular, "Placing Agent" refers to Head & Shoulders Securities Limited.

Unless the context otherwise requires, each phase of a property development project referred to in this offering circular is considered as a separate property development.

Unless the context otherwise requires, references to "2013", "2014" and "2015" in this offering circular are to our financial years ended 31 December 2013, 2014 and 2015, respectively.

Unless otherwise specified or the context requires, references herein to "Hong Kong dollars", "HK dollars" and "HK$" and "HK¢" are to the official currency of Hong Kong, references herein to "US dollars" or "US$" are to the official currency of the United States of America and references herein to "Renminbi" or "RMB" are to the official currency of the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to US dollars were made at the rate of RMB6.4778 to US$1.00, which was the noon buying rate as certified for customs purpose by the H.10 weekly statistical release of the Federal Reserve Board for cable transfers for the Renminbi on 31 December 2016. All such translations in this offering circular are provided solely for your convenience and no representation is made that the RMB amounts referred to in this offering circular could have been or could be converted into Hong Kong dollars or US dollars or vice versa at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering circular represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

Unless expressly stated or the context requires otherwise, all data in this offering circular is as of the date of this offering circular.

In this offering circular, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering circular, a land use rights certificate or a certificate of land use rights refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a completion certificate refers to an inspection and acceptance form of construction completion (竣工驗收備案表); and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

Totals presented in this offering circular may not total correctly because of rounding of numbers.

In this offering circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2018 Notes"	13.25% senior notes due 2018 of the Company issued on 1 February 2013 in the principal amount of US$160,000,000 listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 5901) which were fully redeemed by us on 12 February 2018
"2019 9% Bonds"	9% bonds due 2019 issued on or about 22 December 2016 in principal amount of US$60,000,000 pursuant to the placing agreement dated 15 December 2016 made among, the Company and Haitong International Securities Company Limited
"2019 11% Bonds"	11% bonds due 2019 issued on or about 17 January 2018 in principal amount of US$200,000,000 pursuant to the placing agreement dated 11 January 2018 made among, the Company and Head & Shoulders Securities Limited
"2020 Bonds"	11% bonds due 2020 issued on or about 18 May 2017 in principal amount of US$220,000,000 listed on SGX-ST pursuant to the placing agreement dated 12 May 2017 made between the Company and Head & Shoulders Securities Limited
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board of Directors" or "Board"	the board of Directors of our Company
"business day"	any day (other than a Saturday or Sunday) on which banks in the City of New York, London, or Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"BVI BC Act"	BVI Business Companies Act, 2004 (as amended)
"Controlling Shareholders"	Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun
"Director(s)"	the director(s) of our Company
"Executive Directors"	the executive director(s) of our Company
"independent third party"	a party which, to the best knowledge, information and belief of the Directors having made due and careful enquiry, is independent of and not connected with our Directors, substantial shareholders (within the meaning under the Listing Rules) or chief executive of our Company or any of their respective associates
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Ministry of Land and Resources" or "MLR"	the Ministry of Land and Resources of the PRC

"MOU"	a memorandum of understanding
"SAIC"	State Administration for Industry and Commerce of the PRC which has been reorganized as the State Administration for Market Regulation
"SAT"	the State Administration of Taxation
"State Council"	the State Council of the PRC

FORWARD-LOOKING STATEMENTS

This offering circular includes "forward-looking statements". All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in our markets are forward-looking statements. We have tried to identify forward-looking statements by terminology such as "believe", "expect", "aim", "intend", "plan", "will", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the industry outlook generally;
- future developments in and the performance of the property market in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government's specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- our ability to meet financial and other covenants provided under our indentures and loan agreements;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements as of and for the three years ended 31 December 2013, 2014 and 2015 included in this offering circular have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries. We record and publish our financial statements in Renminbi.

GLOSSARY OF TECHNICAL TERMS

"ASP"	average selling price
"CAGR"	compound annual growth rate
"commodity properties"	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
"EIT"	enterprise income tax of the PRC
"GFA"	gross floor area as approved by the relevant PRC Governmental authority or in respect of which application has been made for approval
"land grant contract"	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
"LAT"	land appreciation tax
"MOU"	memoranda of understanding
"pre-sale"	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
"sq.m."	square meter

SUMMARY

This summary aims to give you an overview of the information contained in this offering circular. As this is a summary, it does not contain all the information that may be important to you. You should read this entire offering circular, including our consolidated financial statements and related notes thereto before you decide to invest in the Bonds. There are risks associated with any investment. Some of the particular risks in investing in the Bonds are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Bonds.

OVERVIEW

We are one of the leading developers of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in China. We also develop hotels and industrial properties such as logistics centres and research and development ("R&D") centres. Geographically, we focus on affluent second and third tier cities in China where we see the potential for substantial economic growth, such as Xiamen and Zhangzhou in Fujian province, Nanjing, Wuxi and Yangzhou in Jiangsu province and Wujiang, Hefei and Jinzhai in Anhui province. Over our 23 years of operation, we have established strong market positions in Fujian province in the Western Straits Economic Zone and Jiangsu province in the Greater Yangtze River Delta. As of 31 December 2015, land bank attributable to the Group was approximately 15.3 million sq.m., consisting of 63 projects in total. Our shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 13 November 2009 and we had a market capitalisation of approximately HK$11.5 billion as at 31 March 2016 before the suspension of trading of our shares described below.

We began our real estate development business in Xiamen, Fujian province in 1994, focusing on residential and industrial property development and quickly established ourselves as one of the leading developers in Fujian province. Leveraging our well-recognised brand and management capabilities, we expanded our business to Jiangsu province, one of the most affluent provinces in the Greater Yangtze River Delta, in 2002, and Anhui province, one of the most populous provinces in central China, in the second half of 2005. Having established our presence in Fujian and Jiangsu provinces, we expanded into Liaoning province, Shanghai and Beijing in 2010. We have developed and implemented a "selected regional focus growth strategy, by which we initially focus on the development of a broad range of properties in key cities in the region where we have an established local presence and market share. We then selectively expand our presence in neighbouring cities which are experiencing strong economic growth. Going forward, we intend to continue to implement our "selected regional focus growth strategy and continue to expand our operations into selected high-growth areas across different provinces in China.

We initially focused on developing residential and industrial properties. Since 2004, in an effort to diversify our source of income and improve our financial stability, we strategically and gradually expanded our product range to include more integrated mixed-use commercial complexes, large-scale, mixed-use residential projects and other types of properties, such as logistics centres, R&D centres and hotels. Our diversified product portfolio helps us to manage our business exposure and alleviate the market risks associated with any single category of properties, provides greater visibility and less fluctuations in our revenue streams and puts us in a better position to mitigate market cyclicality in the PRC. In addition to property development, we have also established property management companies to provide the tenants and owners of our properties with all-round services, including rental services and daily maintenance services. We believe that the provision of quality property management services can potentially increase the value of our properties in the long term.

Over the years, we have received a number of awards, including "Leading Fujian Real Estate Enterprises in China in 2011" by China Real Estate Business, China Real Estate, Fujian Businessman Conference Organizing Committee, "Top 10 Real Estate Development Enterprises in Xiamen in 2011" by China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Center, and "Popular Commercial Property in Real Estate in 2011" by China Real Estate Information Corporation. See "Business — Our Competitive Strengths — Strong brand recognition."

Our principal business activities are as follows:

Commercial complexes

Most of our integrated mixed-use commercial complexes are located at strategic locations and form the landmarks of new city centres in high-growth areas in second and third tier cities, with easy access to existing city centres and neighbouring cities. Our commercial complexes increase traffic of the surrounding neighbourhoods and stimulate growth and development of these neighbourhoods. We believe that our focus on such locations allows us to continue to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our integrated mixed-use commercial complexes typically have total GFAs ranging from approximately 400,000 sq.m. to 700,000 sq.m., and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell some of the units in these commercial complexes and retain the remaining units to generate recurring rental income and for long-term capital appreciation, depending on the specific project's cash flow requirement and local market conditions. We had 957,411 sq.m. of attributable commercial GFA held for investment as at 31 December 2015. We also seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. To this end, we have entered into strategic collaboration agreements with Suning Appliance Co., Ltd., one of the biggest electrical appliance stores in the PRC ("Suning Appliance"), and Jin Yi Cinema, respectively, pursuant to which Suning Appliance and Jin Yi Cinema are required to open new stores in every commercial project launched by us in the PRC at rates based on the then prevailing market rates. Both of these contracts will expire in December 2018. In addition, we usually enter into long term arrangements and leases with fixed terms ranging from 10 to 20 years with our anchor tenants which include international and domestic brands such as Carrefour, Yong Hui Supermarket, Suning Appliance, B&Q, Xiamen City Zhongmin Baihui Department Store, Letian Supermarket, Hanting Inns & Hotels, Jin Yi Cinema and China Film Group International Cinemas. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial values.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings, low-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

Our large-scale mixed-use residential projects typically have total GFAs ranging from 300,000 sq.m. to 3,700,000 sq.m. and are either strategically situated in city centres with convenient transportation, or developed as part of our large scale mixed-use residential complexes. These residential projects usually consist of a mid-sized commercial mall or a cluster of commercial units which are surrounded by high rise apartment buildings and townhouses. Our projects also typically include ancillary facilities, such as clubhouses, retail spaces, schools and hospitals. We believe that we are able to derive substantial synergies from our integrated mixed-use project developments as the businesses within these developments provide essential products and services to the residents, whose patronage of the surrounding businesses bring significant foot traffic to our commercial complexes. We believe our integrated mixed-use properties form the cornerstones of new city centres in these regions, attract new businesses to the areas and lead to strong market demand and capital gains potential for our properties.

We usually develop our residential projects in phases over a period of two to six years. Pre-sales of residential properties during the development process allow us to recover our initial investment before the completion of these projects and reduce our working capital needs and funding risks for the projects.

Logistics centres and R&D centres

Our logistics centres and R&D centres are located in new economic zones of high-growth second and third tier cities. Our logistics centres meet the needs of domestic enterprises in industries such as construction materials, metals, chemicals, leather, textiles and electronics. These centres consist of various types of facilities, including exhibition halls, warehouses, data centres and research facilities and provide a variety of ancillary services. We engage third-party property management companies to manage daily operations of these centres and lease these properties to generate rental income.

Hotels

As at 31 December 2015, we held two hotels for investment with a total attributable GFA of approximately 24,632 sq.m. in Xiamen and Quanzhou in Fujian province. Meanwhile, we have 5 hotels that are managed by various domestic and international hotel management groups in various cities in Fujian, Jiangsu and Anhui provinces. In addition, we have 5 hotels under development and another one hotel for future development.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cash flow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprises integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

PROJECTS

As at 31 December 2015, we had a total of 63 projects at various stages of development. As of such date, the completed properties available for sale or lease had an aggregate attributable GFA of approximately 1.6 million sq.m., the properties under development had an aggregate attributable GFA of approximately 7.1 million sq.m., and the properties held for future development had an aggregate attributable GFA of approximately 6.6 million sq.m. In addition, as at 31 December 2015, the total planned GFA for the properties that we had obtained pursuant to MOU with governmental bodies and acquisitions of project companies was approximately 24.0 million sq.m. See "Business — Memoranda of Understanding with Government Bodies."

REVENUE AND PROFITS

For the three years ended 31 December 2013, 2014 and 2015, our revenues were RMB6,269.1 million, RMB3,792.6 million and RMB2,246.3, respectively. Profits attributable to equity holders of the Company for the corresponding years were RMB1,399.2 million, RMB829.3 million and RMB26.1 million, respectively.

RECENT DEVELOPMENTS

Suspension of Trading

On 1 April 2016, subsequent to our announcement of the consolidated annual results of the Group for the year ended 31 December 2015 (the "2015 Results") and the extract of independent auditor's report (the "2015 Report") on the Company's consolidated financial statements for the year ended 31 December 2015 and at our request, trading in our shares and the 2018 Notes on the Main Board of HKSE was suspended pending an announcement on further information in relation to the disclaimer of opinion by our auditor, PricewaterhouseCoopers (the "Auditor"), on the 2015 Results.

Disclaimer of opinion by the Auditor

As disclosed in the annual results announcement of the Company dated 31 March 2016, because of the significance of the matters described in the basis for disclaimer of opinion described in the sub-section headed "Basis for disclaimer of opinion of the Auditor" below, the Auditor had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the Auditor did not express an audit opinion on the consolidated financial statements for the year ended 31 December 2015. In all other respects, in the opinion of the Auditor, the consolidated financial statements for the year ended 31 December 2015 were properly prepared in compliance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Basis for disclaimer of opinion of the Auditor

Sale of equity interests in a subsidiary

On 20 December 2014, the Group entered into an equity sales agreement (the "Equity Sales Agreement") with a third party individual (the "Buyer") to sell 51% equity interests in one of our subsidiaries in Tianjin (the "Tianjin Project") at a consideration of RMB663,000,000 (the "Consideration"), and the Tianjin Project was to become a joint venture after the transaction. The carrying amount of the Tianjin Project as at 31 December 2015 was approximately RMB169,000,000. Up to 31 December 2014, a partial payment for the consideration amounted to RMB32,689,000 was received from a related party entity in which certain senior executives of the Group held directorship and senior positions. Approximately RMB367,590,000 in total were paid during the period from March to August 2015 by the said related party entity and certain companies majority-owned by an alleged third party individual (the "Alleged Third Party Individual") who is also a remunerated executive of one of the Group's subsidiaries. Management initially explained that all these payments were made by these payers on behalf of the Buyer as partial settlement of the Consideration. Management subsequently explained that out of the total proceeds of RMB400,279,000 received up to August 2015, RMB342,279,000 should be returned to the ultimate controlling shareholders of the Group who would arrange for settlements with the respective payers, and the remaining RMB58,000,000 should be refunded to one of the payer entities owned by the Alleged Third Party Individual. On 30 and 31 December 2015, a series of payments totaled RMB480,000,000 were further received from a company owned by the Buyer, which management explained were for partial settlement of the Consideration. Meanwhile, during the course of the audit, the Auditor independently identified a series of payments on 30 and 31 December 2015 totaled RMB580,000,000 made by the Group to two entities majority-owned by the Alleged Third Party Individual (see also the sub-section headed "Unexplained cash payments and receipts" below). The Equity Sales Agreement stipulates that the legal ownership of the 51% equity interest in the Tianjin Project should have been transferred to the Buyer upon receipt of the first installment of payment of RMB33,150,000. However, up to the date of the 2015 Report, the legal ownership of the subject equity interest has yet to be transferred, nor has the Buyer appointed any director into the board of the Tianjin Project. Management eventually did not recognise the gain arising from this sales of equity interests in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. As at 31 December 2015, all these cash receipts were recorded in "trade and other payables" and "amounts due to related parties". Most of the payers involved are related parties of either the Group itself or a remunerated executive of the Group. According to the Auditor, management of the Company was unable to provide the Auditor with adequate documentary evidences to support the nature and source of these receipts from various parties, nor was the management able to provide satisfactory and consistent explanations about the commercial substance of these transactions. The Auditor was also not able to obtain independent confirmations or other corroborative evidences from these payers about the nature of these payments and their outstanding balances. Given the above, together with the Auditor's concerns on those transactions described in the sub-sections headed "Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members", "Sales of use rights of certain properties to a subcontractor" and "Unexplained cash payments and receipts" below, the Auditor requested the board of directors of the Company to form an independent committee to commission an independent investigation on the authenticity and commercial substance of these transactions (the "Proposed Investigation"). Up to the date of the 2015 Report, the Proposed Investigation had yet to commence. Because of these reasons, according to the Auditor there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the occurrence, accuracy, nature and commercial substance of these receipts during the year together with the related balances at 31 December 2015; and

(ii) whether these receipts represented settlements of the Consideration, and whether the Tianjin Project should be de-consolidated and the related gain on sale be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members

The Group entered into certain agreements to sell the use rights (i.e., right to use without transfer of ownership title) of eight units of properties developed by one of its subsidiaries to its ultimate controlling shareholders and their close family members at an aggregate consideration of RMB189,000,000. The carrying amounts of these units of properties totaled RMB46,000,000, among which RMB42,500,000 were included in "completed properties held for sale" and RMB3,500,000 were included in "land use rights" in current assets as at 31 December 2015. Deposits of RMB96,880,000 were received in advance in 2014 from these buyers, while the remaining consideration of RMB92,120,000 were paid on 31 December 2015 by a company majority-owned by the Alleged Third Party Individual (which is also one of the payers of the Consideration described in the sub-section headed "Sale of equity interests in a subsidiary" above) on behalf of these buyers. Meanwhile, during the course of the audit, the Auditor independently identified a series of payments made by the Group on 30 and 31 December 2015 to the above company owned by the Alleged Third

Party Individual, which was included in the amount of RMB580,000,000 described in the sub-section headed "Sale of equity interests in a subsidiary" (see also the sub-section headed "Unexplained cash payments and receipts" below). Despite these units of properties have been delivered to the buyers on 27 December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. Up to the date of the 2015 Report, no tax invoices were issued nor the related tax filings were made in respect of these sales. As at 31 December 2015, these cash receipts totaled RMB189,000,000 were recorded in "trade and other payables."

According to the Auditor, management was not able to provide the Auditor with satisfactory explanations as to the commercial substance of these transactions, and provide the Auditor with adequate documentary evidences to support the nature and source of these receipts from and payments to the above company owned by the Alleged Third Party Individual. The Auditor was also not able to obtain independent confirmations or other corroborative evidences from that party to substantiate the nature of these transactions. As a result, and because the Proposed Investigation had yet to commence as at the date of the 2015 Report, the Auditor was of the view that there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the nature and commercial substance of these receipts together with the related balances at 31 December 2015; and

(ii) the occurrence of the sales of the use rights of these properties and whether the related gains on sales should be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to a subcontractor

On 18 November 2015, the Group entered into certain agreements (the "November 2015 Agreements") with a subcontractor (the "Subcontractor") in which the Subcontractor agreed to settle, on behalf of the Group, certain of the Group's outstanding payables to two main contractors (the "Main Contractors") amounted to RMB644,000,000 in total. In return, the Group agreed to deliver to the Subcontractor the use rights of 42 units of properties developed by one of the Group's subsidiaries. Pursuant to the November 2015 Agreements, the Subcontractor designated two individuals, namely the Buyer and the Alleged Third Party Individual mentioned in the sub-section headed "Sale of equity interests in a subsidiary" above, to take over these 42 units of properties. On 10 December 2015, the Buyer and the Alleged Third Party Individual entered into certain property use right sales agreements with the Group in which the Group agreed to sell the use rights of these 42 units of properties at a total consideration of RMB644,000,000. Management explained to the Auditor that these latter sales agreements were executed on behalf of the Subcontractor in connection with the November 2015 Agreements. The carrying amounts of these 42 units of properties totaled RMB137,305,000, among which RMB126,581,000 were included in "completed properties held for sale" and RMB10,724,000 were included in "land use rights" in current assets as at 31 December 2015.

Despite these 42 units of properties have been delivered to the buyers at the end of December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. Up to the date of the 2015 Report, no tax invoices were issued nor the related tax filings were made in respect of these sales. The Auditor also noted that all these 42 units of properties were still available for sale in the market in March 2016.

The Auditor was initially not provided with any substantive evidences that indicated acknowledgement by the two Main Contractors of these payables settlement arrangements, until mid-March 2016 when management provided them with certain tripartite agreements, dated 18 November 2015, executed among one of the two Main Contractors, two subsidiaries of the Group and the Subcontractor which formalises these payables settlement arrangements. No similar tripartite agreement executed by the other Main Contractor was provided to the Auditor up to the date of the 2015 Report. The Auditor was also not able to obtain all the necessary independent confirmations or other corroborative evidences from the Subcontractor and the two Main Contractors to substantiate the nature of these arrangements and transactions. As a result, and because the Proposed Investigation had yet to commence as at the date of the 2015 Report, the Auditor was of the view that there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the nature and commercial substance of these arrangements and transactions;

(ii) the occurrence of the sales of the use rights of these properties;

(iii) the rights and obligations of the payables to the two Main Contractors totaled RMB644,000,000, which were included in "trade and other payables" at 31 December 2015;

(iv) the existence of undisclosed terms in these sales arrangements, if any, that could have implications on revenue recognition; and

(v) whether the related gains on sales should be recognized during the year ended 31 December 2015.

Unexplained cash payments and receipts

During the course of the 2015 audit, the Auditor has independently identified significant amounts of payments to and receipts from (including the payments and receipts described in the above sub-sections) a number of companies majority-owned by the Alleged Third Party Individual and a company in which the Alleged Third Party Individual holds a managerial position (the "Fujian Entity"). Such payments and receipts were not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB904,220,000 and RMB542,265,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB353,693,000 and RMB210,852,000 respectively.

In March 2016, management provided to the Auditor two framework agreements (the "Framework Agreements"), dated 5 January 2013, entered into between a subsidiary of the Group, and the Alleged Third Party Individual and the Fujian Entity. The "Framework Agreements" stipulate, among other things, (i) the general terms upon which funds can be borrowed and lent between entities within the Group on the one hand, and the Fujian Entity and other companies controlled by the Alleged Third Party Individual on the other hand; and (ii) the basis upon which interests are charged on funds borrowed and lent. The Auditor was also provided with a number of supplementary documents (the "Supplementary Documents") that allegedly supported some of these fund transfer transactions executed between 2013 and 2015. However, none of these documents were provided to the Auditor prior to March 2016. No interests on the said receivables and payables have ever been paid, received or accrued in the Group's consolidated financial statements, nor did management provide to them a breakdown or estimate of the impact of these interest income/expenses up to 31 December 2015.

In addition, other payments to and receipts from certain alleged third parties were independently identified by the Auditor during the course of the 2015 audit, which were (according to the Auditor) also not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB164,000,000 and RMB309,000,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB86,000,000 and RMB231,000,000 respectively.

According to the Auditor, management was not able to provide them with satisfactory explanations as to why the Framework Agreements and the Supplementary Documents were not provided to them prior to March 2016, nor was it able to provide satisfactory explanations or adequate evidence as to the identify of these parties and their relationship with the Group, if any, together with the commercial substance and rationale of these payments and receipts. As a result, and because the Proposed Investigation has yet to commence at the relevant time, the Auditor was not able to verify the occurrence, accuracy and completeness of these payments and receipts and the substance of their nature, nor the existence, accuracy, valuation and completeness of the related receivables and payables balances. The Auditor was also not able to ascertain the amount of interest income and expenses that should have been accrued by the Group, if any. According to the Auditor, there were no other alternative audit procedures that they could perform to satisfy themselves as to whether these transactions and balances were free of material misstatements and were properly accounted for and disclosed in the consolidated financial statements in accordance with their substance, and whether and how these transactions would affect other reported balances and amounts in these financial statements.

The Resumption Conditions and Further Resumption Condition

On 29 April 2016, HKSE issued a letter informing the Company of the following conditions which the Company must satisfy before it is allowed to resume trading (the "Resumption Conditions"):

(i) conduct an appropriate investigation on the matters identified by the Auditor, disclose the findings of the investigation, assess the impact on the Company's financial and operational positions, and take appropriate remedial actions;

(ii) address the audit qualifications on the 2015 Annual Results; and

(iii) inform the market of all material information for the shareholders and the investors to appraise the Group's position.

On 27 July 2018, the Company received a letter from HKSE informing the Company the decision of HKSE to further impose the following resumption condition (the "Further Resumption Condition"):

— publish all outstanding financial results and address any audit modifications,

and for the avoidance of doubt, the Company is still subject to all the other Resumption Conditions. Should future development necessitates, HKSE may modify or impose further conditions.

The Investigations

Our audit committee appointed an independent professional adviser (the "Independent Forensic Accountants") to carry out investigations in relation to the issues raised by the Auditor as mentioned in the disclaimer of opinion, and the Company has been cooperating in full with the Independent Forensic Accountants to facilitate such investigations (the "Investigations").

Since the Investigations commenced on 11 April 2016, the Independent Forensic Accountants collected, reviewed and analysed a large amount of information and documents from the Company, and conducted various interviews with relevant persons involved.

Mr. Chu Kin Wang Peleus ("Mr. Chu"), an independent non-executive director of the Company, has relevant experience and qualifications and was proposed to provide valuable advice to the board and assist the Company in complying with the Resumption Conditions. Since his appointment as independent non-executive director of the Company on 1 November 2016, Mr. Chu has conducted meetings with the Independent Forensic Accountants and management of the Company, and reviewed the documents relating to the Investigations which have been collected by the Independent Forensic Accountants.

Following the appointments of Dr. Wong Tin Yau Kelvin *J.P.* and Dr. Lam, Lee G as the new independent non-executive Directors of the Company and the resulting change in the composition of the audit committee of the board of directors of the Company on 1 September 2018, the new independent non-executive Directors have been reviewing the background, the scope and the progress of the Investigations. As such, the management of the Company, the new independent non-executive Directors together with other members of our audit committee and the Independent Forensic Accountants have been further exchanging views and seeking further clarifications on various key matters comprised under the Investigations such as (i) the comprehension of the relevant records and documents and (ii) the analysis of information provided by the Independent Forensic Accountants.

As at the date of this offering circular, the Independent Forensic Accountants have produced the draft of the written report of their Investigations and provided it to the board of directors and the audit committee of the Company. Our audit committee is currently reviewing the findings of the investigation report, and will assess whether the findings have adequately addressed the relevant issues and any plan for further action. The publication and despatch of (i) the respective annual report of the Company for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 and the interim report of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and (ii) the respective announcement of the interim results of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and the annual results announcement of the Company for the year ended 31 December 2016 and 31 December 2017 will be delayed until the Investigations are completed, the timing of which is currently uncertain. Trading in the shares and debt securities of the Company on HKSE will remain suspended until further notice.

Transitional Arrangements for the Amendments to the Delisting Framework under the Listing Rules

On 25 May 2018, HKSE has published certain Guidance Letter in relation to, among other matters, the amendments to the delisting framework under the Listing Rules which came into effect on 1 August 2018 (the "Effective Date"). As the shares and debt securities of the Company will have been suspended from trading for more than 12 months as at the Effective Date, under Rule 6.01A(2)(b)(ii) of the Listing Rules, HKSE may cancel the Company's listing if trading in the shares has remained suspended for 12 continuous months from the Effective Date. The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the Resumption Conditions to the satisfaction of HKSE and resume trading in the shares by 31 July 2019, the Listing Department of HKSE will recommend the Listing Committee of HKSE to proceed with the cancellation of the Company's listing. This is subject to HKSE's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate.

Appointment of Internal Control Consultant

On 19 December 2018, the board of directors as part of the drive to improve the Group's internal control system of the Group and as part of the effort in the pursuit of resuming trading of the shares of the Company on HKSE has appointed BDO Financial Services Limited as the Company's internal control consultant (the "Internal Control Consultant") to conduct a review of the internal control systems and procedures of the Group and make recommendations of remedial measures.

The result of the review will assist the audit committee to determine whether the Group has maintained an appropriate and adequate internal control system required of a listed issuer under the Listing Rules, and to ensure that the Group will have in place proper procedures, systems and monitoring procedures. The scope of the review by the Internal Control Consultant has been reviewed and approved by the audit committee. As agreed between the Board and the Internal Control Consultant, it is expected that the review by the Internal Control Consultant will commence no later than January 2019 and complete by mid-February 2019, and upon completion of the implementation of the remedial measures as recommended by the Internal Control Consultant, the subsequent follow up review by the Internal Control Consultant of the implementation of such remedial measures will commence in mid-February 2019 and complete by March 2019.

The 2019 9% Bonds

On 15 December 2016, we entered into a placing agreement with certain guarantors and Haitong International Securities Company Limited as placing agent pursuant to which we issued 9% bonds due 2019 in an aggregate principal amount of US$60.0 million guaranteed by certain deeds of guarantee and secured by the charge and deposit of 1,000,000,000 of our ordinary shares in favour of Haitong International Securities Company Limited as security agent. See "Description of Other Material Indebtedness."

The 2020 Bonds

On 12 May 2017, we entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% bonds due 2020 in an aggregate principal amount of US$220.0 million. See "Description of Other Material Indebtedness."

Our performance for the nine months ended 30 September 2018

For the nine months ended 30 September 2018, we achieved unaudited contracted sales of approximately RMB13.36 billion in total, representing an increase of approximately 38.8% when compared to the same period in 2017 (approximately RMB9.62 billion) in the following regions:

City	Area	Average Selling Price	Amount	Percentage
	(sq.m.)	(RMB/sq.m.)	(RMB in million)	(%)
Nanjing, Jiangsu Province	229,489	21,583	4,953.0	37.1%
Zibo, Shandong Province	65,731	13,454	884.3	6.6%
Ma'anshan, Anhui Province	110,683	7,268	804.4	6.0%
Quanjiao, Anhui Province	130,233	5,856	762.6	5.7%
Taizhou, Jiangsu Province	123,571	6,072	750.3	5.6%
Changsha, Hunan Province	100,082	6,558	656.4	4.9%
Chizhou, Anhui Province	75,770	7,596	575.5	4.3%
Chuzhou, Anhui Province	54,120	9,852	533.2	4.0%
Jinzhai, Anhui Province	90,265	5,628	508.0	3.8%
Sihong, Jiangsu Province	58,223	6,073	353.6	2.6%
Wuhu, Anhui Province	47,894	6,234	298.5	2.2%
Hanshan, Anhui Province	35,827	7,160	256.5	1.9%
Shenyang, Liaoning Province	48,282	5,293	255.6	1.9%
Lai'an, Anhui Province	21,968	10,033	220.4	1.6%
Guang'an, Sichuan Province	44,536	4,798	213.7	1.6%
Others	188,188	7,094	1,335.0	10.0%
	1,424,862	9,377	13,361.0	

The 2019 11% Bonds

On 11 January 2018, we entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% bonds due 2019 in an aggregate principal amount of US$200.0 million. See "Description of Other Material Indebtedness."

COMPETITIVE STRENGTHS

We believe we are well-positioned to take advantage of the continued development of the property market in the PRC and can leverage the following competitive strengths:

- Proven track record and strong execution capabilities in developing and managing integrated mixed-use commercial complexes and large-scale mixed-use residential properties
- Balanced, efficient and scalable business model
- Sizeable, diversified and high-quality land bank acquired at competitive costs
- Leading position in the Western Straits Economic Zone and Greater Yangtze River Delta
- Efficient management structure, experienced management team and professional workforce
- Strong brand recognition

Please refer to the section headed "Business — Our Competitive Strengths" in this offering circular for further description of these strengths.

BUSINESS STRATEGIES

Our key business strategies are to:

- Focus on second tier and third tier cities through our "selected regional focus growth strategy
- Maintain our low land costs by acquiring new high-quality sites at strategic locations at competitive costs
- Continue to focus on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties
- Prudent expansion of our investment property portfolio to reduce fluctuations in our income streams
- Continue to maintain optimal capital structure

Please refer to the section headed "Business — Our Strategies" in this offering circular for further description of these strategies.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering circular. For a more detailed description of the Terms and Conditions of the Bonds, see "Terms and Conditions of the Bonds". Terms used in this summary and not defined shall have the same meanings given to them in "Terms and Conditions of the Bonds."

Issuer	Mingfa Group (International) Company Limited.
Bonds Offered	US$200,000,000 aggregate principal amount of 15.0% Bonds due 2020 (the "Bonds").
Offering Price.	100% of the principal amount of the Bonds.
Maturity Date	15 January 2020.
Interest	The Bonds will bear interest from and including 16 January 2019 at the rate of 15.0% per annum, payable semi-annually in arrears.
Interest Payment Dates . .	16 July 2019 and 15 January 2020.
Ranking of the Bonds . . .	The Bonds are: • direct, unsubordinated, unconditional and unsecured obligations of the Company; • ranked *pari passu* without any preference among themselves; • ranked at least equally with all its other present and future unsecured and unsubordinated obligations.
Use of Proceeds	We intend to use the net proceeds to refinance certain existing indebtedness of the Group and for general corporate purposes.
Repurchase of Bonds Upon a Change of Control Event	Following the occurrence of a Change of Control Event, the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101% of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date.
Covenants	The Bonds and the Placing Agreement contained certain covenants pursuant to which the Company agreed, among other things: • to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%; • to supply bondholders with certain compliance certificate within 7 business days of publishing of the Company's annual and semi-annual financial statements;

- to use best endeavours to maintain the listing of the Company on HKSE website;
- to use best endeavours to maintain the listing of the Bonds on SGX-ST; and

	These covenants are subject to a number of important qualifications and exceptions described in "Terms and Conditions of the Bonds — Certain Covenants."
Transfer Restrictions. . . .	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Bonds will be issued in registered form in amounts of US$200,000 and in integral multiples of US$1,000 in excess thereof. The Bonds will initially be represented by a Global Certificate, in registered form and without coupons, deposited on or before the Closing Date with, a sub-custodian for the CMU Service or any other clearing system. Except in limited circumstance described in the Fiscal Agency Agreement, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Fiscal Agent, Paying Agent, CMU Lodging and Paying Agent, Registrar and Transfer Agent	Haitong International Securities Company Limited.
Clearing Systems	The Bonds will be issued in registered form and represented by a Global Certificate which shall be registered in the name of the HKMA as operator of, and shall be lodged with a sub-custodian for, the CMU, the book-entry clearing system operated by the HKMA. The Global Certificate will be held for the account of CMU members who have accounts with the CMU Operator, or the CMU participants. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU Operator. Except as described the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
	Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Clearing and Settlement .	The Bonds have been accepted for clearance by the CMU under the CMU Instrument Number HTISFB19001. The ISIN and Common Code for the Bonds is HK0000474301 and 193665306 respectively.
Notices and Payment . . .	So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of the CMU Operator, any notice to the holders of the Bonds may be given by delivery of the relevant notice to the account holders shown in a CMU instrument position report issued by the CMU Operator on the business day preceding the date of despatch of such notice as holding interests in the Global Certificate, and payments on the Bonds shall be made to the person(s) for whose account(s) interests in the Global Certificate are credited (as set out in a CMU instrument position report).
Listing.	The Company will seek a listing of the Bonds on the SGX-ST. Approval in-principle by the SGX-ST and the listing of the Bonds are not to be taken as an indication of the merits of the Company, the Bonds or the placement.
Governing Law	The Bonds, the Placing Agreement and the Fiscal Agency Agreement will be governed by and will be construed in accordance with the laws of Hong Kong.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "Risk Factors."

Prospective investors should carefully consider the risk factors described below, as well as the other information contained elsewhere in this offering circular. The risks described below are not the only ones relevant to us or the Bonds. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the possible events described below occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and investors could lose all or part of their investment.

RISKS RELATING TO OUR BUSINESS

The global economic slowdown and financial crisis have negatively impacted, and may continue to adversely affect our business, liquidity, financial condition, results of operations and prospects

The global economic slowdown and turmoil in the global financial markets have affected the PRC economy, which in turn has affected the PRC real estate industry.

On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. More recently, on 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("Brexit"). On 29 March 2017, the United Kingdom triggered Article 50 of the European Union's Lisbon Treaty, opening a two-year window for negotiations that will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC intensify, it would have a material and adverse impact on our business, financial condition and results of operation. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow or access to financing to fund our operations or to service our financing obligations

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. As of 31 December 2013, 2014 and 2015, our commitments for capital and property development expenditure were RMB5,449.7 million, RMB6,073.4 million, and RMB5,598.7 million (US$864.3 million), respectively. We cannot assure you that we will be able to achieve or maintain a net cash inflow from operating activities in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our net cash outflow, could adversely affect our financial condition.

In order to finance our capital intensive business, we have maintained a high level of indebtedness, of which a large amount is secured by certain of our properties and land use rights. As of 31 December 2013, 2014 and 2015, our total borrowings amounted to RMB8,641.4 million, RMB12,202.2 million, RMB15,148.0 million respectively. Of our total borrowings as of 31 December 2015, RMB9,659.4 million (US$1,491.2 million) was due within a period of not more than one year and RMB5,488.5 million (US$847.3 million) was due within a period of more than one year.

Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as by increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers, which, among other things:

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;
- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available for the relevant project are less than 20% of the total estimated capital required for such project;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;

- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and

- restrict PRC commercial banks from providing loans to property developers to develop luxury residential properties.

We cannot assure you that we will have adequate cash flow to service our financing obligations. Our inability to obtain sufficient funding in a timely manner or on terms that are acceptable to us could hinder our expansion plans and materially and adversely affect our business, results of operations and financial condition.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Bonds and other debt;

- increase our vulnerability to adverse general economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and

- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms and conditions of the 2019 9% Bonds, the 2020 Bonds and 2019 11% Bonds and the Bonds prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of Other Material Indebtedness" and "Risk Factors — Risks Relating to our Business — We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a materially adverse effect on our ability to make timely payment of interest and principal under the Bonds and conduct our business". Such restrictions in the 2019 9% Bonds, the 2020 Bonds and 2019 11% Bonds and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Bonds and other debt.

We are highly dependent on the performance of the PRC property market, particularly in Fujian province in the Western Straits Economic Zone, Jiangsu province in the Greater Yangtze River Delta and Liaoning province

Our business and prospects are subject to the conditions of the PRC property market, particularly in Fujian province in the Western Straits Economic Zone, Jiangsu province in the Greater Yangtze River Delta and Liaoning province in North-eastern China. Growth in demand for commercial and residential properties in the PRC is often coupled with volatility in market conditions and fluctuations in property prices. We cannot assure you that our property development and investment activities will continue to grow at a rate similar to past levels or that we will always be able to capitalize on the future growth, if any, of the property market of the PRC. If we cannot adapt timely to future changes in market conditions or customer preferences, our results of operations may be materially and adversely affected.

The PRC property market is affected by many factors, including changes in the PRC's political, economic and legal environment, and the lack of a mature and active secondary market for commercial and residential properties. As the majority of our projects and property developments are located in the Western Straits Economic Zone, Greater Yangtze River Delta and Liaoning province, we expect that our business and prospects will be heavily affected by the state of the property market in these regions. Any over-development, market downturn, or fluctuations in property prices in China in general and in particular these regions would have a material adverse impact on our business, financial condition, results of operations and prospects. Furthermore, the PRC Government from time to time adjusts its fiscal and monetary policies to adjust the rate of growth of the PRC national economy and local economies, and such adjustments may affect the property market in the regions where we have, and will have, property developments.

The PRC Government has from time to time announced a series of measures designed to stabilise the development of the real estate market, to a more sustainable level. For a detailed discussion of policy or other government measures that may affect our business, see "Risk Factors — Risks Relating to Our Industry — The restrictive measures adopted from time to time by the PRC Government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline." Furthermore, we cannot assure you that the PRC Government will not implement additional measures to restrict the growth or curb the overheating of the PRC real estate market, or that there will not be material adverse changes in the PRC economy and the PRC real estate market as a result of such policies, measures and/or regulations. Any such changes could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement and effective management information system. To manage effectively our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and future growth, we need to have sufficient internal resources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects. In addition, our internal control systems and compliance procedures may have deficiencies and weaknesses such that we may not be able to maintain effective internal control. Our internal control systems and compliance procedures are essential to the operations and results of our business. While we have taken steps to improve these systems and procedures, we cannot assure you that in the future any deficiencies and weaknesses therein will not have a material adverse effect on our reputation, business and results of operations.

We may not be able to locate or acquire suitable sites for our future projects at a reasonable cost, or at all

Major PRC cities, including those in the Western Straits Economic Zone and Greater Yangtze River Delta have experienced an increase in land cost in recent years and there is a limited supply of suitable land available for development in such cities. As a result, we may not be able to acquire suitable land at a reasonable cost. We may also face strong competition from other property developers for the sites we target to acquire and cannot assure you that we will be able to acquire these sites at reasonable costs, or at all.

Furthermore, our ability to acquire land is regulated by the PRC Government and the relevant local authorities who control the supply of substantially all land and their approved usage which in turn affects the price at which land can be acquired. Specific regulations are in place to control the way through which land is acquired and developed. Further changes in government policy with regard to land supply and development may lead to increases in our costs of acquiring land and limit our ability to successfully acquire land at reasonable cost, which would have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to obtain land use rights certificates for certain existing properties or properties we may acquire in the future

In order to develop and sell real estate in the PRC, property developers are required to obtain land use certificates from the relevant government authorities. The land use rights certificate in respect of a piece of land will not be issued until the developer has executed the land use rights grant contract with the relevant authorities, made full payments of the land premium and complied with the use rights and any other land grant conditions. There is no assurance that the Group will enter into formal land grant contracts, or that the relevant PRC Government authorities will grant the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land the Group may contract to acquire in the future, in a timely manner, or at all.

We have entered into MOU with various PRC Government entities with an intention to facilitate potential acquisition of land use rights to certain parcels of land located in several cities in China. As at 31 December 2015, the Group entered into 12 uncompleted MOU for projects with a total planned GFA of approximately 24.0 million sq.m. with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2015. These MOU are not binding and are not land use rights grant contracts or project company acquisition agreements pursuant to which land use rights can be secured with reasonable certainty. Notwithstanding such MOU, we are still required by the relevant PRC laws and regulations to go through the public tender, auction or listing-for-sale procedures, or to obtain relevant government approvals and, if successful, enter into a land grant contract and pay the relevant land premium before we can obtain the land use rights with respect to the land parcels under these MOU. We cannot assure you that the relevant PRC Government authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land, or that these MOU will eventually result in our acquisition of any land use rights or our entry into any land use rights grant contract with the relevant PRC Government authorities.

If we fail to obtain or experience material delay in obtaining the land use rights with respect to any parcels of land, or at all, our business, financial condition and results of operations may be materially and adversely affected. See "Business — Description of Our Projects — Memoranda of Understanding with Government Bodies."

In addition, there are risks with respect to the enforcement of the MOU in connection with our land acquisitions, particularly in light of their relatively long execution periods in certain cases, and potential changes in PRC Government policies. We cannot assure you that PRC Government policies related to our projects will not change in the future or there will not be changes in the manner of implementation of these agreements. Further, we cannot assure you there will not be any modifications to the terms in these agreements that are favourable to us. In addition, the law and practice relating to enforcement of the MOU against PRC Government entities involve uncertainty, and we cannot assure you that such agreements can be enforced or at all. If any of these agreements is not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have made certain payments in connection with the MOU and other arrangements in relation to land acquisition and we may suffer as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialise

As at 31 December 2015, we had made certain payments in connection with MOU and other arrangements in relation to land acquisition. These payments are unsecured and paid directly to the counterparties or to the project companies instead of escrow accounts. Although the recoverability of these payments, if in the form of down payment or deposit, is specified in the contracts, the timeframe and method for the refund are not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparties or to ensure funds will be available when refund is due.

Furthermore, the collection process may be time consuming and could potentially divert our management and financial resources especially if we have to protect our claims through litigation in the event of default. If our counterparties default in their obligations to refund our down payments or deposits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may forfeit land to the PRC government if we fail to develop properties in accordance with the terms and timeframe set out in the land grant contracts

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land grant premium, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and order us to forfeit the land.

Specifically, under current PRC laws, if we fail to commence development of land for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land of up to 20% of the land grant premium. The relevant PRC land bureau also may confiscate our land use rights without compensation if we fail to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the timeframe stipulated in the land grant contract and the developed GFA on the land is less than one-third of the total proposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and be subject to risk of forfeiture.

In September 2007, the Ministry of Land and Resources issued a notice to strengthen control over the supply of land by requiring developers to develop land according to the terms of the land grant contracts and restricting the participation of non-compliant developers in land auctions. In January 2008, the State Council issued the Notice on Promoting the Land Saving and Efficient Use (關於促進節約集約用地的通知) (國發[2008]3號) to intensify the enforcement of rules on idle land management. Furthermore, the Ministry of Land and Resources issued the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) (國土資發[2009]106號) in August 2009, which reiterates the existing rules regarding idle land management. On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法) (國土資源部令第53號), which became effective on 1 July 2012. These measures require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of any idle land before the completion of the required rectification procedures. Our business operations are subject to these measures, which may restrict our development plans and materially and adversely affect our results of operations, prospects and financial condition.

We require substantial capital resources to acquire land and develop our existing and future projects, which may not be available on commercially available terms, or at all, and are subject to market demand and policy changes

Real estate development is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete our projects. We finance our real estate development activities primarily through a combination of funding from bank borrowings, convertible bonds as well as pre-sale and sale proceeds from our developed projects. Historically, we also relied on interest-free loans from our Controlling Shareholders to fund our operations. There is no assurance that such loans from our Controlling Shareholders will continue to be available to us in the future.

Our ability to arrange adequate financing for land acquisitions or real estate developments on terms commercially acceptable to us depends on a number of factors, many of which are beyond our control, including the prevailing market conditions, government policy and regulation, availability of credit, interest rates and investor or lender perception of our business and our future results of operations. The PRC Government has in recent years introduced numerous policy initiatives in the financial sector to further tighten the requirements for lending to property developers including raising reserve requirements for PRC banks and raising lending rates several times in the past 12 months. As a result, we may not be able to obtain bank borrowings or funding from other sources in the future on favourable terms, or at all, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

In addition to bank borrowings, we utilise proceeds from pre-sales and funds generated from our operations as an important source of financing for our real estate developments. We cannot assure you that we can achieve sufficient pre-sales to finance a particular development. Any restriction on our ability to pre-sell or sell our properties, including any increase in the amount of upfront expenditures we must incur prior to obtaining a pre-sale permit, or any restriction on our ability to utilise the pre-sale proceeds, including as a result of changes to PRC laws and regulations governing the use of pre-sale proceeds, would extend the time required to recover our capital outlay and could require us to seek alternative means to finance the various stages of our real estate developments. Our ability to generate cash depends on the demand for and prices of our properties and our ability to continually develop and sell or lease our properties. Furthermore, purchasers who pay the purchase price in instalments under sales or pre-sales contracts may not make timely payments and this may have a material adverse impact on our liquidity. Any restriction on our ability to pre-sell or sell, any change in our ability to generate profits from our operations or our ability to collect instalments from the purchasers could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not have adequate resources to fund land acquisitions or property developments or to service our financing obligations.

We require significant funding to acquire land and develop property. Our property development projects are generally funded through internally generated funds from pre-sale of properties, bank loans and issuance of equity, bonds and convertible bonds. We expect to continue to fund our projects through such sources.

Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties, some of which are beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;

- our future results of operations, financial condition and cash flows;

- the condition of the international and domestic financial markets and financing availability thereof;

- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and

- changes in policies regarding regulation and control of the real estate market.

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector.

For example:

- the People's Bank of China ("PBOC") has adjusted the Renminbi deposit reserve ratio several times since 2010;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- commercial banks may not grant loans to property developers to pay land premiums; and
- the CBRC has issued guidelines that require at least 25% of the total investment in a property project to be funded by the developer's own capital.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in incurring additional indebtedness to finance our property projects. We cannot assure you that the PRC government will not introduce other initiatives that may further limit our access to capital, or that we will be able to secure adequate financing or renew our existing credit facilities on commercially reasonable terms, or at all.

Our financing costs are subject to changes in interest rates

As of 31 December 2015, our aggregate borrowings were RMB15,148.0 million. As such, we have substantial interest obligations for our borrowings, and for the years ended 31 December 2013, 2014 and 2015, our interest expense on borrowings (including the capitalized portion) was RMB848.5 million, RMB765.7 million and RMB1,079.9 million, respectively. As of 31 December 2015, the weighted average effective annual interest rate on our borrowings, on average, was 7.9%. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC.

The PBOC raised the benchmark one-year bank lending rate to 6.06% in February 2011, to 6.31% in April 2011 and to 6.56% in July 2011 although the PBOC lowered the bench mark one-year interest rate by 25 basis points in each of June and July 2012. The PBOC lowered the one year benchmark lending rate one time in 2014 and five times in 2015. The current one-year benchmark lending rate is 4.35% with effect from October 2015. In addition, the PBOC has raised the reserve requirement ratio for commercial banks six times in 2010 and six times in 2011 although the PBOC lowered the reserve requirement ratio by 50 basis points in each of December 2011, February 2012 and May 2012. The PBOC further reduced the reserve requirement ratio for commercial banks five times in 2015 and one time in 2016. The reserve requirement ratio currently ranges from 13% to 16.5% with effect from 1 January 2016. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalised rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a project phase.

An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Our sales and pre-sales will be materially and adversely affected if mortgage financing for our purchasers becomes more costly or otherwise less attractive or available

Mortgages are one of the primary means of financing property purchases in the PRC. We expect most prospective purchasers of our residential properties to finance a significant portion of the purchase price with mortgages. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC Government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income.

To curtail the overheating of the PRC property market, the General Office of the State Council on 7 January 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (關於促進房地產市場平穩健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total purchase price. On 17 April 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or more properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or more properties bought with mortgage loans or to non-residents who cannot provide any proof of tax or social insurance payment more than one year.

On 29 September 2010, the PBOC and The China Banking Regulatory Commission ("CBRC") jointly issued the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On 26 January 2011, the State Council issued the Notice Concerning Further Strengthening the Macro economic Control of Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, or such alternatives are not available, property purchasers may not be able to obtain mortgages from banks, which may inhibit pre-sales of our projects, which could materially and adversely affect our business prospects, results of operations and financial condition.

We may not be able to meet project development schedules and complete our projects on time, or at all

Real estate development requires substantial capital expenditures and management resources prior to, and during, the construction period. Construction of a particular project may take several years before it can generate positive cash flows through pre-sales, leases and sales, and the timing and costs involved in completing a particular project could be materially and adversely affected by many factors, including, among others:

- misjudgment on the selection and acquisition criteria for potential sites, especially with respect to new business segments and cities;
- delays in obtaining necessary licences, permits or approvals from government agencies or authorities including, but not limited to, delays in assisting our customers to obtain the necessary individual property ownership certificates;
- delays in construction due to various factors including, but not limited to, the relocation of existing site occupants and demolishment of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- changes in market conditions;
- construction accidents; and
- natural catastrophes and adverse weather conditions.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within 30 days after receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit within regulated periods or a time set out in the relevant sale and purchase agreement after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers.

Delays in, or the failure to complete, the construction of a particular project according to its planned specifications, schedule or budget may damage our reputation as a property developer, and lead to a loss of revenues, potential penalties arising from late delivery of our properties, as well as result in an increase in construction costs. If we do not complete our projects on time, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected. In the past, we have experienced a three-month delay in the delivery of properties in our Xiamen Mingfa Shopping Mall and have paid damages of approximately RMB16.5 million in connection with such delay.

Our failure to meet all requirements for issuance of property ownership certificates may lead to payment of compensation to our customers

According to PRC law, property developers must meet various requirements which include, among others, passing various governmental clearances, formalities and procedures, within 90 days after delivery of properties, or such time period as provided in the sales contracts, in order to allow the customers to apply for property ownership certificates. We cannot assure you that there will not be delays in fulfilling those requirements, that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any late deliveries of property ownership certificates. There may also be factors beyond our control that cause delay to the delivery of property ownership certificates, such as time-consuming examination and approval processes by various PRC Governmental agencies. Under our sales contracts, we are required to compensate our customers for any delays in the delivery of our properties. In the case of serious delays in one or more of our property development projects, our business and reputation could be materially and adversely impacted.

We face risks relating to fluctuations in our results of operations from period to period

Our results of operations fluctuated significantly and will continue to fluctuate from period to period due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement, and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers.

According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which typically take up to several years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors.

A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations

Our ability to repay the principal and interest on our borrowings depends substantially on our cash flow position and results of operations of our operating subsidiaries, which are dependent not only on market conditions and customer demands, but also on a number of political, economic, legal and other factors, some of which are beyond our control. We cannot assure you that we will have sufficient cash flow to service our borrowings or repay our indebtedness. If we are unable to service our borrowings due to a deterioration of our cash flow position, our business, financial condition, results of operation and prospects, as well as our ability to obtain future borrowings on favourable terms or at all may be materially and adversely affected.

Our results of operations include estimated fair value gains on investment properties, which are unrealised

For the years ended 31 December 2013, 2014 and 2015, we recorded fair value gains on our investment properties before tax amounting to RMB453.4 million, RMB1,203.2 million and RMB537.2 million, respectively, in our consolidated income statements, representing 19.7%, 69.2% and 405.9% of our profit before tax for those periods, respectively. Prospective investors should be aware that these upward fair value adjustments reflect primarily unrealised capital gains in the value of our investment properties at the relevant reporting dates, and they are not profit generated from day-to-day rental income from our investment properties and are largely dependent on the conditions prevailing in the property markets. These fair value gains do not and will not generate cash inflow unless such investment properties are actually sold at or above such estimated fair values. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that we will be able to continue to record favourable fair value adjustments on investment properties in similar amounts, or at all, in the future or that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of our investment properties will likely reduce the price we could realise on a sale of such properties and reduce our profits and could have a material adverse effect on our results of operations.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to materially adverse changes in the performance of our properties

As at 31 December 2015, we had investment properties with an aggregate attributable GFA of approximately 957,411 sq.m. and expect to increase our investment property portfolio as part of our future strategy. Investment properties are illiquid and, as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by prospective purchasers would be acceptable to us. We also cannot predict the length of time needed to find customers and to complete sales. In addition, we may be required to expend funds to maintain properties, to correct defects, or to make improvements before a property can be sold, and we cannot assure you that we would have such funds available.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand, increased supply or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures and we cannot assure you that we will have such funds available. These factors and any other factors that would impede our ability to respond to material adverse changes in the performance of our investment properties may have a material adverse impact on our business, financial condition, results of operations and prospects.

We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase

The land parcels we acquire in the future for development may have existing buildings or other structures or be occupied by third parties. On 21 January 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land 《(國有土地上房屋徵收與補償條例》) (國務院令第590號) which provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation should be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties should be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation operations.

To the extent demolition and resettlement are required in any of our future property developments, we will be required to compensate existing residents an amount calculated in accordance with local resettlement compensation standards. These local standards may change from time to time without advance notice. If such compensation standards are changed to increase the compensation we are required to pay, our land acquisition costs may increase, which could adversely affect our financial condition and results of operations. In respect of projects in which the resettlement costs are borne by us, if we or the local government fail to reach an agreement regarding compensation with the owners or residents of the buildings subject to demolition any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, financial condition and results of operations.

We rely on independent third parties to provide various facilities and services and cannot assure you that the services rendered by such third parties will always match our quality requirements or will be available

We depend on a number of independent third parties for a variety of services, including design, construction, piling and foundation, building and property fitting-out work, equipment installation, internal decoration, landscaping, electro-mechanical engineering, pipeline engineering and installation of air-conditioning units, lifts and elevators. We rely on independent construction contractors, certified engineering supervisory companies and other service providers and suppliers for construction and related services, including design and interior decoration, as well as various types of construction materials. We monitor the progress and quality of such contractors' work through our project management department in each project company. We cannot assure you that the services or materials rendered by any of these third parties will always be satisfactory or match our requirements for quality. If the completion of our property project is delayed due to any independent contractor's financial or other difficulties or if the quality of the service provided is not satisfactory, we may be required to incur additional costs to compensate our customers or to cover additional expenses. Any of these factors could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may be adversely affected by the increase in the price of construction materials

Generally under our contracts with third party contractors substantially all costs of construction materials procured by such contractors and their labour costs were accounted for as part of the contractor fees and will be paid by us. In addition, the cost of construction materials increases beyond 5%, the relevant third parties have the right under the contracts to request an increase of the contractor fees. In the event there is a material increase in the cost of construction materials or cost of labour, our business, results of operations and financial position may be materially and adversely affected.

Our results of operations may be materially and adversely affected if we fail to obtain, or if there are material delays in obtaining government approvals for our property developments

The property industry in the PRC is heavily regulated by the PRC Government. Property developers in the PRC must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and other approvals from relevant administrative authorities at various stages of the property development, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval depends on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to these approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or any particular processes with respect to regulatory approvals. There may also be delays on the part of relevant regulatory bodies in reviewing our applications or granting approvals. If we fail to obtain or encounter material delays in obtaining government approvals, the schedule of the completion and sale of our developments could be substantially disrupted and any such disruption would materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to obtain or renew formal qualification certificates

All real estate developers/companies in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. In addition, a real estate developer in the PRC must hold a valid qualification certificate when it applies for a pre-sale permit.

The Provisions on Administration of Qualification Certificates of Real Estate Developers (《房地產開發企業資質管理規定》), (the "Provisions on Administration of Qualifications"), provide that anewly established developer must first apply for a temporary qualification certificate with a one-year term (暫定資質證書), which can be renewed for a maximum of a two-year period. Thereafter, the developer must apply for a formal qualification certificate (資質證書) under one of the four grades set out in the Provisions on Administration of Qualifications. A qualification certificate will not be granted or renewed until and unless the developer meets the various requirements set out in the Provisions on Administration of Qualifications.

We develop all of our properties through project companies. These project companies must also hold valid qualification certificates to be able to conduct their businesses. As of 31 December 2015, one of our PRC property development subsidiaries did not hold qualification certificates because it is not engaged in any property development activities and thirteen of our PRC property development subsidiaries are in the process of renewing or obtaining their qualification certificates. We cannot assure you that we and our project companies will continue to be able to obtain, extend or renew the qualification certificates. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. Any of the above could have a material adverse effect on our business, results of operations and financial position.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected. As of 31 December 2015, three of our PRC property management subsidiaries are in the process of renewing or obtaining their qualification certificates.

We may be involved in legal and other disputes from time to time arising out of our operations and may face significant liabilities as a result

From time to time, we, together with our subsidiaries and associates, have been involved in legal proceedings or other disputes in the ordinary course of our business, which are primarily disputes with our customers and local partners. These disputes may lead to protests and legal, administrative or other proceedings and may result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our core business activities. In the past, third party claims against us primarily consisted of disputes relating to delayed deliveries of properties to our customers.

In addition, we work together with our legal department to assess if provision for potential claims is needed. The determination of provisions involves significant management judgment, and we cannot assure you if the provisions we have made are sufficient. If the actual amount of any claims, based on the outcome of proceedings, exceeds the provisions we have made for the claim, our financial condition, business and results of operation will be adversely impacted.

For details on other legal proceedings, please refer to the section under heading "Business — Material Litigation and Arbitration".

We cannot assure you that we will not be involved in any other legal proceedings or that the outcome of these proceedings will not materially and adversely affect our business, financial condition and results of operations.

We are exposed to pre-sale related contractual and legal risks

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, the purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If completion of a pre-sold property project is delayed beyond a specified period, the relevant purchasers may terminate their pre-sale contracts with us and claim compensation. We cannot assure you of the timely completion and delivery of our projects.

The non-compliant GFA of some of our completed property developments may be subject to governmental approval and additional payments

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorised in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorised by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the relevant properties or recognise any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

We provide guarantees for mortgages taken out by our customers and are liable to mortgagees if our customers default. If a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected

We pre-sell our properties before construction is completed. In accordance with industry practice, we are required to provide guarantees to banks in respect of mortgages offered to our customers until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks. If a customer defaults on a mortgage and the bank calls upon the guarantee, we are required to repay the full portion of the mortgage owed by the customer to the mortgagee bank. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage. Consistent with industry practice, we rely on the results of customer credit checks conducted by the mortgagee banks relating to these guarantees and do not conduct any independent credit checks.

As at 31 December 2013, 2014 and 2015 our outstanding guarantees on mortgage loans of our customers amounted to RMB4,147.6 million, RMB4,005.5 million and RMB4,245.1 million, respectively. As at 31 December 2015, there had been no material defaults on mortgages guaranteed by us. However, we cannot assure you that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, if a significant number of customers default on their mortgages and our guarantees are called upon, our business, financial conditions and results of operations could be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the customer or that we cannot sell such properties due to unfavourable market conditions or other reasons.

Our profitability and results of operations are impacted by the success of our business model

We focus primarily on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in second or third tier cities in China with growth potential in accordance with urban planning by the local governments. Due to the nature of our business model, we are often one of the first property developers to enter into such markets. In particular, the success of our business model is dependent on, and could be directly affected by, the accuracy of our prediction of the local demand and economic growth of the cities where we have, or will have, projects. Our success is also dependent on our managerial and operational resources as well as our knowledge of the spending habits of local consumers and their acceptance of large-scale, integrated retail and residential complexes. We cannot assure you that our business model will be successful in each of the cities that we enter. In the event that we fail to establish or expand our business model as anticipated, our business, reputation, results of operations and financial position may be materially adversely affected.

We may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial complexes, logistics centres, R&D centres and other properties

To realise better cash flow and to free up capital to invest in additional property development projects, we have sold or leased in the past and may continue to sell or lease strata-titled units of our commercial complexes, logistics centres, R&D centres and other properties. We cannot assure you that we will be able to control any individual or collective decisions of any tenants and property owners in the way they operate or lease such units or outlets or that any conflict in the usage of such units or outlets will not arise. If we are unable to control the manner of operation of such units or outlets, we may fail to carry on the original purpose of developing such units or outlets, and such failure may have a material adverse impact on the reputation, business, operations and value of the related commercial complexes, logistics centres, R&D centres and other properties.

We may not be able to continue to attract and maintain key tenants for our commercial complexes

Our retail properties compete for tenants with a number of other retail properties in the surrounding areas on the basis of a wide range of factors, including location, appearance, age, construction quality, maintenance and design. We also compete for tenants on the basis of rent levels and other lease terms. We seek to maintain the quality and attractiveness of our retail complexes by securing long-term partnerships with domestic and foreign retailers across a wide spectrum of industries. Many of these retailers, such as Suning Appliance, Jin Yi Cinema, B&Q, Carrefour and New World Department Store have become our anchor tenants.

However, we cannot assure you that existing and prospective tenants will not move into the properties of our competitors. An increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce rent or incur additional costs in order to make our properties more attractive. If we are not able to compete effectively for commercial tenants with other property developers or operators, our occupancy rates may decline. If we fail to continue to attract well-known retailers as our anchor tenants or maintain our existing anchor tenants, the attractiveness and competitiveness of our integrated retail and residential complexes may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, our hotel management partner

Our Nanjing Pearl Spring Resort is managed by an independent third party hotel management group, Nanjing Xuanwu Hotel Co., Ltd. Therefore, our results of operations may be affected by the performance of our hotel management partner, as well as any adverse publicity or other adverse developments that may affect our hotel management partner or its brands generally. Any disagreement between our hotel management partner and ourselves in respect to the management of Nanjing Pearl Spring Resort may adversely affect the performance of the operations of our hotel. In addition, in the event that we wish to replace our hotel management partner, we may be unable to do so under the terms of our management agreement or we may need to pay substantial termination fees and experience operational disruptions at the hotel. The effectiveness and performance of our hotel management partner in managing our hotel will, therefore, significantly affect the revenue, expenses and value of our hotel. In addition, our hotel management partner has a non-exclusive arrangement with us, and it owns, operates or franchises properties other than our property, including properties that may compete with our property. Any of these factors may materially and adversely affect the operations and profitability of our hotel, which could materially harm our business, financial condition and results of operations.

A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts

We derive a significant portion of our revenue directly or indirectly from rent received from our anchor tenants. Anchor tenants generally pay a significant portion of the total rents in respect of a retail complex and, in some cases, contribute to the success of securing other tenants by attracting significant numbers of customers to the property. For the years ended 31 December 2013, 2014 and 2015, our top three tenants accounted for approximately 4.7%, 5.1%, and 3.4% of our rental income, respectively. A downturn in business, bankruptcy or insolvency could force an anchor tenant to default on its rental obligations and/or vacate the premises. Such a default, in particular by one of our top three tenants, could result in a loss of rental income and an increase in bad debts, and decrease the value of the property. Moreover, such a default may prevent us from increasing rents or result in lease terminations by, or reductions in rents for, other tenants under the conditions of their leases. Any of the above effects of a default by an anchor tenant could have a material adverse effect on our business, results of operations and financial position.

Any failure to protect our brand, trademarks and other intellectual property rights could have a material and adverse impact on our business, financial condition and results of operations

We believe our brand, trademarks and other intellectual property are integral to our success. Mingfa is a well-recognised brand in the PRC and we have been the recipient of several awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. We rely on the intellectual property laws in the PRC to protect our intellectual property. Any unauthorised use of such intellectual property could materially and adversely affect our business and reputation.

Monitoring and preventing any unauthorised use of our intellectual property is difficult and costly. The measures we have taken to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorised use by third parties. Furthermore, enforcement of PRC intellectual property-related laws has historically been difficult, primarily because of ambiguities in the PRC laws. In addition, we cannot assure you that any brand, trademarks or other intellectual property owned by us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC. If we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights which could have a material adverse effect on our business and reputation.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, environmental condition, its present and former uses, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and no environmental liability that we believe would have a material adverse impact on our business, financial condition and results of operations has been revealed. However, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware.

We have limited insurance to cover all potential losses and claims

In general, we do not take out insurance coverage against potential losses or damages with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Under relevant PRC laws, construction companies are responsible for bearing the primary civil liability for personal injuries arising out of their construction work. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil disorder. Therefore, while our Directors believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalise losses, damage and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption.

The State Administration of Tax Bureau clarified the settlement of LAT to some extent in its Notice on the Administration of the Settlement of LAT of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) effective from 1 February 2007. The notice clarifies that provincial and local tax authorities may formulate their own implementation rules and determine how LAT will be settled in their jurisdictions. The State Administration of Taxation issued the Circular on Relevant Issues on LAT Settlement (關於土地增值稅清算有關問題的通知) on 19 May 2010, and the Circular on Strengthening the Administration Work in relation to the Collection of LAT (關於加強土地增值稅徵管工作的通知) on 25 May 2010 respectively. The circulars detailed certain items that could be deducted for calculation of the amount of tax due, and idle land fees cannot be deducted from tax. According to the circulars, local governments should adjust the current prepaid LAT rates, and except for indemnificatory housing, the prepaid LAT rate shall not be lower than 2% in eastern provinces, 1.5% in central and northeastern provinces, and 1% in western provinces respectively. If the LAT is calculated based on the authorised taxation method (核定徵收), the minimum taxation rate shall be 5% in principle.

We have made provision of LAT based on our management's best estimates according to the understanding of the requirements as discussed above. However, the actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects and the PRC tax authorities may not agree with the basis on which we calculate our LAT obligations. We have not finalised our LAT calculation and payments with the tax authorities for our property development projects. We cannot assure you that the current provision of LAT is accurate and the final outcome could be different from the amounts that were initially recorded. In the event that our Group is required to settle any or all unpaid LAT, our cash flow and results of operations during the related period may be materially and adversely affected.

We may not be able to refinance our indebtedness as it matures or redeem the 2019 9%Bonds, 2020 Bonds and 2019 11% Bonds

We have incurred significant indebtedness to finance our property development activities. See "Description of Other Material Indebtedness — 2019 9% Bonds", "Description of Other Material Indebtedness — 2020 Bonds" and "Description of Other Material Indebtedness — 2019 11% Bonds" for more information. We cannot assure you that we will be able to refinance our indebtedness as it matures or redeem the 2019 9% Bonds, 2020 Bonds and 2019 11% Bonds, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations. See "Risk Factors — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow or access to financing to fund our operators or to service our financing obligations".

We have experienced periods in which our current liabilities exceeded our current assets in the past, and we cannot assure you that we will not experience periods of net current liabilities in the future

Although we have maintained a net current asset position as at 31 December 2013, 2014 and 2015, we cannot assure you that we will not experience periods of net current liabilities in the future. If we have net current liabilities in the future, our working capital for purposes of our operations may be subject to constraints and it could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on our key management and other personnel in the conduct of our business

The success of our business depends significantly upon the expertise and experience of our Executive Directors and other key management personnel. The loss of the services of any of our key management personnel may adversely affect our strategic direction, operations, profitability and financial results.

In addition, our continued success will depend on our ability to attract and retain qualified merchandising, customer services, supervisory and management personnel to manage our existing operations and future growth. Qualified and talented individuals are scarce and in high demand in the PRC real estate industry, and competition for these individuals in China is intense. We may not be able to successfully attract, assimilate or retain the personnel that we need. In addition, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Our failure to attract and retain qualified personnel may have a negative impact on our business, financial condition and results of operations as well as our ability to pay interest, premium, principal and other amounts due under the Bonds.

We may be deemed a PRC resident enterprise under the new PRC EIT Law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated in the Cayman Islands with substantially all of our operations conducted through our operating subsidiaries in China. Under the EIT law that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation regulations issued by the State Council relating to the new EIT law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case.

Although we are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC EIT purposes and subject to the uniform 25% EIT as to our global income.

Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Bonds to investors that are non-resident enterprises located in Hong Kong and 10% on payments of interest and other amounts on the Bonds to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Bonds would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to make timely payment of interest and principal under the Bonds and conduct our business

We are a holding company and conduct all of our business through our subsidiaries incorporated in the PRC. We rely principally on dividends paid by our subsidiaries for our liquidity requirements, including the funds necessary to service any debt we incur and pay our operating expenses and any dividend we declare. Pursuant to certain project loan agreements, substantially all of our PRC subsidiaries are restricted from distributing dividends or making other distributions to us unless such loans are paid off or consent is obtained from the relevant lenders.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC entities are required by relevant laws and their respective articles of association to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund. As a result, our PRC entities combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow our businesses, pay dividends, service our debts or otherwise fund and conduct our business.

Under the EIT law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises from their earnings derived since 1 January 2008 to "non-resident enterprises" (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business), subject to any lower withholding tax rate applicable under any income tax treaty between China and the government of the jurisdiction where such "non-resident enterprises" are incorporated.

According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. If our Hong Kong subsidiaries are considered "non-resident enterprises" under the PRC tax law, any dividend that such Hong Kong subsidiaries receive from our

PRC subsidiaries may be subject to PRC taxation at the 5% rate. However, according to a Circular of the PRC State Administration of Taxation dated 27 October 2009, tax treaty benefits will be denied to "conduit or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

RISKS RELATING TO OUR INDUSTRY

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities therein have experienced rapid and significant growth. In recent years, however, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of PRC Governmental policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not reoccur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in "Risk Factors — Risks Relating to our Business — The global economic slowdown and financial crisis have negatively impacted, and may continue to adversely affect our business, liquidity, financial condition, results of operations and prospects".

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development and well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

The restrictive measures adopted from time to time by the PRC Government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC Government adopted measures to encourage domestic consumption in the residential real estate market and support property development.

Starting from the second half of 2009, residential real estate prices in certain cities in China rose rapidly. In order to reduce the risk of the overheating of the real estate market and possible formation of a speculative bubble, the PRC Government introduced a series of regulatory measures in an effort to stabilise the real estate market and facilitate its sustainable development. Prominent measures and policies, among others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;

- adopting the "70/90 rule" which requires at least 70% of the total GFA of residential projects approved or constructed on or after 1 June 2006 consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- stipulating that a purchaser's down payment for such purchaser's first property purchase may not be less than 30% of the purchase price regardless of the GFA of the property, and in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, such minimum down payment is reduced to 25% in principle which can be further adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. Since September 2014, the minimum mortgage loan interest rate for first-time home buyers was set at 70% of the benchmark lending interest rate. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the aforesaid first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. Furthermore, since September 2016, certain local governments, including without limitation those of Xiamen, Fuzhou, Hefei, Tianjin, Nanjing, and Hangzhou, issued notices to resume implementing housing purchase restriction measures for the purpose of the sustainable development of the local real estate market for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% the relevant benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;

- from 31 March 2015, business tax will be levied on the entire sales proceeds from the re-sale of residential properties if the holding period is shorter than two years. For a transfer of a non-ordinary residential property made more than two years after its last transfer, business tax will be levied calculated based on the difference between the transfer price and the original price, and for the transfer of an ordinary residential property made more than two years after its last transfer, business tax will be exempted. From 22 February 2016, the rate of deed tax payable for real estate transactions has been adjusted downwards such that for an individual purchasing the sole residential property for his/her household, the rate of deed tax has been adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.. In cities other than Beijing, Shanghai, Guangzhou and Shenzhen, for an individual purchasing a second residential property for his/her household for the improvement of living conditions, the rate of deed tax has been reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m., and business tax on the transfer of residential property will be exempted if the holding period is over two years regardless of whether the nature of such property is an ordinary residential property or not;

- revoking certain preferential individual income tax treatment to purchasers who sell their residential property and purchase another residential property within one year of the sale; and

- imposing a ban on onward transfer of uncompleted properties;

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land use right for land being idle for two years or more;

- requiring banks not to provide loans for the development of new commercial property projects to any developers who hold idle land or speculate in land;

- imposing sanctions or even revoking business qualifications of developers who are hoarding properties for speculation or in order to drive up properties prices;

- revoking the approvals for projects not in compliance with the planning permits;

- banning land grants for villa construction and restricting the provision of land for high-end residential property construction;

- forbidding PRC commercial banks from granting loans to a property developer if, (i) for supportive residential development projects or common residential development projects, the property developer's available internal funds are less than 20% of the total estimated capital required, or (ii) for other development projects, the property developer's available internal funds are less than 30% of the total estimated capital required;

- requiring any first-time home owner using housing reserves (住房公積金) to pay the minimum amount of down-payment at 20% of the purchase price of the underlying property, and requiring a minimum down payment of at least 20% of the purchase price for the acquisition of another new residential property using housing reserves to improve living conditions where the purchaser owns a residential property and has paid off its existing mortgage loan;

- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;

- imposing more restrictions on the types of property developments that foreign investments may engage in; and

- restricting foreign investment in the property sector by, among other things, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

The PRC Government's restrictive measures to control the industry's rate of growth could limit our access to capital resources, reduce market demand and increase our operating costs. We cannot be certain whether the PRC Government would adopt additional and more stringent measures in the future, which could further slow down the development of the construction and property development industries and materially and adversely affect our business and results of operations, in particular any measures to curb high-end residential real estate projects.

Our business depends on the availability of an adequate supply of sites and our ability to successfully tender for land and obtain land use rights and other necessary PRC government approvals for our future developments and the payment terms for land use rights with respect to land we acquire in the future will be subject to more restrictive regulation recently promulgated by the PRC government

We derive our revenue principally from the sale of properties that we have developed. To secure future revenue, we need to identify and acquire a suitable portfolio of properties for future development at commercially acceptable prices. However, our ability to identify and acquire these sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC government regarding land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs.

The PRC government regulates the means by which property developers, including us, obtain land for development. In May 2002, the PRC government introduced regulations requiring that land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-sale. In addition, the PRC government may also limit the supply of land available for development in the cities in which we have or intend to have an interest. We cannot assure you that we will continue to be successful in tendering or bidding for sites suitable for our future developments at acceptable prices, or at all.

In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls the land supply through zoning, land usage regulations and other means. All of these measures intensify the competition for land in China among property developers. In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. On 28 September 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), which further stipulate legal and procedural requirements on public tender, auction or listing-for-sale, the only means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. The PRC government's policy to grant state-owned land use rights at competitive market prices has substantially increased and is likely to continue to increase the acquisition cost of land reserves generally in the PRC.

On 23 May 2012, the Ministry of Land and Resources issued the Catalogue of Restricted Use of Land (2012 Version) (《限制用地項目目錄(2012年本)》), which specifies that (i) the area of a parcel of land granted for commodity housing development may not exceed seven hectares in small cities (towns), 14 hectares in medium size cities or 20 hectares in large cities; (ii) the plot ratio should not be less than one.

In addition, in September 2010, the Ministry of Land and Resources and MOHURD jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Use and Construction (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1: 1. In addition, a property developer and its shareholders are prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital.

If changes in government policy lead to a reduction in land supply for our future projects, or we are not successful in tendering for land or obtaining the land use rights certificates or the other necessary PRC government approvals for our projects, our business, financial condition and results of operations may be materially and adversely affected.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In 2007, the Ministry of Land and Resources issued the revised Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (《招標拍賣掛牌出讓國有建設用地使用權規定》), which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive the land use rights certificate and commence development on the land. This regulation became effective on 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In order to develop and sell property in the PRC, property developers are required to obtain the land use rights certificates from relevant PRC government authorities. As of the date of this offering circular, we had obtained land use rights certificates for all of our properties under development and completed properties.

In November 2009, the PRC government raised the minimum land premium down payment to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Local governments may implement more stringent restrictions on the payment of land premium. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

The implementation of such regulations will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of this requirement.

The property market in the PRC is at an early stage of development and is volatile

The property market in the PRC is still in a relatively early stage of development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are, and expect to continue to be, dependent upon the growth of the urban middle and upper-middle classes in China. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by corporations and other institutional entities for our commercial properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in China. We cannot assure you that there will not be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could materially and adversely affect our business, financial condition and results of operations.

The property market in the PRC is highly competitive and intense competition may materially and adversely affect our business, financial condition and results of operations

The property market in the PRC has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development market and begun to undertake development and investment projects in Fujian and Jiangsu provinces and other regions of China that we may expand into. We will have to compete with these property developers, as well as with our existing and potential competitors, including state and private property developers in the PRC, as well as property developers from Hong Kong and overseas. Some of our competitors may have greater marketing, financial and technical resources than are available to us, as well as greater economies of scale, broader name recognition, longer track records and more established relationships in certain regions.

Our properties face competition from similar properties in the same region. Increasing competition in these regions may lead to an increase in competition for choice sites, increased costs for the acquisition of land for development, an increase in supply of developed properties, decreased sale prices and a slowdown in the rate at which new real estate developments will be reviewed and approved by the relevant government authorities, all of which would materially and adversely affect our profitability. This competition may also affect our ability to attract and retain tenants and customers and may reduce the rents or prices we are able to charge. Competing properties may have vacancy rates higher than our properties, which may result in those competitors being willing to lease or sell available space at lower prices than the space in our properties. If we are unable to compete effectively, our business, financial condition, results of operations, operation and prospects could be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in PRC political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- political structure;
- amount and degree of the PRC government involvement and control;
- level of corruption;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC Government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC has been transitioning from a planned economy to a more market oriented economy. For approximately three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition. In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rates or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may affect the value of your investment

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Our PRC subsidiaries must present certain documents to the State Administration of Foreign Exchange ("SAFE"), its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of withholding tax at a rate of 10% or a lower tax treaty rate, if any, on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Bonds.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly US dollars

The value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The net proceeds from this offering and any interest we pay on the Bonds will be in US dollars. The conversion of Renminbi into foreign currencies, including US dollars, has been based on rates set by PBOC. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, RMB-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the US dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On 20 June 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the US dollar or other foreign currency. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 28.8% from 21 July 2005 to 31 December 2011, according to rates published by Bloomberg. These changes in currency policy resulted in Renminbi appreciating against the US dollar and the HK dollar from 2005 to 2013. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the PBOC to the reference Renminbi to US dollar exchange rate. The Renminbi may appreciate or depreciate significantly in value against the US dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market.

Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the US dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars into Renminbi for such purposes.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, our financial condition and results of operations could be adversely affected because of our substantial US dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to US dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness in foreign currency. We currently do not hedge against our foreign exchange rate risk.

Uncertainty with respect to the PRC legal system could affect us

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC Government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exists in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgement by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents. Our primary operating subsidiaries were incorporated in China as "wholly foreign-owned enterprises." Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions. China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

For example, on 14 September 2015, the NDRC issued the "Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt" (關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號) (the "NDRC Circular") which came into effect on the same day. According to the NDRC Circular, enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments to the NDRC within ten business days in the PRC after the completion of each issuance. Pursuant to the NDRC Circular, in the case of any significant discrepancy between the circumstances of the enterprises' issuance of foreign debt and the recordation and registration information, an explanation shall be made when information is submitted. The NDRC will include the bad credit records of enterprises that maliciously submit files reports on the quota of foreign debts subject to recordation and registration in the national credit information platform. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Circular) also have been required by the NDRC to comply with the NDRC Circular. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. Further, the NDRC may also make oral amendments or modifications to the requirements of, and certificates or approvals issued under, the NDRC Circular on a case by case basis. All these uncertainties may limit the legal protections available to foreign investors including you.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our property development projects are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our directors who live in the PRC or to enforce against us or them judgements obtained from non-PRC courts

We are a holding company incorporated in the Cayman Islands. All of our assets and our subsidiaries are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally in the PRC). As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and officers, including matters arising under applicable securities laws. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States and most other western countries.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

In October 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles 《(關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("Circular No. 75"). In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles 《(關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("Circular No. 37"). Circular No. 37 and other SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with the banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions. If the relevant SAFE authority determines that our controlling shareholders are required to effect the registration procedures under Circular No. 37 or any of its new interpretations, clarifications, or its new implement rules and otherwise requires our controlling shareholders to register, and if our controlling shareholders fail to comply with, or fail to comply in a timely manner with, such requirements, our controlling shareholders may be subject to fines and legal sanctions and our business operations may be adversely affected.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering circular

Facts, forecasts and other statistics in this offering circular relating to China, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Placing Agent or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this offering circular. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering circular.

RISKS RELATING TO THE BONDS

We are a holding company and payments with respect to the Bonds are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Bonds

We are a holding company with no material operations. We conduct our operations through our subsidiaries. The Bonds will not be guaranteed by any current or future subsidiaries. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the intermediate holding subsidiaries. Accordingly, our ability to pay principal and interest on the Bonds will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of all our subsidiaries and any holders of preferred shares in such entities, would have a claim on the subsidiaries' assets that would be prior to the claims of holders of the Bonds. As a result, our payment obligations under the Bonds will be effectively subordinated to all existing and future obligations of our subsidiaries (including obligations of our subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Bonds. As of 31 December 2015, our PRC subsidiaries had borrowings in the amount of RMB9,415.1 million and they provided guarantees to banks for RMB4,245.1 million of mortgage facilities granted to purchasers of our properties. The Bonds do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any of our subsidiaries would have priority as to our assets or the assets of such subsidiary securing the related obligations over claims of holders of the Bonds.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the US dollars

The Bonds, the 2019 9% Bonds, the 2020 Bonds and the 2019 11% Bonds are denominated in US dollars, while all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. See "Risks Relating to the PRC — We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly US dollars". If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, our financial condition and results of operations could be adversely affected because of our substantial US dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Bonds, we may enter into foreign exchange or interest rate hedging agreements in respect of our US dollar-denominated liabilities under the Bonds. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Bonds (if applicable), any indebtedness or any other present or future obligations and commitments.

We may not be able to repurchase the Bonds upon a Change of Control Event

Following the occurrence of a Change of Control Event (as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date. See "Terms and Conditions of the Bonds."

The source of funds for any such purchase would be our available cash or third party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Event to make purchases of outstanding Bonds. Our failure to make the offer to purchase or purchase the outstanding Bonds would constitute an Event of Default under the Bonds. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Bonds and repay the debt.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from Hong Kong bankruptcy law or those of another jurisdiction with which holders of the Bonds are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in Hong Kong, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of Hong Kong bankruptcy law or other jurisdictions with which the holders of the Bonds are familiar.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Bonds depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan.

If we are unable to comply with the restrictions and covenants in our debt agreements, including the terms and conditions of the 2019 9% Bonds, the 2020 Bonds and 2019 11% Bonds or terms and conditions of the Bonds, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated

There are certain restrictions and covenants in our debt agreements, including the terms and conditions of 2019 9% Bonds, 2020 Bonds, 2019 11% Bonds and the terms and conditions of the Bonds which contain, among others, restrictions on our and our subsidiaries' ability to secure or guarantee any indebtedness or dispose of assets, as well as our ability to declare dividends. For example, pursuant to the terms of the 2019 9% Bonds, 2020 Bonds and 2019 11% Bonds, we are not permitted to incur or guarantee additional indebtedness. See "Description of Other Material Indebtedness". If we are unable to comply with such restrictions and covenants, there could be a default under these agreements and the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 Bonds and the terms and conditions of the 2019 11% Bonds contain cross-acceleration and cross-default provisions. As a result, our default under one debt agreement may cause and acceleration of repayment of debt or result in a default under our other debt agreements, including the terms and conditions governing the 2019 9% Bonds, the 2020 Bonds and the 2019 11% Bonds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing on terms that are acceptable to us or at all.

Our operations are restricted by the terms and conditions of the Bonds, the 2019 9% Bonds, the 2020 Bonds, the 2019 11% Bonds and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 Bonds, the terms and conditions of the 2019 11% Bonds and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on their capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;

- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our debt agreements, the 2019 9% Bonds, the 2020 Bonds or the 2019 11% Bonds, there could be a default under the terms of these agreements or the Placing Agreement, which could cause the repayment of our debt to be accelerated

From time to time we have been required to seek amendments, waivers and consents in connection with financial and other covenants under our debt facilities. Such amendments, waivers and consents have all been granted by the applicable creditors and such incidents have not caused any material adverse impact on our operation and financial conditions. There is no assurance that we will not need to seek such amendments, waivers or consents in the future.

If we are unable to comply with the restrictions and covenants in the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 Bonds or the terms and conditions of the 2019 11% Bonds or the terms and conditions of the Bonds, or our current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to us, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the facility agreements, the terms and conditions of the 2019 9% Bonds, or the terms and conditions of the 2020 Bonds or the terms and conditions of the 2019 11% Bonds and the terms and conditions of the Bonds, contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the 2019 9% Bonds, the 2020 Bonds, the 2019 11% Bonds and the Bonds, or result in a default under other debt agreements, including the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 Bonds, the terms and conditions of the 2019 11% Bonds and terms and conditions of the Bonds. If any of these events should occur, there can be no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to us.

A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds

Although application will be made for the listing and quotation of the Bonds on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Placing Agent intends to make a market in the Bonds, but the Placing Agent are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section headed "Transfer Restrictions." If an active trading market does not develop or is sustained, the market price and liquidity of the Bonds could be adversely affected.

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Placing Agent or our respective advisers

Facts and statistics in this offering circular relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Placing Agent or our or its respective advisers and, therefore, neither we nor any of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about us than is available for public companies in certain other jurisdictions. There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from the United States Generally Accepted Accounting Principles ("US GAAP") and the generally accepted accounting principles of other jurisdictions.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest and principal under the Bonds

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in April 2013, SAFE promulgated Operating Guidelines for Foreign Debt Registration Administration, effective on 13 May 2013, indicating that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM and registered with MOFCOM after 1 June 2007. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as some of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments or as loans subject to the restrictions on foreign-invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that sufficient dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Bonds, or on the maturity date to pay the principal of the outstanding Bonds.

We will therefore have to rely on dividend payments from our PRC subsidiaries, and we cannot assure you that dividend payments will be available on each interest payment date to pay the interest due and payable under the Bonds, on the maturity date to pay the principal of the outstanding Bonds, or at the time of the occurrence of any Change of Control Event to make purchases of outstanding Bonds.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and filing with the Ministry of Commerce of the PRC ("MOC") and the local branch of SAFE, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner or at all relevant necessary approval certificates or filings for all our operating subsidiaries in the PRC to comply with this regulation.

Further, we cannot assure you that the PRC Government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries

We will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Our consolidated financial statements for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 have not been audited by its independent auditors

As disclosed in the annual results announcement of the Company dated 31 March 2016, because of the significance of the matters described in the basis for disclaimer of opinion described in the sub-section headed "Basis for disclaimer of opinion of the Auditor", the Auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. See "Business — Recent Developments". Accordingly, the Auditor did not express an audit opinion on the consolidated financial statements for the year ended 31 December 2015 (the "2015 Financial Statements").

As at the date of this offering circular, the publication and despatch of (i) the respective annual report of the Company for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 and the interim report of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and (ii) the respective announcement of the interim results of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and the annual results announcement of the Company for the year ended 31 December 2016 and 31 December 2017 have been and will be delayed until the Investigations are completed, the timing of which is currently uncertain. See "Business — Recent Developments — Investigations".

The Group's financial statements for the year ended 31 December 2015, which are included in this offering circular, have been reviewed by our board of directors but have not been audited by the Auditor. Consequently, the 2015 Financial Statements should not be relied upon by investors for the same quality of information associated with information that has been audited or reviewed. There may also be adjustments to the 2015 Financial Statements after the audit is performed and completed. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. In the event that there are material discrepancies in the audited financial statements or should they differ significantly from the 2015 Financial Statements, our financial condition, share price after resumption of trading of our shares and value of the Bonds may be adversely affected.

Our failure to provide current financial statements of the Group to the lenders or the trustee of our current indebtedness within the stipulated period of time would constitute breaches of covenants or agreements in or under the respective financing documents resulting in an event of default. If we are not able to obtain a waiver of event of default, the event of default may trigger cross default provisions under other indebtedness, any of which could cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Bonds and repay the debt. See "Description of Other Material Indebtedness."

Trading of our shares on the Main Board of Stock Exchange was suspended pending an announcement on further information in relation to the disclaimer of opinion by our auditor, which may constitute event(s) of default under our indebtedness

On 1 April 2016, subsequent to our announcement of the 2015 Results and the extract of independent auditor's Report on the Company's consolidated financial statements for the year ended 31 December 2015, trading in our shares on HKSE was suspended at our request pending an announcement on further information in relation to the disclaimer of opinion by our independent auditor on the 2015 Results.

On 29 April 2016 and 27 July 2018, the HKSE issued letters informing us of certain conditions which must be satisfied before our shares would be allowed to resume trading. See "Recent Developments".

Failure to resume trading in the shares of the Company in HKSE by 31 July 2019 may lead to delisting of our shares

On 25 May 2018, HKSE has published certain Guidance Letter in relation to, among other matters, the amendments to the delisting framework under the Listing Rules which came into effect on 1 August 2018. As the shares and debt securities of the Company will have been suspended from trading for more than 12 months as at 1 August 2018, under Rule 6.01A(2)(b)(ii) of the Listing Rules, HKSE may cancel the Company's listing if trading in the shares has remained suspended for 12 continuous months from 1 August 2018. The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the Resumption Conditions to the satisfaction of HKSE and resume trading in the shares by 31 July 2019, the Listing Department of HKSE will recommend the Listing Committee of HKSE to proceed with the cancellation of the Company's listing. This is subject to HKSE's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate. For further details, please refer to the sections headed "Recent Developments — The Resumption Conditions and Further Resumption Conditions" and "Recent Developments — Transitional Arrangements for the Amendments to the Delisting Framework under the Listing Rules".

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deduction of the fees and expenses, will be approximately US$199.6 million. We intend to use the net proceeds from this Placement to refinance certain existing indebtedness of the Group and for general corporate purposes of the Group.

We expect that the timing and the actual amount of disbursement to be made for the foregoing purposes will be determined by our Directors with a view to obtaining the optimal benefit for us. We may adjust these plans and reallocate proceeds in response to changing market conditions and future events or developments.

EXCHANGE RATE INFORMATION

Since 1994, the PBOC has set and published a daily base exchange rate with reference primarily to the supply and demand of Renminbi in the market during the previous day. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PBOC has authorized the China Foreign Exchange Trading Centre to announce the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. In 2007, the PBOC widened the daily trading band of the Renminbi against the US dollar from 0.3% to 0.5%. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 17 March 2014, the PBOC further widened the floating band against the US dollar to 2.0 per cent. PBOC authorized the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the Renminbi against the US dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the Renminbi against the US dollar depreciated by nearly 2.0% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the Renminbi against the US dollar continued to depreciate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for US dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board:

	Noon Buying Rate			
Period	**End**	**Average[1]**	**High**	**Low**
	(RMB per US$1.00)			
2012	6.2301	6.2990	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April	6.3325	6.2967	6.3340	6.2655
May	6.4096	6.3701	6.4175	6.3325
June	6.6171	6.4651	6.6235	6.3850
July	6.8038	6.7164	6.8102	6.6123
August	6.8300	6.8453	6.9330	6.8018
September	6.8680	6.8551	6.8880	6.8270
October	6.9737	6.9291	6.9737	6.8680
November	6.9558	6.9367	6.9558	6.8894
December	6.8755	6.8842	6.9077	6.8343

(1) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as at and for the years indicated.

The summary consolidated financial information as at and for the years ended 31 December 2013, 2014 and 2015 set forth below is derived from our annual consolidated financial statements, consolidated financial information included elsewhere in this offering circular and should be read in conjunction with these financial statements and related notes.

Our consolidated financial statements are prepared and presented in accordance with HKFRS.

Consolidated Balance Sheet

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
ASSETS			
Non-current assets			
Property, plant and equipment	1,521,738	1,475,041	1,381,426
Investment properties	8,704,268	7,393,525	8,406,161
Land use rights	155,829	160,119	155,927
Intangible assets	7,177	7,172	7,169
Associated companies	210,435	1,158,636	1,271,763
Joint ventures	264,895	262,017	1,451,101
Deferred income tax assets	414,044	366,238	418,335
Available-for-sale financial assets	20,000	20,000	20,000
Amount due from a related party	—	220,886	246,275
Amounts due from non-controlling interests	265,000	—	—
Other receivables	13,589	14,396	14,851
Other non-current assets	2,245,062	4,043,057	2,916,367
	13,822,037	15,121,087	16,289,375
Current assets			
Land use rights	6,783,714	7,300,146	10,399,374
Properties under development	4,132,947	5,871,966	10,222,631
Completed properties held for sale	6,296,805	6,607,124	6,639,110
Inventories	6,834	9,731	15,069
Trade and other receivables and prepayments	1,447,959	1,670,821	2,464,587
Prepaid income taxes	230,992	118,498	194,219
Amounts due from related parties	53,879	537,505	322,793
Amounts due from non-controlling interests	496,620	20,428	274,838
Available-for-sale financial assets	—	117,000	256,720
Restricted cash	1,128,500	2,464,240	3,076,314
Cash and cash equivalents	971,184	732,142	1,915,148
	21,549,434	25,449,601	35,780,803
Total assets	35,371,471	40,570,688	52,070,178

	As at 31 December		
	2013	2014	2015
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (unaudited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	536,281	536,281	536,281
Reserves	9,717,806	10,547,089	10,585,105
	10,254,087	11,083,370	11,121,386
Non-controlling interests in equity	988,671	625,822	1,103,242
Total equity	11,242,758	11,709,192	12,224,628
LIABILITIES			
Non-current liabilities			
Deferred government grants	1,515,479	1,459,979	1,450,553
Borrowings	2,031,671	3,984,346	5,488,507
Deferred income tax liabilities	1,949,336	1,612,630	1,729,230
Other payables	—	—	150,000
	5,496,486	7,056,955	8,818,290
Current liabilities			
Trade and other payables	6,670,142	7,909,370	9,589,762
Advanced proceeds received from customers	2,775,825	2,902,624	6,719,306
Amounts due to related parties	348,209	356,700	2,278,611
Amounts due to non-controlling interests	160,564	230,453	554,479
Income tax payable	2,017,813	2,175,776	2,159,863
Borrowings	6,609,730	8,217,892	9,659,442
Derivative financial instruments	46,230	2,432	—
Provision for other liabilities and charges	3,714	9,294	65,797
	18,632,227	21,804,541	31,027,260
Total liabilities	24,128,713	28,861,496	39,845,550
Total equity and liabilities	35,371,471	40,570,688	52,070,178
Net current assets	2,917,207	3,645,060	4,753,543
Total assets less current liabilities	16,739,244	18,766,147	21,042,918

Consolidated Income Statement

	Year ended 31 December		
	2013	2014	2015
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (unaudited)
Revenues	6,269,093	3,792,610	2,246,332
Cost of sales	(4,067,469)	(2,806,662)	(1,970,069)
Gross profit	2,201,624	985,948	276,263
Fair value gains on investment properties	453,396	1,203,202	537,243
Fair value gains on derivative financial instruments	88,931	6,318	2,432
Other gains	378,674	147,273	86,294
Selling and marketing costs	(178,541)	(148,947)	(163,159)
Administrative expenses	(330,084)	(370,283)	(426,764)
Other operating expenses	(33,438)	(71,972)	(290,313)
Operating profit	2,580,562	1,751,539	21,996
Finance income	15,921	36,867	72,214
Finance costs	(283,031)	(43,792)	—
Finance costs — net	(267,110)	(6,925)	72,214
Share of results of			
— Associated companies	(6,946)	(4,803)	39,787
— Joint ventures	(3,564)	(2,879)	(1,142)
	(10,510)	(7,682)	38,645
Profit before income tax	2,302,942	1,736,932	132,855
Income tax expense	(926,628)	(680,772)	(126,237)
Profit for the year	1,376,314	1,056,160	6,618
Attributable to:			
Equity holders of the Company	1,399,229	829,310	26,094
Non-controlling interests	(22,915)	226,850	(19,476)
	1,376,314	1,056,160	6,618
Earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— Basic	23.0	13.6	0.4
— Diluted	18.9	13.1	0.4
Dividends	—	—	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements, including the Bonds thereto, included elsewhere in this offering circular. Our consolidated financial statements were prepared in accordance with HKFRS, which may differ materially from generally accepted accounting principles in other jurisdictions.

OVERVIEW

We are one of the leading developers of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in China. We also develop hotels and industrial properties such as logistics centres and R&D centres. As at 31 December 2015, our land bank comprised a total GFA of approximately 16.8 million sq.m. distributed across over 15 cities in China, of which approximately 15.3 million sq.m. was attributable to us. Our shares have been listed on the HKSE since November 2009, and we had a market capitalization of approximately HK$11.5 billion as at 31 March 2016 before the suspension of trading of our shares in HKSE.

Historically, we focused on affluent second and third tier cities in China, which we believe have substantial economic growth potential. These cities include Xiamen and Zhangzhou in Fujian province, Nanjing, Wuxi and Yangzhou in Jiangsu province and Hefei in Anhui province. We have established strong market positions in Fujian province in the Western Straits Economic Zone and Jiangsu province in the Greater Yangtze River Delta. In recent years, we have expanded our business from the provinces of Fujian, Jiangsu and Anhui to Liaoning province, Shanghai and Beijing. We have also diversified our product offerings to include more integrated mixed-use commercial complexes, large-scale mixed-use residential projects and other types of properties, such as logistics centres, R&D centres and hotels. We believe our diversified product portfolio will help us reduce our concentration risk on any particular category of property, reduce fluctuations in our revenue streams and position us more favorably to navigate market cycles. In addition to property development, we also provide comprehensive property management services to the tenants and owners of our properties. We believe that the provision of quality property management services can increase the value of our properties in the long term.

We derive substantially all of our revenue from sales of residential and commercial properties and, to a lesser extent, from rental income from our investment properties and operating income from our hotel properties. As at 31 December 2015, we had a total of 63 projects at various stages of development, consisting of:

- completed properties available for sale or lease with an aggregate attributable GFA of approximately 1.6 million sq.m.;
- properties under development with an aggregate attributable GFA of approximately 7.1 million sq.m.;
- properties held for future development with an aggregate attributable GFA of approximately
- 6.6 million sq.m.; and
- properties with a total planned GFA of approximately 24.0 million sq.m. that we obtained pursuant to governmental MOU or acquisitions of project companies.

For the three years ended 31 December 2013, 2014 and 2015, our revenues were RMB6,269.1 million, RMB3,792.6 million and RMB2,246.3 million, respectively. Profits attributable to equity holders of the Company for the corresponding periods were RMB1,399.2 million, RMB829.3 million and RMB26.1 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic growth, urbanization and demand for commercial and residential properties in China, and in particular Jiangsu, Anhui and Fujian provinces

Economic growth, increasing urbanization and rising standards of living have been the main driving forces behind the growth of market demand for commercial and residential properties in China. Starting from the second half of 2008, the global economic slowdown and financial crisis materially and adversely impacted the PRC economy, including the PRC property market, which experienced declines in transaction volumes and a mild correction in selling prices as seen in a number of cities and provinces in 2011. Overall economic conditions and demand for property prices in China, and in particular Fujian and Jiangsu provinces, where we have significant operations, have had, and will continue to have, a significant impact on our business, financial condition and results of operations. Because we primarily target fast-growing second and third tier cities, and more specifically businesses and individual property buyers and tenants in such cities, we believe that increasing urbanization and overall economic growth in China are especially important to our operations.

Regulatory measures in the real estate industry and availability of financing in China

The regulatory policies affecting the real estate industry, including tax policies, land grant policies, pre-sale policies, interest rate policies, consumer credit and mortgage financing policies and other macro-economic policies will continue to have a significant impact on demand for our properties, and thus our business, financial condition and results of operations. Since 2005, the PRC Government has implemented measures designed to moderate the rate of growth in the PRC property market by, among other things, discouraging speculation in residential property and increasing the supply of affordable housing. Please refer to the section headed "Risk Factors" of this offering circular.

Property and revenue mix

We derive our revenue mainly from sale of commercial and residential properties. Commercial properties generally command higher average selling prices per sq.m., and have higher gross profit margins than residential properties. In addition, we have in the past retained, and in the future may retain, a portion of our commercial properties as investment properties for generating recurring rental income, capital appreciation or both depending on market conditions and our cash flow requirements. A higher proportion of completed properties retained as investment properties may lower our revenues and cash inflows in the short term due to the loss of cash inflows and revenues generated during pre-sales and upon delivery. Accordingly, our business, financial condition, results of operations and the cash flows generated from our operations may vary significantly from period to period depending on the type of properties we sell and the proportion of completed commercial properties we retain as investment properties.

Project development schedules

The number of properties and the total GFA of properties that we can develop or complete during any particular period is limited due to the substantial capital and management resources required for land acquisition and project development. Our cash flow and revenues are affected by project development schedules due to the time lag between commencing development of a project, conducting pre-sales and completion and delivery of the properties. Project schedules depend on a number of factors, including the performance and efficiency of our independent contractors and our ability to finance construction with bank borrowings and pre-sales. Delays in construction and obtaining relevant government licences and approvals and other factors can materially and adversely affect our project development schedules. In addition, as market demand fluctuates, revenues in a particular period may also depend on our ability to gauge the expected market demand at the expected time for completion and delivery of a particular project. As a result of these factors, our business, financial condition and results of operations have fluctuated in the past and may continue to fluctuate in the future.

Land prices and availability of land suitable for development

Our growth depends on our ability to secure quality land at prices that can offer reasonable returns. With the maturing of the PRC property market, competition among developers to acquire land that is suitable for commercial and residential property development has intensified. Undeveloped land in China's major cities is becoming increasingly scarce. In addition, the public tender, auction and listing-for-sale process in respect of the grant of land use rights has increased competition for land suitable for development. As a result, we expect that the cost of land acquisition may continue to increase in the future. We sometimes acquire land through entering into MOU with various PRC Governmental bodies after being approached by them regarding urban renewal and redevelopment programmes in different cities and locations. Although these MOU set out the parties' intention to co-operate and develop the relevant projects, terms relating to the land parcels including the amount of land premium payable are subject to the land use rights grant contracts to be entered into between the relevant governmental authorities and us. We are required to go through the public tender, auction, or listing for sale procedures under the PRC rules and obtain relevant government approvals before we can obtain the land use rights with respect to the land parcels under these MOU. We cannot assure you that these MOU will lead to our acquisition of any land use rights.

Fair value adjustments of investment properties

Our investment properties include portions of our completed commercial properties or other properties held for long-term rental yields, capital appreciation or both. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognised by using either the fair value model or the cost model. We have chosen to recognise investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

An investment property is measured initially at its cost, including related transaction costs. After initial recognition, it is carried at fair value, with changes in fair value recognised in the consolidated income statement. If a 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 in equity as a revaluation of the property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Upward revaluation adjustments reflect unrealised capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations or a potential source of cash for the payment of interest or principal on our debt obligations.

Fluctuations in development costs

Our results of operations are affected by our project development costs, a significant part of which are comprised of our contractual payments to our construction contractors. Our payments to our contractors mainly consist of construction material costs and labour costs. Generally, our agreements with our contractors provide that we will absorb any increase in labour costs and any increase in excess of 5% of the agreed costs of construction materials. We expect our development costs will continue to be influenced by fluctuations in the cost of construction materials and by the rise in the cost of labour for our property developments.

Access to and cost of financing

Borrowings including bank borrowings and convertible bonds have been an important source of funding for our property developments. As at 31 December 2013, 2014 and 2015, our outstanding borrowings amounted to RMB8,641.4 million, RMB12,202.2 million and RMB15,147.9 million, respectively. The interest rates of our bank borrowings are floating with reference to the benchmark interest rate set by the PBOC, and any increase in this rate will increase the finance costs of our project developments. During much of 2013, 2014 and 2015, our cost of borrowings increased as the PBOC raised its benchmark interest rates in an effort to prevent overheating of the economy. In respect of those loans which are granted to us for the construction of specific projects, the proceeds thereof cannot be applied to the construction of another project and generally may not be renewed. Our access to and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development. To the extent the PRC Government slows the development of the private property sector, either by restricting loans to the sector or increasing lending rates to the sector, our access to capital and cost of financing may be adversely affected, and our revenues and net profits will be significantly reduced. In addition, although we have limited bank borrowings in foreign currencies, any fluctuations in global credit markets, as were seen during the recent global financial crisis, could materially and adversely affect us insofar as they impact interest rates and the availability of credit in China.

Taxation

Our income tax expense includes EIT and LAT paid and accrued by our subsidiaries. A description of each is set forth below:

EIT

The enterprise income tax rate that was generally applicable in China was 33% of taxable income prior to January 1, 2008 and has been 25% commencing on 1 January 2008. Our subsidiaries in Xiamen had been entitled to a preferential enterprise income tax rate of 15% prior to 1 January 2008 pursuant to then applicable PRC national and local tax laws. As a result of the EIT Law enacted by the National People's Congress on 16 March 2007 and effective on 1 January 2008, the uniform enterprise income tax rate of 25% applies to our subsidiaries located in Xiamen. However, the EIT Law also provides a transition period starting from its effective date for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower income tax rate under the then-effective tax laws or regulations. On 6 December 2007, the State Council issued the Transition Preferential Policies Circular, which stipulates the income tax rates during the transition period to be applied to those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007. During such transition period, our subsidiaries established before 16 March 2007 and located in Xiamen were subject to a tax rate of 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011, respectively, and the uniform rate of 25% in 2012. Except for our subsidiaries as mentioned above, our other subsidiaries located in China have been subject to enterprise income tax at a rate of 25% commencing on 1 January 2008.

LAT

Under PRC tax laws and regulations, our properties in the PRC are subject to LAT on the appreciation of land value and the improvements on the land upon the sale of such properties. All appreciation from the sale or transfer of land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as determined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. We are required to pay 1% to 5% of our sales and pre-sales proceeds as prepaid LAT.

Upon recognition of revenues from properties sold, we recognise LAT as an expense. We make provisions for LAT based on the appreciation of land value, which is calculated based on the sales of properties less deductible expenditures, including land premiums, capitalized borrowing costs and certain property development expenditures. We have estimated our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. The final LAT liabilities of our Group are to be determined by the tax authorities after completion of our property development projects, and could be different from the amounts that we have estimated due to lack of clear regulations or guidelines in this regard and differences between our estimates and those of the tax authorities.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial information in accordance with HKFRS. The preparation of financial information in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect: (i) the reported amounts of our assets and liabilities at the end of each fiscal period; (ii) the disclosure of our contingent assets and liabilities at the end of each fiscal period; and (iii) the reported amounts of revenue and expenses during each fiscal period.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our consolidated financial information.

Revenue recognition

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

Sales of properties

Revenues from sales of properties are 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 as advanced proceeds received from customers.

Rental income

Rental income from properties under operating leases is recognised on a straight-line basis over the lease terms.

Hotel operating income

Hotel operating income is recognised when the services are rendered.

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 based on past experience. Development cost of properties comprises construction costs, amortisation of land use rights, capitalized borrowing costs and professional fees incurred during the development period. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. On completion, the properties under development are transferred to completed properties held for sale.

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

Investment properties

A property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by our Group, is classified as an investment property. Investment properties comprise land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at their 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, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. 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. Investment properties that are being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be measured at fair value.

A 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.

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 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 in the consolidated income statement.

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

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 and comprises construction costs, amortisation of land use rights, capitalized 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 to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

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.

Current and deferred income tax

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 we and our subsidiaries, associated companies or jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of 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 applicable tax rates and laws and regulations that have been enacted or substantially 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 or jointly controlled entities, except 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 on fair value gains on investment properties is recognised as income tax expenses on the consolidated income statement.

Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognise this as an income tax expense in our financial statements together with the recognition of revenues from the sale of our properties. The implementation and settlement of these taxes varies among different tax jurisdictions in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and related taxes. The Group recognises these land appreciation taxes 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 would impact the income tax expense and deferred income tax provisions in the periods in which such taxes are finalized with the local tax authorities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and 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 we have 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 capitalized 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.

RESULTS OF OPERATIONS

The following table shows, for the periods indicated, selected income statement items derived from our consolidated financial statements included elsewhere in this offering circular:

	Year ended 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Continuing operations:			
Revenues	6,269,093	3,792,610	2,246,332
Cost of sales	(4,067,469)	(2,806,662)	(1,970,069)
Gross profit	2,201,624	985,948	276,263
Fair value gains on investment properties	453,396	1,203,202	537,243
Fair value gains on derivative financial instruments	88,931	6,318	2,432
Other gains	378,674	147,273	86,294
Selling and marketing costs	(178,541)	(148,947)	(163,159)
Administrative expenses	(330,084)	(370,283)	(426,764)
Other operating expenses	(33,438)	(71,972)	(290,313)
Operating profit	2,580,562	1,751,539	21,996
Finance income	15,921	36,867	72,214
Finance costs	(283,031)	(43,792)	—
Finance costs — net	(267,110)	(6,925)	72,214
Share of results of			
— Associated companies	(6,946)	(4,803)	39,787
— Joint ventures	(3,564)	(2,879)	(1,142)
	(10,510)	(7,682)	38,645
Profit before income tax	2,302,942	1,736,932	132,855
Income tax expense	(926,628)	(680,772)	(126,237)
Profit for the year	1,376,314	1,056,160	6,618
Attributable to:			
Equity holders of the Company	1,399,229	829,310	26,094
Non-controlling interests	(22,915)	226,850	(19,476)
Total	1,376,314	1,056,160	6,618

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenues

During 2013, 2014 and 2015, our revenues were mainly derived from sales of commercial and residential properties. We recognise revenues from sales of properties after the properties have been completed and delivered. The GFA of properties delivered in any given period is driven primarily by property development schedules and market demand, including market demand from prior periods during which we pre-sell the properties. Average selling prices are primarily affected by overall market conditions and our mix of products for sale. Commercial properties generally command higher average selling prices than residential properties.

We also derive revenues from rental income from our investment properties and operating income from our hotel properties, which we build and own. Rental income from investment properties is recognised on a straight line basis over the lease term and is primarily affected by the GFA of the properties we lease out, rental rates and tenancy rates. Hotel operating income comprises the sale of accommodations, food, beverages and other ancillary products and services to our customers and is primarily affected by the number and size of the hotels we operate, room rates and occupancy rates. Two of our hotels, Xiamen Mingfa Hotel and Quanzhou Mingfa Hotel, were classified as investment properties in 2007 and 2011 respectively as they have been operated by third party management companies that pay us a fixed fee in the amount of RMB4.0 million and RMB5.5 million per annum respectively, which we record as rental income. The following table shows the breakdown of our revenues by source and the percentage of the total revenue for the periods indicated:

	Year ended 31 December					
	2013		**2014**		**2015**	
			(RMB'000, except percentages)			
	(audited)		**(audited)**		**(unaudited)**	
Sales of properties						
Commercial	2,014,641	32.1%	624,849	16.5%	229,435	10.2%
Residential.	3,828,986	61.1%	2,271,055	59.9%	1,224,723	54.5%
Subtotal.	5,843,627	93.2%	2,895,904	76.4%	1,454,158	64.7%
Rental income from investment properties, property management fee income and etc.	344,912	5.5%	279,065	7.3%	262,335	11.7%
Hotel operating income. . .	80,554	1.3%	118,241	3.1%	155,106	6.9%
Others	—	—	499,400	13.2%	374,733	16.7%
Total	6,269,093	100.0%	3,792,610	100.0%	2,246,332	100.0%

Our revenues from sales of commercial properties during 2013, 2014 and 2015 fluctuated significantly principally as a result of the delivery of pre-sold commercial properties in Zhangzhou Mingfa Shopping Mall and Nanjing Mingfa City Square upon completion in 2013 and the delivery decreased steadily in 2014 and 2015. Our revenues from sales of residential properties decreased from 2013 to 2015 as the pre-sold properties in Zhangzhou Mingfa Shopping Mall were delivered to the buyers in 2013 and the delivery decreased afterwards. Revenues from sales of both commercial and residential properties and their respective percentage of our total revenue fluctuated and may continue to fluctuate significantly from period to period depending on multiple factors, including project development, pre-sales and sales schedules.

The decrease in our rental income during 2013, 2014 and 2015 was primarily driven by the disposal of an investment property in Nanjing in middle of 2014. Increases in our hotel operating income during 2013, 2014 and 2015 were primarily attributable to increasing revenues from two new hotels in Hefei and Yangzhou which were opened in middle of 2014. Other revenues were the revenue generated from a new sector, construction business, in 2014.

Cost of sales

Our cost of sales primarily consists of cost of properties sold, which are costs directly associated with the sale of our commercial and residential properties. Cost of properties sold accounted for 87%, 66% and 60% of our total cost of sales in 2013, 2014 and 2015, respectively. Cost of properties sold includes construction costs, land acquisition costs and capitalized borrowing costs. The main factors affecting cost of properties sold in a given period include the amount of GFA delivered during that period, the mix between commercial and residential properties and the location of the properties.

Our cost of sales also includes business taxes and other levies on sale of properties and certain subsequent upgrading costs. The following table shows the components of our cost of sales for the periods indicated:

	Year ended 31 December					
	2013		**2014**		**2015**	
	(RMB'000)		**(RMB'000)**		**(RMB'000)**	
	(audited)		**(audited)**		**(unaudited)**	
Cost of properties sold						
Construction cost	2,558,132	63%	1,386,085	49%	933,367	48%
Land acquisition cost	872,152	21%	385,286	14%	156,006	8%
Finance cost.	90,127	3%	91,289	3%	85,443	4%
Total of cost of properties sold	3,520,411	87%	1,862,660	66%	1,174,816	60%
Business taxes and other levies on sales of properties	328,191	8%	190,100	7%	105,279	5%
Others	218,867	5%	753,902	27%	689,974	35%
Total	4,067,469	100%	2,806,662	100%	1,970,069	100%

Construction costs. Construction costs represent costs for the design and construction of property projects, consisting primarily of fees paid to our contractors, including general contractors and contractors responsible for civil engineering construction, landscaping, equipment installation and interior fittings, as well as design costs. In addition, construction costs include salaries and office expenses for our construction sites and telecommunication costs. Our construction costs are affected by a number of factors such as changes in construction labour costs and construction materials costs, location and types of properties, choices of materials and development of ancillary facilities. The historical increases in our construction costs have been primarily driven by increases in the amount of GFA we delivered and increases in the cost of construction materials, which are impacted by the type and quality of materials we use and fluctuations in market prices of certain key materials such as steel and cement.

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges. Land acquisition costs as a percentage of our cost of sales were 21% in 2013, 14% in 2014 and decreased to 8% in 2015 which were primarily due to the delivery of different projects for each year. The major properties which we delivered in 2013, 2014 and 2015 were Zhangzhou Mingfa Shopping Mall, Xiamen Mingfa Xiangwan Peninsula, Yangzhou Mingfa Jiangwan City and Nanjing Mingfa Riverside New Town.

Finance cost. Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of projects. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognise the revenues.

Business taxes and other levies on sales of properties. Our revenues from sales of property developments are subject to business taxes of 5%.

Direct outgoings arising from investment properties that generate rental income. Costs incurred on investment properties principally include a 5% business tax paid on rental income and urban real estate tax.

Gross profit and gross profit margin

Our gross profit is the difference between revenues and cost of sales. Gross profit margin which is gross profit divided by revenues, was 35.1%, 26.0% and 12.3% for the years ended 31 December 2013, 2014 and 2015, respectively. Our gross profit margin during the years ended 2013, 2014 and 2015 was primarily affected by our property mix between commercial and residential properties, with commercial properties generally generating higher gross profit margins.

Fair value gains on investment properties

Fair value gains on investment properties represent changes in such value arising from adjustments to existing investment properties in accordance with prevailing market condition, and the recategorisation of properties from inventories (including properties under development and completed properties held for sale) when a change in use occurs which results in leasing of the properties. For further details regarding the method for determining the fair value of our investment properties, please refer to the section headed "— Critical Accounting Policies — Investment properties" above.

As of 31 December 2013, 2014 and 2015, we held investment properties with a total leasable area of 1,181,563 sq.m., 1,283,729 sq.m. and 957,411 sq.m., respectively. For the years ended 31 December 2013, 2014 and 2015, we recognised fair value gains on our investment properties before tax in the amount of RMB453.4 million, RMB1,203.2 million and RMB537.2 million, respectively.

Changes in our fair value gains on investment properties during 2013, 2014 and 2015 were primarily due to changes in valuation based on fluctuations in prevailing market prices and additional recognition arising from transfers of property under development to investment property upon completion and classification of investment properties before construction.

Other gains — Net

Other gains included (i) government grants; (ii) net exchange gains; (iii) net gain from disposal of equity interests in subsidiaries; (iii) compensation income; (iv) redemption of bonds; (v) net gain from disposal of property, plant and equipment.

Selling and marketing costs

Our selling and marketing costs have principally comprised advertising, promotion and commission costs. Advertising, promotion and commission costs are affected by our selling and project development schedules for individual projects, with such costs being highest during the pre-sales period and declining as the project nears completion. As a result, most of the advertising, promotion and commission costs for a project are incurred and recognised prior to recognition of revenues for the project. The following table shows the principal components of our selling and marketing costs for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (unaudited)
Advertising, promotion and commission costs	132,780	92,070	87,519
Others	45,761	56,877	75,640
Total	178,541	148,947	163,159

The decrease in our selling and marketing costs from 2013 to 2014 was primarily in line with sales revenue. The increase in the expenses from 2014 to 2015 was mainly due to additional promotion costs for newly launched projects in 2015.

Administrative expenses

Our administrative expenses have primarily comprised office expenses, staff costs, professional fees, provisions for impairment of receivables related to overdue rent payments due to us on our investment properties, certain levies on sales of properties and depreciation of property, plant and equipment. Changes in administrative expenses are largely affected by the size of our operations, including the number and size of our developments. The following table shows the principal components of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (unaudited)
Staff costs	129,521	153,025	161,823
Depreciation	25,299	24,422	25,838
Office expenses	99,394	92,547	104,944
Additional/(Reversal of) provision for impairment of receivables and other non-current assets	2,103	3,031	7,024
Professional fees and auditor's remuneration	12,791	15,003	35,960
Others	60,976	82,255	91,175
Total	330,084	370,283	426,764

Other operating expenses

Other operating expenses have principally included (i) provisions for potential legal claims in relation to delays in property delivery; (ii) exchange losses; (iii) net loss from repurchase and redemption of bonds and (v) impairment of goodwill.

Finance costs — net

Our finance income during the three years ended 31 December 2013, 2014 and 2015 was mainly derived from interest income on bank deposits. Our finance costs have primarily included interest expenses for bank loans, senior notes and convertible bonds less interest capitalized. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period. We had net finance costs of RMB267.1 million, RMB6.9 million and finance income of RMB72.2 million in the years ended 31 December 2013, 2014 and 2015, respectively. The decrease in our finance costs from 2013 to 2015 was primarily due to the increase in interest capitalization to corresponding projects. The following table shows the breakdown of our net finance costs for the periods indicated:

	Year ended 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Interest on bank borrowings	414,023	498,167	734,758
Interest expenses on other borrowings and advances from third parties	113,886	175,220	257,572
Interest expense on convertible bonds and senior notes	320,629	92,305	87,547
Less: Interest capitalized	(565,507)	(721,900)	(1,079,877)
Finance costs	283,031	43,792	—
Finance income			
— interest income on bank deposits and loan to a related third party	(15,921)	(36,867)	(72,214)
Net finance costs	267,110	6,925	72,214

Profit before income tax

Our profit before income tax is primarily impacted by gross profit, fair value gains on investment properties, fair value gains on derivative financial instruments, selling and marketing costs and administrative expenses. In the years ended 31 December 2013, 2014 and 2015, we had a profit before income tax of RMB2,302.9 million, RMB1,736.9 million and RMB132.9 million, respectively.

Income tax expenses

Income tax represents primarily provisions for EIT, PRC withholding income tax and LAT. According to the EIT law, starting from 1 January 2008, a 10% withholding income tax has been levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends arising from profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. For 2013, 2014 and 2015, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC tax laws and regulations. LAT 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. Changes in our LAT expenses during 2013, 2014 and 2015 were principally attributable to the relative proportion of our revenues derived from sales of commercial properties, which generally enjoy a higher gross margin than sales of residential properties. Our effective tax rate for 2013, 2014 and 2015 was 40.2%, 39.2% and 95.2%, respectively. Our effective tax rate has historically been significantly affected by the relative proportion of our profit derived from sales of properties which were subject to LAT. The following table shows the principal components of our income tax expenses for the periods indicated:

	Year ended 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Current income tax			
PRC EIT	290,230	297,520	42,512
PRC LAT	427,609	175,901	33,409
	717,839	473,421	75,921
Deferred income tax			
PRC EIT	(154,459)	183,836	45,965
PRC withholding income tax	54,330	23,515	4,351
	208,789	207,351	50,316
Total	926,628	680,772	126,237

REVIEW OF HISTORICAL OPERATING RESULTS

Year ended 31 December 2013 compared to year ended 31 December 2014

Revenues

Our revenues decreased by 39.5% to RMB3,792.6 million in 2014 from RMB6,269.1 million in 2013, primarily due to the delivery of pre-sold properties in Zhangzhou Mingfa Shopping Mall, Xiamen Mingfa Xiangwan Peninsula and Nanjing Mingfa City Square in 2013 upon completion. Our revenues from sales of residential properties accounted for 59.9% of our revenues from sales of properties in 2014 versus 61.1% in 2013, as the total GFA of residential properties delivered decreased to 356,641 sq.m. in 2014 from 542,244 sq.m. in 2013. Revenues from sales of commercial properties decreased to RMB624.8 million in 2014 from RMB2,014.6 million in 2013, primarily because of the pre-sold commercial properties in Zhangzhou Mingfa Shopping Mall were delivered to buyers upon completion in 2013.

Our rental income and management fee income generated from investment properties decreased by 19.1% to RMB279.1 million in 2014 from RMB334.9 million in 2013, primarily due to the disposal of an investment property in Nanjing.

Hotel operating income increased by 46.7% to RMB118.2 million in 2014 from RMB80.6 million in 2013, primarily due to two new hotels were started to operate in Hefei and Yangzhou in the middle of 2014 which generated additional hotel income as compared to 2013.

Cost of sales

Our cost of sales decreased by 31.0% to RMB2,806.7 million in 2014 from RMB4,067.5 million in 2013, primarily due to a decrease in the GFA delivered in 2014. Our cost of properties decreased by 31.0% to RMB2,806.7 million in 2014 from RMB4,067.5 million in 2013, primarily due to the decrease in GFA delivered. Our land acquisition costs decreased by 55.8% to RMB385.3 million in 2014 from RMB872.2 million in 2013, primarily because of the decrease in properties delivery.

Gross profit and gross profit margin

Our gross profit decreased by 55.2% to RMB985.9 million in 2014 from RMB2,201.6 million in 2013. The main reason for the decrease in the gross profit was due to the decrease in sales which was arisen from the decrease in properties delivery from 787,024 sq.m. in 2013 to 420,664 sq.m. in 2014. The decrease in gross profit margin from 35.1% in 2013 to 26.0% in 2014 was also due to less commercial properties with higher gross margin were delivered in 2014. The GFA delivered decreased by 46.6% in 2014 as compared to 2013 and our gross profit decreased by 50.7% mainly because of the reason mentioned before.

Fair value gains on investment properties

Fair value gains on our investment properties increased by 165.4% to RMB1,203.3 million in 2014 from RMB453.4 million in 2013. The higher fair value gains in 2014 were primarily due to additional valuation gains generated from Nanjing Mingfa International Industrial Material Park.

Other gains

Our other gains decreased by 61.1% to RMB147.3 million in 2014 from RMB378.7 million in 2013. The decrease in other gains in 2014 was primarily because of the decrease in exchange gain generated from RMB depreciation in 2014.

Selling and marketing costs

Our selling and marketing costs decreased by 16.6% to RMB148.9 million in 2014 from RMB178.5 million in 2013, primarily due to the decrease in newly launched projects in 2014 which incurred less advertising cost.

Administrative expenses

Our administrative expenses increased by 12.2% to RMB370.3 million in 2014 from RMB330.1 million in 2013, primarily due to the increase in staff cost for new project companies.

Other operating expenses

Other operating expenses increased by 115% to RMB71.9 million in 2014 from RMB33.4 million in 2013, primarily due to increase in exchange loss generated from the RMB depreciation.

Finance costs

Our net finance costs decreased by 97.4% to RMB6.9 million in 2014 from RMB267.1 million in 2013, primarily due to the increase in interest capitalization to corresponding projects in 2014.

Profit before income tax

Our profit before income tax increased by 24.5% to RMB1,736.9 million in 2014 from RMB2,302.9 million in 2013.

Income tax expense

Our income tax expense decreased by 26.5% to RMB680.8 million in 2014 from RMB926.6 million in 2013, which was in line with profit before tax.

Profit for the year

As a result of the foregoing, we had a profit in 2014 of RMB1,056.2 million, compared to a profit of RMB1,376.3 million in 2013.

Year ended 31 December 2014 compared to year ended 31 December 2015

Revenues

Our revenues decreased by 40.8% to RMB2,246.3 million in 2015 from RMB3,792.6 million in 2014, primarily due to the decrease in residential GFA delivered. Our revenues from sales of residential properties accounted for 59.9% of our revenues from sales of properties in 2014 versus 54.5% in 2015, as the total GFA of residential properties delivered decreased to 152,228 sq.m. in 2015 from 356,641 sq.m. in 2014. The decreased GFA of residential properties delivered was because most of the residential properties in Xiamen Mingfa Xiangwan Peninsula had been delivered upon completion in 2014. Revenues from sales of commercial properties decreased to RMB229.4 million in 2015 from RMB624.8 million in 2014, primarily because most of commercial properties in Nanjing Mingfa City Plaza and Zhangzhou Mingfa Shopping Mall were delivered in 2014.

Our rental income and management fee income generated from investment properties decreased by 6.0% to RMB262.3 million in 2015 from RMB279.1 million in 2014, primarily due to the disposal of an investment property in Nanjing. Hotel operating income increased by 31.2% to RMB155.1 million in 2015 from RMB118.2 million in 2014, primarily due to the increase in revenue generated from two new hotels in Hefei and Yangzhou.

Cost of sales

Our cost of sales decreased by 29.8% to RMB1,970.1 million in 2015 from RMB2,806.7 million in 2014, primarily due to decrease in the GFA delivered. Our construction costs decreased by 32.7% to RMB933.4 million in 2015 from RMB1,386.1 million in 2014, primarily due to the decrease in GFA delivered. Our land acquisition costs decreased by 59.5% to RMB156.0 million in 2015 from RMB385.3 million in 2014, primarily because of the delivery of residential properties in Xiamen Mingfa Xiangwan Peninsula in 2014 which had higher land cost.

Gross profit and gross profit margin

Our gross profit decreased by 72.0% to RMB276.3 million in 2015 from RMB985.9 million in 2014. The main reason for the decrease in the gross profit was the decrease in GFA delivered from 420,664 sq.m. in 2014 to 262,906 sq.m. in 2015. The decrease in gross profit margin to 12.3% in 2015 from 26.0% in 2014 was also due to more residential properties with lower gross margin were delivered in 2015.

Fair value gains on investment properties

Fair value gains on our investment properties decreased by 55.3% to RMB537.2 million in 2015 from RMB1,203.2 million in 2014. The higher fair value gains in 2014 were primarily due to one investment property in Nanjing had significant increment in market value in 2014. The increment in 2015 mainly came from a new investment property in Xiamen.

Other gains — Net

Our other gains decreased by 41.4% to RMB86.3 million in 2015 from RMB147.3 million in 2014. The lower other gains in 2015 were primarily due to one-off gain on disposal of a subsidiary in Nanjing and redemption of convertible bonds in 2014.

Selling and marketing costs

Our selling and marketing costs increased by 9.5% to RMB163.2 million in 2015 from RMB148.9 million in 2014, primarily due to the additional advertising costs incurred for the new projects in 2015.

Administrative expenses

Our administrative expenses were RMB426.8 million in 2015 as compared to RMB370.2 million in 2014 as new projects companies were established in 2015 which incurred additional administrative expenses.

Other operating expenses

Other operating expenses increased by 303.4% to RMB290.3 in 2015 from RMB72.0 million in 2014 which mainly due to the increase in exchange loss arisen from RMB depreciation.

Net finance costs

Our net finance costs decreased from a net cost of RMB6.9 million to a net income of RMB72.2 million in 2015 primarily due to the increase in interest capitalization to corresponding projects in 2015.

Profit before income tax

Our profit before income tax decreased by 92.3% to RMB132.9 million in 2015 from RMB1,736.9 million in 2014.

Income tax expense

Our income tax expense decreased by 81.5% to RMB126.2 million in 2015 from RMB680.8 million in 2014, decreasing roughly in line with our profit before income tax and a decrease in LAT provision.

Profit for the year

As a result of the foregoing, we had a profit in 2015 of RMB6.6 million, compared to a profit of RMB1,056.2 million in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our cash has been mainly used for the acquisition of land and financing construction of our projects.

The following table shows selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 December		
	2013	2014	2015
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (unaudited)
Selected cash flow statement data			
Net cash generated from/(used in) operating activities	(485,716)	(2,704,571)	(1,995,560)
Net cash (used in)/generated from investing activities	(478,363)	(582,625)	198,575
Net cash generated from financing activities	1,275,876	3,059,030	2,908,973
Effect of foreign exchange rate changes on cash	(5,159)	(10,876)	71,018
Net increase/(decrease) in cash and cash equivalents	306,638	(239,042)	1,183,006

Our business is highly capital-intensive, which exposes us to cash flow risks. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations" of this offering circular.

Net cash (used in)/generated from operating activities

In 2015, our net cash used in operating activities was RMB1,995.6 million, which was principally a result of (i) payments of construction fees of RMB3,204.4 million for Nanjing Mingfa Xiang Hill Garden, Changsha Mingfa Shopping Mall and Nanjing Mingfa New City Finance Building; (ii) interest payments of RMB1,076.1 million; and (iii) income tax payments of RMB158.2 million, which were offset by (i) customer advances of approximately RMB3,624.7 million derived from pre-sales of the properties in Nanjing Rong Li, Nanjing Mingfa New City Finance Building and Nanjing Mingfa Xiang Hill Garden; and (ii) an increase in trade and other payables of RMB1,873.5 million as a result of accrued construction costs for Nanjing Mingfa Xiang Hill Garden, Changsha Mingfa Shopping Mall and Nanjing Mingfa New City Finance Building.

In 2014, our net cash used in operating activities was RMB2,704.6 million, which was principally attributable to (i) an increase in properties under development and completed properties held for sale of RMB1,476.7 million in connection with Wuxi Mingfa International New Town, Yangzhou Mingfa Jiangwan City, Beijing Mingfa Mall and Xiamen Mingfa Harbour Resort; and (ii) an increase in land use rights of RMB1,917.6 million in connection with Nanjing Rong Li, Nanjing Mingfa Xiang Hill Garden, Nanjing Mingfa Pearl River International and land lot G86 in Nanjing, which were offset by (i) operating cash inflow before working capital of RMB534.5 million; and (ii) an increase of trade and other payables of RMB1,081.2 million as a result of accrued construction costs.

In 2013, our net cash used in operating activities was RMB485.7 million which was principally attributable to an increase in properties under development and completed properties held for sale of RMB345.5 million and an increase in land use rights of RMB940.0 million in connection with Shandong Zibo World Trade Centre, Nanjing Mingfa New City Finance Building and Nanjing Mingfa Xiang Hill Garden, which was offset by (i) operating cash inflow before working capital of RMB2,114.8 million; (ii) an increase in trade and other payables of RMB915.2 million as a result of accrued construction costs; and (iii) advanced proceeds received from customers of RMB84.2 million.

Net cash (used in)/generated from investing activities

In 2015, our net cash generated from investing activities was RMB198.6 million, which was principally attributable to the deposit received from disposal of a subsidiary of RMB480 million, which is offset by the net increase in short term financial assets of RMB140.0 million.

In 2014, our net cash used in investing activities was RMB582.6 million, which was principally attributable to the acquisition of a subsidiary in the amount of RMB357.6 million and advances to a joint venture and associated companies in the amount of RMB443.3 million, which is offset by the disposal of two subsidiaries in the amount of RMB189.0 million.

In 2013, our net cash used in investing activities was RMB478.4 million, which was principally attributable to (i) the transfer from properties under development to investment properties and self-used office for RMB285.8 million, (ii) advances to a joint venture and associated companies in the amount of RMB90.6 million and (iii) cash advances paid to third parties in connection with the land acquisition under MOU in the amount of RMB176.4 million, which is offset by the disposal of an investment property in the amount of RMB170.0 million.

Net cash generated from financing activities

In 2015, our net cash generated from financing activities was RMB2,909.0 million which was principally attributable to (i) drawdown of borrowings of RMB8,164.65 million; and (ii) repayment of borrowings of RMB5,645.4 million.

In 2014, our net cash generated in financing activities was RMB3,059.0 million which was principally attributable to (i) drawdown of borrowings of RMB9,395.8 million; and (ii) repayment of borrowings of RMB5,610.2 million.

In 2013, our net cash generated in financing activities was RMB1,275.9 million which was principally attributable to (i) drawdown of borrowings of RMB4,707.4 million; and (ii) repayment of borrowings of RMB3,545.9 million.

CONTINGENT LIABILITIES

For properties that are still under construction, we typically provide guarantees to banks in connection with our customers,mortgage loans to finance their purchase of our properties for an amount up to 40% to 70% of the total purchase price. Our guarantees are released upon completion of construction and the delivery of mortgage registration documents to relevant banks after the issuance of building ownership certificates. In our experience, the guarantees are typically released three to six months after delivery of our properties depending on when building ownership certificates are obtained and delivered to the banks. Pursuant to the terms of the guarantees, if the purchasers default on these mortgage loans, we are responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the purchasers to the banks. If we fail to do so, the mortgagee banks may auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. As at 31 December 2013, 2014 and 2015, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were RMB4,147.6 million, RMB4,005.5 million and RMB4,245.1 million, respectively.

CONTRACTED OBLIGATIONS

As at 31 December 2015, the contracted capital and equity investment commitments of the Group were RMB6,980.1 million, which were mainly capital commitments for property development and acquisition of project companies.

We had contracted but not provided for commitments for capital and property development expenditure of RMB6,971.4 million, RMB7,548.5 million and RMB6,980.1 million as at the dates indicated below.

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Contracted but not provided for			
Property, plant and equipment	1,521,738	1,475,041	1,381,426
Properties being developed by the Group for sale	581,288	261,997	2,236,645
Land use rights	4,868,403	5,811,423	3,362,041
	6,971,429	7,548,461	6,980,112

We have contracted but not provided for commitments for various equity investments in the amount of RMB9,544 million, RMB9,544 million and RMB nil as at the dates indicated below.

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Contracted but not provided for			
Acquisition of a subsidiary located in Chengdu (note (i))	9,544	9,544	nil
	9,544	9,544	nil

Note:

(i) 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.

INDEBTEDNESS

Bank and other borrowings

The following table shows our total bank and other borrowings as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Borrowings included in non-current liabilities			
Bank borrowings — secured	4,523,475	7,326,844	8,509,368
Convertible bonds	1,343,682	—	
Senior notes	626,053	631,725	674,539
Other borrowings — secured	180,000	566,000	2,805,360
	6,673,210	8,524,569	11,989,267

The borrowings are repayable as follows:

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Within one year	4,641,539	4,540,223	6,500,760
After one year	2,031,671	3,984,346	5,488,507
	6,673,210	8,524,569	11,989,267

Our outstanding bank borrowings and other borrowings amounted to RMB6,673.2 million, RMB8,524.6 million and RMB11,986.3 million, respectively. We used the proceeds from these borrowings mainly to finance our property developments. The increase in our bank borrowings and other borrowings was primarily due to additional bank loans for the new projects and the issuance of senior notes referred to below.

Our secured bank borrowings are secured by one or a combination of the following: investment properties, land use rights, completed properties held for sales, restricted cash and buildings. As at 31 December 2015, investment properties with a net book value of approximately RMB5,176.2 million, land use rights of approximately RMB4,711.0 million, completed properties held for sale of approximately RMB2,611.9 million, restricted cash of RMB3,076.3 million and buildings of approximately RMB544.2 million were pledged to secure our bank borrowings.

The table below sets forth the maturity profiles of our bank borrowings and other borrowings included in non-current liabilities as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(unaudited)**
Borrowings:			
Between 1 and 2 years	325,343	1,943,309	2,536,552
Between 2 and 5 years	1,634,288	1,541,030	2,074,844
5 years or more	72,040	500,007	877,111
	2,031,671	3,984,346	5,488,507

Our bank borrowings are denominated in RMB and the effective interest rates for the period ended 31 December 2013, 2014 and 2015 were 10.2%, 6.8% and 7.9%, respectively, and our bank overdrafts are denominated in HK dollars. As of 31 December 2015, we had total bank borrowings in an aggregate amount of RMB15,147.9 million, which comprised RMB6,500.8 million as current liabilities and RMB9,659.4 million as non-current liabilities.

Bonds

We have a class of debt securities outstanding. On 22 December 2016, we issued bonds with an aggregate principal amount of US$60 million, which mature in 2019. On 17 May 2017, we issued bonds with an aggregate principal amount of US$220 million, which will mature in 2020. On 11 January 2018, we issued an aggregate principal amount of US$200 million, which will mature in 2019. For details, see "Description of Other Material Indebtedness."

Off balance sheet commitments and arrangements

As at 31 December 2015, except for the contingent liabilities described above, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders equity, or that are not reflected in our consolidated financial statements.

We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are exposed to various types of market risks, including credit risk, foreign exchange risk, interest rate risk, liquidity risk, commodities risk and inflation in the normal course of our business.

Interest rate risk

Our interest rate risk relates in part to our pledged bank deposits, bank deposits and borrowings. 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.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

Fluctuations in interest rates may also affect our prospective customers, ability and cost to obtain financing and affect overall housing demand in China. The PBOC raised the benchmark one-year bank lending rate in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) to 6.06% in February 2011, to 6.31% in April 2011 and to 6.56% in July 2011 although the PBOC lowered the bench mark one-year interest rate by 25 basis points in each of June and July 2012. The PBOC lowered the one year benchmark lending rate one time in 2014 and five times in 2015. The one-year benchmark lending rate is 4.35% with effect from October 2015.

Liquidity risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial commitments when they fall due. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow. In doing so, our management monitors our liquidity and our utilisation of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

Credit risk

Our principal financial assets are trade and other receivables and bank balances, which represent our maximum exposure to credit risk in relation to financial assets. Our credit risk is primarily attributable to trade receivables. In order to minimise credit risk, our management continuously monitors the level of our exposure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for unrecoverable amounts. We believe our credit risk is reduced by such measure. We believe our credit risk on bank deposits and bank balances is limited because a majority of the counterparties are PRC state-owned banks with good reputations and credit ratings.

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. We did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2014, and believes that the foreign exchange risk exposed by the Group was relatively minimal.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. We have not engaged in any hedging activities relating to such materials. Purchasing costs of steel and cement are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our business, financial condition and results of operations.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's national inflation rate, as measured by the general consumer price index, was approximately 2.6%, 2.0% and 1.4% in the year ended 31 December 2013, 2014 and 2015. Inflation is a factor that would affect construction costs and interest rates, and deflation would become a disincentive for prospective buyers to make a purchase.

Certain facts, statistics and data presented in this section have been derived, in part, from various official government publications. Such facts and statistics have not been independently verified by our Company, the Placing Agent or their respective affiliates, or advisers. The information may not be consistent with other information compiled within or outside the PRC.

During 2015, the overall property market started to recover to a more stable footing as the PRC Government launched supportive monetary and regulatory policies. The PBOC has decreased its deposit reserve requirement ratio so as to inject more liquidity into the property market. Additionally, the interest-rate cuts implemented by PBOC have reduced financing costs on mortgage loans. The relaxation of the restrictions on home purchases and the subsidies from provident funds has supported demand from the first-time buyers and home upgraders.

The property market is still in a state of divergence. In 2015, both transaction volume and average selling prices have increased in tier-one and some of tier-two cities, while the performance in tier-three and tier-four cities was less attractive because of high destocking pressures. Thus, the constantly changing competitive landscape was reflected among companies during the year, which had spurred developers to adjust marketing strategies aimed at improving business performance in order to adapt to the accelerated changes in the market.

The boom in the issuance of onshore bonds due to RMB-depreciation and lower interest rates have diversified property developers' funding sources and decreased the finance cost. However, reduced enthusiasm for real estate investment exploration, currency fluctuation, a stock market slump and the macroeconomic uncertainty caused by China's economic transition still remain as concerns. The property market remained challenging in 2015. Against the backdrop of a slowing Chinese economy, the PRC Government is expected to continue to implement supportive policies to improve market performance. The outlook for China's property sector is expected for growth throughout 2016 but the expansion may be slower, reflecting a higher base of comparison in 2015.

MACRO-ECONOMIC OVERVIEW OF CHINA

Since the PRC Government's adoption of an open door policy in 1978, China has experienced significant economic growth which has been further accelerated by its accession to the WTO in 2001. China's GDP increased from RMB21,944 billion in 2005 to RMB68,905 billion in 2015, representing a CAGR of 13.6%, and making China one of the fastest growing economies in the world. In line with its GDP growth, China's per capita GDP also rose from RMB16,738 in 2006 to RMB50,251 in 2015, representing a CAGR of 13.0%. Urban disposable income in China grew rapidly during the period from 2006 to 2015, reflecting a nationwide CAGR of 11.4%. Urban disposable income per capita for urban households in China increased from RMB11,760 in 2006 to RMB31,195 in 2015, signifying an increase in purchasing power for urban households throughout China.

Housing reforms, the economic growth of the PRC, an increase in disposable income and savings, the emergence of the mortgage lending market, and an increase in urbanization rate, are key factors that have sustained the growth of the PRC property market.

The following tables set forth selected economic statistics of China for the years indicated:

	Selected Economic Statistics of China										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
GDP (RMB billion)	21,944	27,023	31,952	34,908	41,303	48,930	54,037	59,524	64,397	68,905	13.6
Per Capita GDP (RMB)	16,738	20,505	24,121	26,222	30,876	36,403	40,007	43,852	47,203	50,251	13.0
Annual Urban Disposable Income (RMB)	11,760	13,786	15,781	17,175	19,109	21,810	24,565	26,467	28,844	31,195	11.4
Population (million)	1,314	1,321	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	0.5
Urban Population (million)	583	606	624	645	670	691	712	731	749	771	3.2
Urbanization Rate (%)	44%	46%	47%	48%	50%	51%	53%	54%	55%	56%	2.6
Total Savings (RMB billion)	16,159	17,253	21,789	26,077	30,330	34,364	39,955	44,760	48,526	52,651	14.0

Sources: National Bureau of Statistics

Amid a favourable economic environment that has been characterised by strong GDP per capita growth and an increasing demand for higher living standards, investments in real estate development in the PRC rose rapidly from RMB1,942 billion in 2006 to RMB9,598 billion in 2015, reflecting a CAGR of 19.4%. Sales of commodity properties as measured by GFA sold amounted to 1,285 million sq.m. in 2015, representing a CAGR of 8.5% since 2006. Until 2006, the GFA of commodity properties completed was higher than the GFA of commodity properties sold. The demand for commodity properties increased since 2006, with GFA of commodity properties sold outpacing the GFA of commodity properties completed for each of the years from 2006 to 2015.

	Selected Economic Statistics of China Real Estate										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
Investments in real estate development (RMB billion)	1,942	2,529	3,120	3,624	4,826	6,180	7,180	8,601	9,504	9,598	19.4
GFA of commodity properties completed (million sq.m.)	558	606	665	727	787	926	994	1,014	1,075	1,000	6.7
GFA of commodity properties sold (million sq.m.)	619	774	660	948	1,048	1,094	1,113	1,306	1,206	1,285	8.5
Average price of residential properties sold (RMB/sq.m.)	3,119	3,645	3,576	4,459	4,725	4,993	5,430	5,850	5,933	6,473	8.4
Year-on-year change in average selling price (%)	6.2	16.9	–1.9	24.7	6.0	5.7	8.7	7.7	1.4	9.1	—
Average price of commercial properties sold (RMB/sq.m.)	5,247	5,774	5,886	6,871	7,747	8,488	9,021	9,777	9,817	9,566	6.9
Year-on-year change in average selling price (%)	4.5	10.0	1.9	16.7	12.7	9.6	6.3	8.4	0.4	–2.6	—

Sources: National Bureau of Statistics

ECONOMIC PERFORMANCE OF SELECTED PROVINCES AND CITIES

Fujian, Jiangsu, Liaoning and Anhui provinces, where our business and projects are primarily based, have experienced relatively high GDP and per capita GDP growth from 2006 to 2015. In particular, the 2006 to 2015 CAGR for the GDP and per capita GDP of Jiangsu, Liaoning and Anhui provinces have exceeded China's national average. The following tables illustrate the GDP and per capita GDP for the regions mentioned above for the years indicated:

	GDP											
Billion RMB	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%	As % of National Level
China	21,944	27,023	31,952	34,908	41,303	48,930	54,037	59,524	64,397	68,905	13.6	
Fujian	758	925	1,082	1,224	1,474	1,756	1,970	2,187	2,406	2,598	14.7	3.8
Xiamen	117	139	156	174	206	254	282	302	327	347	12.8	0.5
Jiangsu	2,174	2,602	3,098	3,446	4,143	4,911	5,406	5,975	6,509	7,012	13.9	10.2
Nanjing	277	328	378	423	513	615	720	801	882	972	15.0	1.4
Wuxi	331	388	446	499	579	688	757	777	821	852	11.1	1.2
Liaoning	930	1,116	1,367	1,521	1,846	2,223	2,485	2,721	2,863	2,867	13.3	4.2
Shengyang	252	322	386	427	502	592	660	716	710	727	12.5	1.1
Anhui	611	736	885	1,006	1,236	1,530	1,721	1,923	2,085	2,201	15.3	3.2
Hefei	107	133	166	210	270	364	416	467	516	566	20.3	0.8
Average[(1)]	1,119	1,345	1,608	1,799	2,174	2,605	2,895	3,202	3,465	3,669		

Sources: National Bureau of Statistics

	Per Capita GDP										
RMB	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	16,738	20,505	24,121	26,222	30,876	36,403	40,007	43,852	47,203	50,251	13.0
Fujian	21,152	25,582	29,755	33,437	40,025	47,377	52,763	58,145	63,472	67,966	13.8
Xiamen	41,847	47,385	51,134	52,964	60,060	70,832	77,340	81,254	86,832	90,379	8.9
Jiangsu	28,685	33,837	40,014	44,253	52,840	62,290	68,347	75,354	81,874	87,995	13.3
Nanjing	40,072	45,743	50,855	55,290	65,273	76,263	88,525	98,848	107,545	118,171	12.8
Wuxi	57,899	65,570	73,733	81,146	92,167	107,437	117,357	120,007	126,389	130,938	9.5
Liaoning	21,802	26,057	31,739	35,149	42,355	50,760	56,649	61,996	65,201	65,354	13.0
Shengyang	33,379	40,896	48,230	53,794	62,357	72,648	80,480	82,112	85,816	87,734	11.3
Anhui	10,044	12,039	14,448	16,408	20,888	25,659	28,792	32,001	34,425	35,997	15.2
Hefei	23,203	23,203	34,482	41,543	41,064	48,540	55,182	61,701	67,689	73,102	13.6
Average[(1)]	20,421	24,379	28,989	32,312	39,027	46,522	51,638	56,874	61,243	64,328	—

Note:

(1) Based on the average per capita GDP (RMB) for the year indicated of each of Fujian, Jiangsu, Liaoning and Anhui provinces.

Sources: National Bureau of Statistics

In Fujian and Jiangsu Provinces, the regional average urban disposable income exceeded that of China's national average for each of the years from 2006 to 2015. The 2006 to 2015 CAGR for urban disposable income for Jiangsu, Liaoning, and Anhui provinces also exceeded China's national average. The following table illustrates the per capita disposable income for urban households in China and the regions mentioned above for the years indicated:

	Urban disposable income										
RMB	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	11,760	13,786	15,781	17,175	19,109	21,810	24,565	26,467	28,844	31,195	11.4
Fujian	13,753	15,506	17,962	19,577	21,781	24,907	28,055	28,174	30,722	33,275	10.3
Xiamen	18,513	21,503	23,948	26,131	29,253	33,565	37,576	41,360	39,625	42,607	9.7
Jiangsu	14,084	16,378	18,680	20,552	22,944	26,341	29,677	31,585	34,346	37,173	11.4
Nanjing	17,529	20,317	23,123	25,504	28,312	32,200	35,092	38,531	42,568	46,104	11.3
Liaoning	10,370	12,300	14,393	15,761	17,713	20,467	23,223	26,697	29,082	31,126	13.0
Shengyang	11,651	14,607	17,013	18,475	20,541	23,326	26,431	29,074	31,720	36,643	13.6
Anhui	9,771	11,474	12,990	14,086	15,788	18,606	21,024	22,789	24,839	26,936	11.9
Hefei	11,013	13,427	15,591	17,158	19,051	22,459	25,434	28,083	29,348	31,989	12.6
Average[(1)]	11,995	13,915	16,006	17,494	19,557	22,580	25,495	27,311	29,747	32,128	—

Note:

(1) Based on the average urban disposable income (RMB) for the year indicated of each of Fujian, Jiangsu, Liaoning and Anhui provinces.

Sources: National Bureau of Statistics

Population (mn)	**2015**	**As % of national level**
Fujian	38.4	2.8
Xiamen	2.1	0.2
Jiangsu	79.8	5.8
Nanjing	6.5	0.5
Wuxi	4.9	0.4
Liaoning	43.8	3.2
Shengyang	7.3	0.5
Anhui	61.4	4.5
Hefei	7.2	0.5

Sources: National Bureau of Statistics, Statistical Yearbook of Wuxi

FUJIAN PROVINCE

Fujian province is located in the southeast coastal area of China. In 2015, Fujian province contributed 3.8% to China's national GDP, and its population of 38.4 million accounted for 2.8% of the national population. In line with the overall growth in China's GDP, Fujian province's GDP reached RMB2,598 billion in 2015. In 2015, a per capita GDP of RMB67,966 was recorded. Fujian province's urban disposable income increased from RMB13,753 in 2006 to RMB33,275 in 2015, reflecting a CAGR of 10.3%. This is consistent with the overall growth trend in China. For each of the years from 2006 to 2015, Fujian province's per capita GDP and per capita urban disposable income also exceeded the national average of China.

Xiamen

Xiamen is located in the southeast region of Fujian province with a total population of 2.1 million in 2015. It is a coastal city, facing the Taiwan Strait and bordering the cities of Quanzhou to the north and Zhangzhou to the south. Xiamen was one of China's earliest special economic zones in the 1980s. Xiamen's GDP in 2015 was RMB347 billion, representing a CAGR of 12.8% since 2006. The city's GDP per capita was RMB90,379 in 2015, significantly higher than the national average.

JIANGSU PROVINCE

Jiangsu Province is located along the east coast of China. It is one of the most important economic and cultural centres in the Greater Yangtze River Delta region. In 2015, Jiangsu Province contributed 10.2% to China's national GDP, and its population of 79.8 million accounted for 5.8% of the national population. Jiangsu Province's GDP was RMB7,012 billion in 2015, representing a CAGR of 13.9% since 2006. Jiangsu Province's per capita GDP was RMB87,955 in 2015, representing a CAGR of 13.3% since 2006. Jiangsu Province's per capita GDP and per capita urban disposable income for each of the years from 2006 to 2015 also exceeded the national average of China.

Nanjing

Nanjing is the capital city of Jiangsu Province with a population of 6.5 million in 2015. Nanjing is an industrial base in eastern China and also one of China's major research and education centres. In 2015, Nanjing's GDP was RMB972 billion, representing a CAGR of 15.0% since 2006. Nanjing's per capita GDP was RMB118,171 in 2015, representing a CAGR of 12.8% since 2006.

Wuxi

Wuxi is one of the most important commercial and industrial hubs in the Greater Yangtze River Delta Region, and has a population of 4.9 million in 2015. It is located in the southern part of Jiangsu province with Shanghai to its east and Nanjing to its west. Wuxi's GDP was RMB852 billion in 2015, representing a CAGR of 11.1% since 2006. Wuxi's per capita GDP was RMB130,938 in 2015, the highest among all the areas where our business and projects are primarily based.

LIAONING PROVINCE

Liaoning province is located along the northeast of China. It is one of the leading production bases for raw materials in China, and has significant industries such as mining, metallurgy, and petrochemicals. In 2015, Liaoning province contributed 4.2% to China's national GDP, and its population of 43.8 million accounted for 3.2% of the national population. Liaoning province's GDP was RMB2,867 billion in 2015, representing a CAGR of 13.3% since 2006. Liaoning province's per capita GDP was RMB65,354 in 2015, representing a CAGR of 13.0% since 2006. Liaoning province's per capita GDP for each of the years from 2006 to 2015 also exceeded the national average of China.

Shenyang

Shenyang is the capital city of Liaoning province with a population of 7.3 million in 2015. Shenyang is an industrial hub in northeast China and also one of China's major heavy industry centres. In 2015, Shenyang's GDP was RMB727 billion, representing a CAGR of 12.5% since 2006. Shenyang's per capita GDP was RMB87,734 in 2015, representing a CAGR of 11.3% since 2006.

ANHUI PROVINCE

Anhui province is located in eastern China across the Yangtze River basin and bordering Jiangsu province to the east. Its main industries include natural resources such as iron and coal, as well as manufacturing such as automobiles. In 2015, Anhui province contributed 3.2% to China's national GDP, and its population of 61.4 million accounted for 4.5% of the national population. Anhui province's GDP was RMB2,201 billion in 2015, representing a CAGR of 15.3% since 2006. Anhui province's per capita GDP was RMB35,997 in 2015, representing a CAGR of 15.2% since 2006.

Hefei

Hefei is the capital city of Anhui province with a population of 7.2 million in 2015. It is located in the central region of China between Yangtze River and Huai River and is close to the fast growing Yangtze River Delta Region. Hefei's GDP was RMB566 billion in 2015, representing a CAGR of 20.3% since 2006. Hefei's per capita GDP was RMB73,102 in 2015, representing a CAGR of 13.6% since 2006.

REAL ESTATE PERFORMANCE OF SELECTED PROVINCES AND CITIES

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 PBOC announced some supportive measures including easing of housing purchase restrictions 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 ended 31 December 2014, down payment for purchasing properties and mortgage rates has 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.

Residential GFA Completed and Sold

From 2006 to 2015, the GFA of residential properties completed increased steadily whilst the GFA of residential properties sold grew at a relatively faster pace, with a CAGR of 5.5% and 8.2% since 2006, respectively. Prior to 2006, the GFA of residential properties completed in China was more than the GFA of residential properties sold. In 2006, the GFA of residential properties sold surpassed the GFA of residential properties completed for the first time and the trend continued for the following six years. In 2015, the GFA of residential properties completed was 716.9 million sq.m., while the GFA of residential properties sold was 965.3 million sq.m. The following tables illustrate (i) the GFA of residential properties sold and (ii) the GFA of residential properties completed, for China and the regions in which our Group operates for the years indicated:

	Residential GFA completed										
Million sq.m	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**CAGR%**
China	454.7	498.3	543.3	596.3	634.4	743.2	790.4	787.4	808.7	737.8	5.5
Fujian	11.3	13.4	14.2	16.9	17.2	20.1	15.6	23.4	25.7	24.0	8.7
Xiamen	2.1	2.4	3.7	4.8	4.3	3.8	2.2	2.1	3.5	2.7	3.0
Jiangsu	47.5	51.6	67.5	67.3	65.5	64.8	76.9	75.8	72.6	79.3	5.9
Nanjing	6.7	5.8	8.9	12.3	7.4	8.6	13.6	7.5	7.2	10.6	5.2
Wuxi	6.1	6.0	9.1	5.5	9.3	7.1	5.7	8.6	6.3	8.9	4.2
Liaoning	24.5	26.9	32.6	33.9	36.9	52.3	51.3	50.3	49.4	25.3	0.4
Shengyang	10.2	10.9	10.8	10.8	11.1	16.1	16.4	12.3	9.9	7.7	–3.0
Anhui	17.3	20.1	21.3	23.5	24.1	28.9	31.2	39.2	38.3	41.0	10.1
Hefei	4.5	5.1	4.6	4.8	5.8	6.6	7.3	10.7	7.0	7.1	5.2

Sources: National Bureau of Statistics

	Residential GFA sold										
Million sq.m	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**CAGR%**
China	554.2	701.4	592.8	861.8	933.8	965.3	984.7	1,157.2	1,051.9	1,124.1	8.2
Fujian	17.4	21.0	12.5	24.2	21.4	22.1	27.4	39.6	33.2	33.2	7.4
Xiamen	3.2	3.7	1.5	4.0	2.4	2.7	4.8	5.8	5.1	3.5	1.0
Jiangsu	53.2	67.7	52.8	90.3	81.1	67.7	79.2	101.9	88.0	102.8	7.6
Nanjing	9.4	10.6	6.6	11.1	7.5	6.8	8.8	11.4	11.2	14.3	4.8
Wuxi	6.5	7.7	5.4	11.1	10.5	6.5	9.3	9.1	8.4	9.9	4.8
Liaoning	27.3	35.5	37.3	48.6	60.1	66.2	76.6	80.1	49.3	34.8	2.7
Shengyang	11.5	13.6	13.1	13.7	15.2	19.5	22.0	20.2	13.4	9.5	–2.1
Anhui	20.4	27.8	25.4	36.5	36.4	39.9	42.8	55.7	53.6	53.6	11.3
Hefei	5.8	9.5	8.7	11.8	8.6	10.6	11.2	14.5	13.3	12.9	9.2

Sources: National Bureau of Statistics

Average Selling Price for Residential Properties

For the period between 2006 and 2015, the average selling price for residential properties in China grew at a CAGR of 8.4%. In 2015, the average selling price in China was RMB6,473 per sq.m. During the period between 2006 and 2015, the CAGRs of average selling price for residential properties in Fujian and Jiangsu provinces were higher than that of China. The following table illustrates the average selling price for residential properties in China and the regions in which our Group operates for the years indicated:

	Average Selling Price for Residential Properties										
RMB/sq.m	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	3,119	3,645	3,576	4,459	4,725	4,993	5,430	5,850	5,933	6,473	8.4
Fujian	3,656	4,476	4,498	5,366	6,077	7,452	8,366	8,618	8,843	8,565	9.9
Xiamen	6,601	8,907	8,940	8,935	11,590	13,423	12,953	14,551	17,778	18,928	12.4
Jiangsu	3,375	3,834	3,802	4,805	5,592	6,145	6,423	6,650	6,783	7,177	8.7
Nanjing	4,270	5,011	4,808	6,893	9,227	8,415	9,675	11,078	10,964	11,260	11.4
Wuxi	3,687	4,363	5,096	5,858	7,462	8,065	7,741	7,448	7,198	7,575	8.3
Liaoning	2,884	3,355	3,575	3,872	4,303	4,543	4,717	4,918	5,107	5,486	7.4
Shengyang	3,184	3,536	3,856	4,196	5,109	5,613	5,989	6,074	5,865	6,416	8.1
Anhui	2,153	2,505	2,808	3,235	3,899	4,371	4,495	4,776	5,017	5,067	10.0
Hefei	2,874	3,154	3,425	4,095	5,502	5,608	5,754	6,084	6,917	7,512	11.3

Sources: National Bureau of Statistics, Statistical Yearbook of Wuxi

Office GFA Completed and Sold

From 2006 to 2015, the GFA of office properties completed increased steadily while the GFA of office properties sold grew at a relatively faster pace, with a CAGR of 10.5% and 10.0% since 2002, respectively. In 2015, the office GFA completed was 34,190 thousand sq.m., while the office GFA sold was 29,126 thousand sq.m. In Fujian and Anhui provinces and the cities of Xiamen, Wuxi, Shenyang, and Hefei, the GFA of office properties sold surpassed the GFA of office properties completed in 2014. In 2015, the GFA of office properties sold surpassed the GFA of the office properties completed in Fujian and Anhui provinces. The following tables illustrate (i) the GFA of office properties sold and (ii) the GFA of office properties completed, for China and the regions in which our Group operates for the years indicated:

	Office GFA completed										
Thousand sq.m	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	13,937	15,450	18,246	16,525	17,484	21,790	23,150	27,890	31,440	34,190	10.5
Fujian	444	561	819	474	352	567	1,192	983	1,455	1,428	13.9
Xiamen	239	439	795	257	291	418	736	174	585	456	7.5
Jiangsu	1,102	1,225	1,384	1,394	2,905	2,393	2,372	3,324	2,695	3,245	12.7
Nanjing	234	309	280	241	544	516	380	537	250	733	13.5
Wuxi	20	174	108	209	305	349	571	893	886	433	40.5
Liaoning	325	557	435	374	753	724	997	662	741	224	–4.0
Shengyang	151	400	266	154	211	248	557	85	209	117	–2.8
Anhui	339	474	416	626	499	863	500	1,313	1,210	1,552	18.4
Hefei	182	352	241	423	354	615	181	604	571	502	11.9

Sources: National Bureau of Statistics, Hexun.com, Statistical Yearbooks

Thousand sq.m	Office GFA sold 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	12,310	14,652	11,571	15,444	18,900	20,050	22,537	28,834	25,055	29,126	10.0
Fujian	410	802	665	329	822	1,092	1,508	2,114	1,810	1,554	15.9
Xiamen	261	700	562	220	547	491	362	671	871	642	10.5
Jiangsu	1,143	1,335	1,053	1,908	2,099	2,199	2,008	2,868	2,107	2,383	8.5
Nanjing	218	345	155	235	148	383	329	245	247	318	4.3
Wuxi	66	107	107	214	316	271	455	417	280	402	22.2
Liaoning	241	191	359	301	647	524	792	536	712	375	5.0
Shengyang	75	105	157	154	251	105	218	175	140	173	9.7
Anhui	332	424	310	495	873	937	620	950	1,111	1,094	14.2
Hefei	224	369	231	402	653	583	335	581	527	686	13.3

Sources: National Bureau of Statistics, Statistical Yearbooks

Average Selling Price for Office Properties

For the period between 2006 and 2015, the average selling price for offices in China achieved a CAGR of 5.4%. In 2015, the average selling price for office properties was RMB12,914 per sq.m. The following table illustrates the average selling price for offices properties in China and regions in which our Group operates for the years indicated.

RMB/sq.m	Average Selling Price for Office Properties 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	8,053	8,667	8,378	10,608	11,406	12,327	12,306	12,997	11,826	12,914	5.4
Fujian	5,377	4,734	5,386	6,273	8,732	10,354	12,117	13,723	11,131	12,551	9.9
Xiamen	6,604	4,970	5,697	6,891	6,941	8,233	13,760	14,590	10,635	15,498	9.9
Jiangsu	5,247	7,190	5,906	6,895	7,962	9,635	9,049	7,617	8,798	9,336	6.6
Nanjing	8,307	11,860	12,927	12,550	12,871	19,332	16,491	17,939	15,156	16,468	7.9
Wuxi	8,339	9,933	7,542	5,296	8,880	8,713	8,557	9,373	9,200	10,481	2.6
Liaoning	5,446	4,726	4,783	6,207	8,106	5,867	9,647	6,779	5,823	8,931	5.6
Shengyang	4,821	5,392	6,624	7,643	6,937	7,170	11,288	10,670	14,187	11,287	9.9
Anhui	3,572	3,998	4,596	4,327	6,208	6,780	7,420	7,276	6,827	7,339	8.3
Hefei	4,274	4,267	5,140	4,655	6,829	7,915	8,527	8,117	8,175	8,840	8.4

Sources: National Bureau of Statistics, Statistical Yearbooks

Retail Properties GFA Completed and Sold

From 2006 to 2015, the GFA of retail properties completed increased steadily while the GFA of retail properties sold grew at a relatively faster pace, with a CAGR of 7.5% and 8.8% since 2006, respectively. In 2015, the GFA of retail properties completed was 120.3 million sq.m., while the GFA of retail properties sold was 92.5 million sq.m. The following tables illustrate (i) the GFA of retail properties sold and (ii) the GFA of retail properties completed, for China and the regions in which our Group operates for the years indicated:

Million sq.m	Retail GFA completed 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	62.9	61.0	64.1	68.2	79.3	90.5	102.3	108.5	120.8	120.3	7.5
Fujian	1.5	1.6	1.5	2.1	1.7	2.7	2.4	4.0	3.1	3.4	9.9
Xiamen	0.2	0.3	0.6	0.4	0.3	0.6	0.5	0.2	0.4	0.2	2.9
Jiangsu	6.8	6.7	7.0	8.8	11.3	10.6	11.7	10.0	12.1	11.4	5.9
Nanjing	0.7	0.3	0.7	1.3	1.2	1.1	1.1	0.8	0.6	1.3	7.8
Wuxi	1.5	1.0	0.7	1.1	1.7	1.2	1.3	1.4	1.6	1.8	1.7
Liaoning	3.3	2.7	3.6	4.4	5.4	7.2	7.6	7.2	7.4	4.8	4.3
Shengyang	1.3	1.1	1.3	1.6	2.0	2.6	2.5	1.8	1.6	1.9	4.5
Anhui	2.4	2.1	2.8	3.7	4.3	5.2	5.8	7.0	8.3	8.6	15.1
Hefei	0.5	0.3	0.3	0.6	1.2	1.1	1.0	1.3	1.1	1.5	12.7

Sources: National Bureau of Statistics, Statistical Yearbooks

Million sq.m	Retail GFA sold										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	43.4	46.4	42.1	53.3	69.9	78.7	77.6	84.7	90.8	92.5	8.8
Fujian	1.4	1.6	0.9	1.2	1.8	1.8	2.1	2.4	2.9	3.0	8.5
Xiamen	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	1.2
Jiangsu	5.9	5.9	6.0	8.7	9.9	8.5	7.6	8.2	6.9	7.3	2.3
Nanjing	0.4	0.3	0.2	0.4	0.4	0.4	0.3	0.4	0.4	0.6	4.4
Wuxi	0.9	0.8	0.6	1.1	1.3	1.0	0.9	0.8	0.7	0.8	–1.0
Liaoning	2.0	2.2	2.7	3.9	5.1	5.8	7.8	8.6	5.2	3.1	5.0
Shengyang	0.7	0.8	1.2	1.2	1.7	1.6	1.9	2.0	1.2	0.9	2.9
Anhui	2.2	2.4	1.9	3.0	3.9	4.8	4.3	5.1	6.5	6.3	12.3
Hefei	0.4	0.4	0.4	0.6	0.6	1.1	0.7	0.8	1.9	2.0	19.9

Sources: National Bureau of Statistics, Statistical Yearbooks

Average Selling Price for Retail Properties

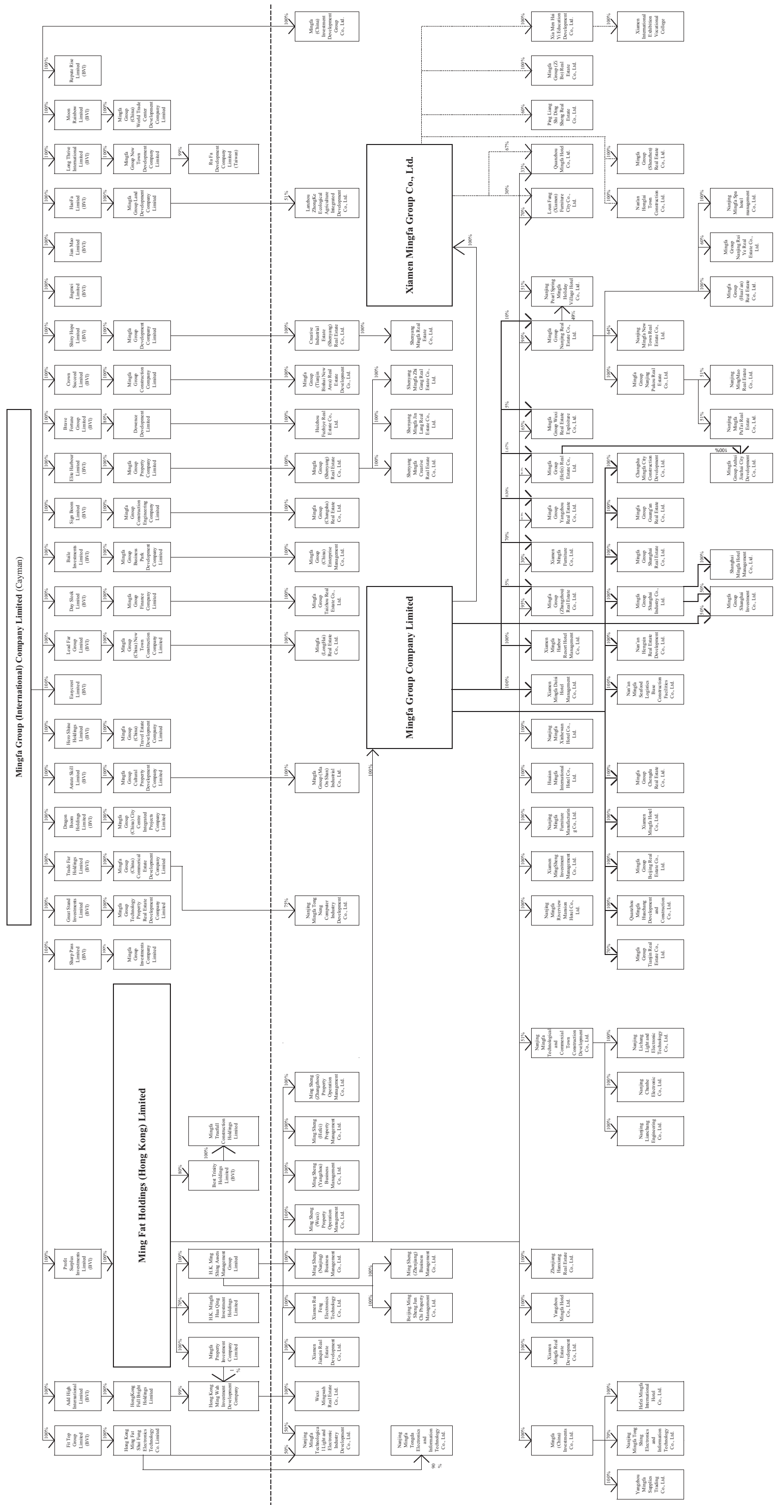
From the period between 2006 and 2015, the average selling price for retail properties in China achieved a CAGR of 6.9%. In 2015, the average price in China was RMB9,566 per sq.m. From the period between 2006 and 2015 for Fujian, Jiangsu and Anhui provinces, the CAGR of the average selling price for retail properties was higher than that of the national average of China. From the period between 2006 and 2015 for the cities of Xiamen, Nanjing, Wuxi, Shengyang and Hefei, the CAGR of the average selling price for retail properties was higher than that of the national average of China. The following table illustrates the average selling price for retail properties in China and the regions in which our Group operates for the years indicated:

RMB/sq.m	Average selling price for retail properties										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%
China	5,247	5,774	5,886	6,871	7,747	8,488	9,021	9,777	9,817	9,566	6.90
Fujian	8,919	8,478	8,303	9,749	10,239	14,347	12,484	15,412	13,017	12,653	3.96
Xiamen	13,890	16,078	14,434	17,222	17,467	20,555	20,448	26,589	21,841	23,808	6.17
Jiangsu	5,402	5,832	6,172	6,831	7,892	9,375	9,774	10,416	9,929	9,976	7.05
Nanjing	6,929	8,469	8,406	12,235	15,100	16,686	17,847	19,714	16,813	15,027	8.98
Wuxi	5,735	5,731	7,198	7,408	9,600	11,762	13,902	11,443	10,565	9,766	6.09
Liaoning	5,329	5,481	6,149	5,981	6,527	6,989	7,042	7,410	7,982	8,525	5.36
Shengyang	6,080	6,017	6,681	7,112	7,788	8,999	9,712	8,715	9,445	11,290	7.12
Anhui	3,714	4,331	4,627	5,609	6,699	7,913	7,854	8,301	8,513	8,596	9.77
Hefei	5,916	6,149	6,715	7,176	10,963	12,581	12,288	10,043	9,125	9,172	4.99

Sources: National Bureau of Statistics, Statistical Yearbooks

CORPORATE STRUCTURE

The following diagram (Note 1) illustrates a summary of our corporate structure, including our operating subsidiaries (Note 2) as of 31 December 2015.



Notes:

1 The diagram only shows operating subsidiaries of the Group in which we own more than a 50% interest

2. The English names of certain of the above companies represent the best efforts by the management of the Company to transcribe the Chinese names of such companies, as no English names have been registered.

3. Hong Kong Ming Wah Investment Development Company is a general partnership.

Add High International Limited 添高國際有限公司
Astute Skill Limited 明巧有限公司
Baile Investments Limited 百樂投資有限公司
Beijing Ming Sheng Jun Chi Property Management Co., Ltd. 北京明勝俊馳物業管理有限公司
Best Trinity Holdings Limited 合盛控股有限公司
Brave Fortune Group Limited 勇發集團有限公司
Changsha Mingfa City Construction Development Co., Ltd. 長沙明發城市建設開發有限公司
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司
Crown Succeed Limited 成冠有限公司
Day Sleek Limited 日順有限公司
Dowence Development Limited 都運時發展有限公司
Dragon Boom Holdings Limited 龍旺控股有限公司
Easycrest Limited 易冠有限公司
Elite Harbour Limited 港俊有限公司
Fit Top Group Limited 輝德集團有限公司
Great Stand Investments Limited 昌立投資有限公司
H.K. Ming Shing Assets Management Group Limited 香港明勝資產管理集團有限公司
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司
HaoFa Limited 好發有限公司
Hefei Mingfa International Hotel Co., Ltd. 合肥明發國際大酒店有限公司
Hero Shine Holdings Limited 英盛控股有限公司
Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited
香港明發瑞豐科技光電有限公司
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司
Hongkong Full Bright Holdings Limited 香港盈輝集團有限公司
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司
Huizhou Fuzhiye Real Estate Co., Ltd. 惠州富之頁房地產開發有限公司
Jian Mao Limited 建茂有限公司
Jingmei Limited 景美有限公司
Lanzhou ZhongKe Ecological Agriculture Integrated Development Co., Ltd.
蘭州中科生態農業綜合開發有限公司
Lead Far Group Limited 利發集團有限公司
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)家俱城有限公司
Long Thrive International Limited 長盛國際有限公司
Ming Fat Holdings (Hong Kong) Limited 明發集團(香港)有限公司
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司
Ming Sheng (Wuxi) Property Operation Management Co., Ltd. 明勝(無錫)物業經營管理有限公司
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司
Ming Sheng (Zhangzhou) Property Management Co., Ltd. 明勝(漳州)物業經營管理有限公司
Ming Sheng (Zhenjiang) Business Management Co., Ltd. 明勝(鎮江)商業管理有限公司

Mingfa (China) Investments Co., Ltd. 明發(中國)投資有限公司
Mingfa (LongHai) Real Estate Co., Ltd. 明發(龍海)房地產開發有限公司
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司
Mingfa Group (China) City Centre Integrated Projects Company Limited
明發集團(中國)城市綜合體建設有限公司
Mingfa Group (China) Commercial Estate Development Company Limited
明發集團(中國)商業地產開發有限公司
Mingfa Group (China) Enterprise Management Co., Ltd. 明發集團(中國)企業管理有限公司
Mingfa (China) Investment Development Group Co., Ltd.
明發集團(中國)投資發展集團有限公司
Mingfa Group (China) New Town Construction Company Limited
明發集團(中國)新城鎮建設有限公司
Mingfa Group (China) Travel Estate Development Company Limited
明發集團(中國)旅遊地產開發有限公司
Mingfa Group (China) World Trade Center Development Company Limited
明發集團(中國)世界貿易中心開發有限公司
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司
Mingfa Group (Ma On Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司
Mingfa Group (Shenzhen) Real Estate Co., Ltd. 明發集團(深圳)房地產開發有限公司
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司
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
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司
Mingfa Group Anhui Jinzhai City Development Co., Ltd. 明發集團安徽金寨城市開發有限公司
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司
Mingfa Group Company Limited 明發集團有限公司
Mingfa Group Construction Company Limited 明發集團建設有限公司
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司
Mingfa Group Development Company Limited 明發集團發展有限公司
Mingfa Group Finance Company Limited 明發集團財務有限公司
Mingfa Group Investments Company Limited 明發集團金融投資有限公司
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司
Mingfa Group Investments Company Limited 明發集團投資有限公司
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司
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
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司
Mingfa Group Nanjing Rui Ye Real Estate Co.,Ltd. 明發集團南京瑞業房地產開發有限公司
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司
Mingfa Group Property Company Limited 明發集團房地產有限公司
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司
Mingfa Group Shanghai Investment Co., Ltd. 明發集團上海投資有限公司
Mingfa Group Shanghai Real Estate Co., Ltd. 明發集團上海房地產有限公司

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
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司
Mingfa Property Investment Company Limited 明發物業投資有限公司
Mingfa Truefull Construction Holdings Limited 明發竹風建設集團有限公司
Moon Rainbow Limited 滿虹有限公司
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司
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
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司
Nanjing Mingfa New Town Real Estate Co., Ltd. 南京明發新城置業有限公司
Nanjing Mingfa PuTai Real Estate Co., Ltd. 南京明發浦泰置業有限公司
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司
Nanjing Mingfa Spa hotel management Co., Ltd. 南京明發溫泉酒店管理有限公司
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd.
南京發科技商務城建設發展有限公司
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
Nanjing Mingfa Tong Neng Computer Industry Development Co., Ltd.
南京明發通能計算機產業發展有限公司
Nanjing Mingfa Tongda Electronics and Information Technology Co., Ltd.
南京明發通達電子信息技術發展有限公司
Nanjing Mingfa Tong Shing Electronics and Information Technology Co., Ltd.
南京明發通盛電子信息技術發展有限公司
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司
(formerly: 南京明發星河灣大酒店有限公司)
Nanjing MingMao Real Estate Co., Ltd. 南京明茂置業有限公司
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
Ping Liang Shi Ding Sheng Real Estate Co., Ltd. 平涼市鼎盛置業有限公司
Profit Surplus Investments Limited 利盈投資有限公司
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
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司
Repute Rise Limited 譽升有限公司
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司(台灣)
Shanghai Mingfa Hotel Management Co., Ltd. 上海明發大酒店管理有限公司
Sharp Pass Limited 鋭通有限公司
Shenyang Mingfa Creative Real Estate Co., Ltd. 瀋陽明發創意地產開發有限公司
Shenyang Mingfa Jin Lang Real Estate Co., Ltd. 瀋陽明發金廊置業有限公司
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司

Shenyang Mingfa Zhi Gang Real Estate Co., Ltd. 瀋陽明發智港置業有限公司
Shiny Hope Limited 明望有限公司
Sign Boom Limited 兆興有限公司
Trade Far Holdings Limited 貿發控股有限公司
Wuxi Mingwah Real Estate Co., Ltd. 無錫明華房地產開發有限公司
Xia Men Hai Yi Education Development Co., Ltd. 廈門海誼教育發展有限公司
Xiamen International Exhibition Vocational College 廈門國際會展職業學院
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司
Xiamen Mingfa Daisi Hotel Management Co., Ltd. 廈門明發戴斯酒店管理有限公司
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司
Xiamen Mingfa Harbor Resort Hotel Management Co., Ltd. 廈門明發海灣度假村酒店管理有限公司
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司
Xiamen MingSheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司
Yangzhou Mingfa Supplies Trading Co., Ltd. 揚州明發物資貿易有限公司
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司

SALES AND EARNINGS

The revenue of the Group was approximately RMB2,246.3 million for 2015 (2014: approximately RMB3,792.6 million), representing a decrease of 40.8% as compared to 2014. The reduced revenue was mainly due to the decrease in the GFA delivered from 420,664 sq.m. in 2014 to 262,906 sq.m. in 2015.

The gross profit of the Group was approximately RMB276.3 million for 2015, representing a drop of 72.0% as compared to 2014 (2014: approximately RMB985.9 million). The reason for the decline was mainly due to the decrease in revenue. The profit for the year of the Group decreased by 99.4% from approximately RMB1,056.2 million in 2014 to approximately RMB6.6 million in 2015.

The audited consolidated profit attributable to the equity holders of the Company reduced from approximately RMB829.3 million in 2014 to approximately RMB26.1 million in 2015, representing a decrease of approximately RMB803.2 million or 96.9% from that of 2014. The major reason for the decrease was due to less GFA delivered in 2015 as compared to 2014.

The cost of sales of the Group was RMB1,970.1 million for 2015, representing a decrease of 29.8% as compared to 2014 (2014: approximately RMB2,806.7 million). Cost of sales decreased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB per 4,926.9 sq.m. for 2015, representing a slight increase over 2014 (2014: average cost of properties included in cost of sales was RMB4,925.7 per sq.m.).

The total GFA sold and delivered by the Group in 2015 was approximately 262,906 sq.m., representing a decrease of 37.5% as compared to 2014 (2014: approximately 420,664 sq.m.). Such decrease was due to less properties delivered in Xiamen Mingfa Xiangwan Peninsula, Zhangzhou Mingfa Shopping Mall, Nanjing Mingfa Riverside New Town and Yangzhou Mingfa Jiangwan City for 2015.

During the year ended 31 December 2015, the average sales price ("ASP") of the Group's properties delivered and recognised as sales was RMB5,531.1 per sq.m., representing a decrease of 19.7% as compared to 2014 (2014: RMB6,884.1 per sq.m.). The decrease was mainly due to the decrease in ASP of residential properties of 19.8% in 2015.

In the year ended 31 December 2015, the Group recorded contracted sales of RMB5,232.5 million with GFA of 630,415 sq.m. (2014: approximately RMB1,889.7 million and 291,450 sq.m. respectively).

Our principal business activities are as follows:

Commercial complexes

Most of our integrated mixed-use commercial complexes are located at strategic locations and form the landmarks of new city centres in high-growth areas in second and third tier cities, with easy access to existing city centres and neighbouring cities. Our commercial complexes increase traffic of the surrounding neighbourhoods and stimulate growth and development of these neighbourhoods. We believe that our focus on such locations allows us to continue to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our integrated mixed-use commercial complexes typically have total GFAs ranging from approximately 400,000 sq.m. to 700,000 sq.m., and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell some of the units in these commercial complexes and retain the remaining units to generate recurring rental income and for long-term capital appreciation, depending on the specific project's cash flow requirement and local market conditions. We had 957,411 sq.m. of commercial GFA held for investment as at 31 December 2015. We also seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. To this end, we have entered into strategic collaboration agreements with Suning Appliance, one of the biggest electrical appliance stores in the PRC, and Jin Yi Cinema, respectively, pursuant to which Suning Appliance and Jin Yi Cinema are required to open new stores in every commercial project launched by us in the PRC at rates based on the then prevailing market rates. Both of these contracts will expire in December 2018. In addition, we usually enter into long term arrangements and leases with fixed terms ranging from ten to 20 years with our anchor tenants which include international and domestic brands such as Carrefour, Yong Hui Supermarket, Suning Appliance, B&Q, Xiamen City Zhongmin Baihui Department Store, Letian Supermarket, Hanting Inns & Hotels, Jin Yi Cinema and China Film Group International Cinemas. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial values.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings, low-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

Our large-scale mixed-use residential projects typically have total GFAs ranging from 300,000 sq.m. to 3,700,000 sq.m. and are either strategically situated in city centres with convenient transportation, or developed as part of our large scale mixed-use residential complexes. These residential projects usually consist of a mid-sized commercial mall or a cluster of commercial units which are surrounded by high rise apartment buildings and townhouses. Our projects also typically include ancillary facilities, such as clubhouses, retail spaces, schools and hospitals. We believe that we are able to derive substantial synergies from our integrated mixed-use project developments as the businesses within these developments provide essential products and services to the residents, whose patronage of the surrounding businesses bring significant foot traffic to our commercial complexes. We believe our integrated mixed-use properties form the cornerstones of new city centres in these regions, attract new businesses to the areas and lead to strong market demand and capital gains potential for our properties.

We usually develop our residential projects in phases over a period of two to six years. Pre-sales of residential properties during the development process allow us to recover our initial investment before the completion of these projects and reduce our working capital needs and funding risks for the projects.

Logistics centres and R&D centres

Our logistics centres and R&D centres are located in new economic zones of high-growth second and third tier cities. Our logistics centres meet the needs of domestic enterprises in industries such as construction materials, metals, chemicals, leather, textiles and electronics. These centres consist of various types of facilities, including exhibition halls, warehouses, data centres and research facilities and provide a variety of ancillary services. We engage third-party property management companies to manage daily operations of these centres and lease these properties to generate rental income.

Hotels

As at 31 December 2015, we owned five completed hotels with a total of 1,146 rooms and total GFA of 140,315 sq.m. in Nanjing, Xiamen, Hefei and Yangzhou. In addition, we have five hotels that are under development and another one for future development in various cities in Fujian, Jiangsu and Anhui provinces. We have entered into partnerships with various domestic and international hotel management groups to manage daily operations of our hotels and intend to enter into similar arrangements for our future hotels.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cash flow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprises integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

Projects

As at 31 December 2015, the Group entered into 12 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. All MOUs were signed in or before 2015. 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 is in the interest and to the benefit of the Group in the long run. As at 31 December 2015, the total GFA of these MOUs and the related projects was approximately 24.0 million sq.m. See "Business — Memoranda of Understanding with Government Bodies."

OUR COMPETITIVE STRENGTHS

Proven track record and strong execution capabilities in developing and managing integrated mixed-use commercial complexes and large-scale mixed-use residential properties

We have a proven track record in developing a wide range of property products and managing a well-diversified property portfolio. In particular, we have built up strong execution capabilities in developing integrated mixed-use commercial complexes and large-scale mixed-use residential properties, which provide us with multiple revenue sources and lower the risk of over-reliance on a particular property segment.

Our integrated mixed-use commercial complexes typically comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities and serve as landmarks of new city centres in their respective cities. We seek to distinguish ourselves by focusing on the large size of our commercial complexes which allows us to enjoy economies of scale in the form of lower land costs and favourable government subsidies, and to facilitate the transformation of our commercial complexes into future city centres by attracting a critical mass of customers and tenants.

Our large-scale mixed-use residential properties are primarily targeted at middle-income consumers seeking an improved living environment at a reasonable cost. We believe that our focus on this customer segment, particularly in second tier and third tier cities, has allowed us to capitalise on the stable growth in prices of and the strong demand for the residential properties desired by this group of customers. The value proposition of these residential properties is further enhanced by their proximity and access to convenient transportation, as they are typically located near local city centres or are developed as part of, our integrated mixed-use commercial complexes.

Balanced, efficient and business model

We have leading position in two strategic regions, namely the Western Straits Economic Zone and the Greater Yangtze River Delta. We continue to explore development opportunities in fast growing second tier or third tier cities in those regions, and engage in selective expansion in the North-eastern China. We believe these targeted regions offer superior growth opportunities in their respective property markets given their high economic growth, rapid urbanisation and significant property appreciation potential.

We believe our integrated mixed-use project development strategy leads to substantial synergies as the development of commercial malls adjacent to our residential properties will provide staple services to residents of our properties as well as to neighbouring communities while owners of our residential units not only bring significant foot traffic to our commercial complexes, but are also target customers of our commercial units for sale. We believe our integrated properties form the cornerstones of new city centres in these regions, attract new businesses to the area and lead to strong market demand and capital gains potential for our properties.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cashflow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprise integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

We also work closely with local governments to integrate our developments into their future city development plans which allows us to acquire high-quality project sites at competitive prices and obtain favourable government policies and subsidies for our projects.

Through our standardised development model, we are able to enjoy economies of scale in the form of shorter development cycles and achieve competitive land and construction costs.

Sizeable, diversified and high-quality land bank acquired at competitive costs

We believe a high-quality land bank acquired at competitive costs is crucial to our long-term growth and profitability and, accordingly, we adopt a forward-looking and systematic approach in our land acquisitions. Through the in-depth industry experience of our senior management and their insights into development trends in the regions where we operate, we endeavour to acquire, at competitive cost, project sites in areas which we believe have good potential to become new city centres. We strategically select land bank in areas where there are significant economic growth potential in order to capitalize on key future infrastructure. We believe our strong brand name and proven track record of aligning our development plans with those of the local urban planning authorities have provided us with a competitive advantage and stronger bargaining power as compared to our competitors when acquiring such project sites. As such, we have often been invited by local authorities to participate in land planning and development processes by entering into MOU with various PRC Governmental bodies, through which we have successfully acquired several of our high-quality land parcels at competitive costs. For the year ended 31 December 2015, our average selling price was RMB5,531.1 per sq.m. and our average land cost was RMB593.4 per sq.m., accounting for approximately 10.7% of our average selling price which provides us a buffer against price fluctuations.

Our land bank is well diversified and balanced in terms of product types to cater to different market segments. As at 31 December 2015, our total attributable land bank was approximately 15.3 million sq.m. and we plan to use such land for the development of commercial complexes, residential properties, logistics centres, R&D centres and hotels. As of 31 December 2015, the Group had entered into 12 MOUs with various local governmental bodies of the PRC, which covers a total GFA of approximately 24.0 million We believe that the size of our current land bank is sufficient for our development needs for the next four to five years and our strategic site locations provide significant profit potential. See "Business — Summary of Our Land Bank."

Leading position in the Western Straits Economic Zone and Greater Yangtze River Delta

We have successfully established ourselves as a leading property developer in Fujian and Jiangsu provinces, which are among the most developed and fastest growing provinces in the Western Straits Economic Zone in Southeast China and in the Greater Yangtze River Delta, respectively. As at 31 December 2015, our attributable and bank comprised approximately 15.3 million sq.m. in total, with 3.7 million sq.m. in Jiangsu province, 3.6 million sq.m. in Anhui province, 2.2 million sq.m. in Fujian province and 1.4 million in Liaoning province.

We believe our strategic geographic focus in these three regions has enabled us to capitalise on opportunities resulting from the strong historical economic development and significant market demand in the local real estate markets. Through our in-depth local knowledge and operating expertise, we believe we have been able to consistently deliver quality properties and our projects in Fujian (particularly Xiamen) and Jiangsu (particularly Nanjing) provinces have generated attractive investment returns and allowed us to establish a proven track record and brand name in those regions. We aim to leverage our success in those cities to expand into the surrounding cities in the regions, and strategically expand into other areas in China.

Efficient management structure, experienced management team and professional workforce

We have a centralized management structure to monitor the performance of each project company. We believe that such a structure allows efficient supervision by our senior management and helps to enhance our operational efficiency and resource optimisation.

Our senior management team is highly experienced and has extensive industry knowledge, management skills and operating experience in the PRC real estate industry. Our team is led by our founder and Chairman, Mr. Wong Wun Ming, who has more than 20 years of experience in real estate development in the PRC and is particularly knowledgeable on factors affecting the growth of China economy and market dynamics that affect PRC real estate industry. Most members of our senior management team have over 20 years of experience in the PRC real estate industry.

Our workforce comprises employees who are highly experienced in their respective areas of expertise, such as site selection and acquisition, project development, finance, as well as sales and marketing. We implement a comprehensive human resources strategy aimed at recruiting, developing and retaining a highly qualified workforce to support our long-term growth. We also invest in continuing education and training programmes for our management staff and other employees to continuously upgrade their skills and knowledge. We believe the professionalism and execution capabilities of our workforce have been key factors to our success and will continue to be one of our competitive strengths.

Strong brand recognition

We place great emphasis on building strong brand recognition in the regions in which we operate and have successfully established a strong reputation for designing and developing distinctive and quality products. See "Business — Awards and Recognitions" for a list of our awards, certificates and recognitions.

OUR STRATEGIES

Strategic focus on second tier and third tier cities through our "selected regional focus" growth strategy

With our proven track record, we intend to leverage our leading position in our two strategic regions, namely the Western Straits Economic Zone and Greater Yangtze River Delta to further explore development opportunities in the fast growing second tier or third tier in those regions, and selectively expand into the North-eastern China.

We believe that there will be increasing growth opportunities in the property markets in these regions, given their rapid urbanisation, high economic growth and significant property appreciation potential.

We will also continue to explore business opportunities in other regions of the PRC. We are constantly monitoring the PRC real estate market and looking for strategic expansion targets which are in line with our business model. We will continue to implement our "selected regional focus" growth strategy by first securing leading positions in key cities and then leveraging our success in those cities to gradually expand into surrounding cities.

Maintain our low land costs strategy by acquiring new high-quality sites at strategic locations at competitive costs

We will continue to grow our land bank by strategically acquiring high-quality sites at newly urbanised and high growth areas of second and third tier cities where supply of real estate is limited and are suitable for development of our large-scale integrated commercial and residential properties. We conduct market research and analysis were conducted by our experienced land acquisition team and independent third party service providers.

We intend to continue to capitalise on our strong track record, extensive operational experience, strong capabilities and government relationships to acquire more high-quality project sites at competitive prices. We will also continue to liaise and assist local government authorities in their future city development plans, which will provide us with a competitive advantage and stronger bargaining power over our competitors when acquiring new sites.

Continue to focus on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties

We will continue to develop integrated mixed-use commercial complexes and large-scale mixed-use residential properties. We believe there are substantial synergies by adopting this integrated mixed-use project development strategy as the development of commercial malls adjacent to our residential properties will provide staple services to residents of our properties as well as to neighbouring communities. Owners of our residential units not only bring significant foot traffic to our commercial complexes, but are also target customers of our commercial units for sale. We believe our integrated properties form the cornerstones of new city centres in these regions, attract new businesses to the area and provide strong market demand for our properties.

Prudent expansion of our investment property portfolio to reduce fluctuations in our income streams

We have accumulated over 15 years of experience in managing commercial properties. As of 31 December 2015, we have a total GFA of 957,411 sq.m. of properties held for investment. We intend to prudently expand our investment property portfolio, which comprises integrated mixed-use commercial complexes, R&D centres, and hotels for long-term investment purposes with the intention to diversify risks by reducing fluctuations in our revenue stream by way of recurring rental income and capital appreciation. This would reduce our exposure to volatility within any particular property segment, and therefore enhance our long-term financial performance.

Continue to maintain optimal capital structure

We plan to actively manage our capital structure to support our business expansion. We believe that by maintaining a low gearing ratio, we would be able to achieve sustainable and prudent growth over the long term. We intend to continue to actively manage our property development process to ensure strict cost control, and sales and pre-sales to ensure adequate internal cash for our ongoing capital requirements.

Aside from cash generated from our pre-sales and sales, we will continue to explore other diversified funding channels as our business grows, thereby increasing liquidity and optimizing our financial structure. We completed a successful initial public offering in Hong Kong in November 2009 and raised approximately US$275.8 million. In 2010 and 2011, we obtained a total of US$400 million through the placement of convertible bonds, of which US$200 million was from Warburg Pincus, a world leading private equity firm.

CORPORATE HISTORY

1994	Founded in Xiamen, Fujian, originally focused on residential, industrial parks and hotels
2002	Expanded into Jiangsu by leveraging Mingfa's well-recognised brand
2002	Commenced construction of Xiamen Mingfa Noble Place, the first large-scale residential property in Xiamen
2003	Commenced construction of our first property in Jiangsu, Nanjing Mingfa Riverside New Town, one of the largest projects in Jiangsu
2005	Commenced construction of Xiamen Mingfa Shopping Mall, our landmark commercial
2007	Commenced construction of Nanjing Mingfa Shopping Mall
2007	Commenced construction of Hefei Mingfa Shopping Mall
2008	Commenced construction of Yangzhou commercial plaza
2009	Listed on the HKSE (Stock Code: 0846)
2009	Expanded our geographical reach by acquiring properties in Taizhou and Changsha, Hunan province
2010	Strategic investment from Warburg Pincus
2010	Commenced construction of Zhenjiang Jinxiu Yinshan
2011	Further diversified our land bank by acquiring properties in Beijing and Shanghai
2011	Acquisition of a 80% equity interest in a project company in Huizhou, Guangdong
2012	Entered into agreement to dispose of our 49% equity interest in Jiangsu Mingfa Industrial Raw Materials Co, Ltd
2012	Disposed of our 50% equity interest of Xiamen Longxiang Project in December 2012
2013	Issued 13.25% senior guaranteed notes due 2018 in the principal amount of US$100,000,000
2013	Entered into agreement in relation to the issue of 8% senior guaranteed term notes due 2014 with an aggregate principal amount of up to US$100,000,000 in two tranches
2014	Entered into agreement to dispose of a property in Sai Kung, New Territories, Hong Kong
2014	Entered into agreement in relation to the issue of 8% senior guaranteed term notes due 2015 with an aggregate principal amount of US$60,000,000
2015	Entered into agreement pursuant to which our equity interest in Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. decreased from 100% to 51%
2015	Entered into facility agreement in relation to a term loan facility from China Huarong International Holdings Limited in an aggregate amount of up to US$100,000,000
2016	Entered into agreement in relation to the issue of 9% coupon secured and guaranteed bonds due 2019 in an aggregate principal amount of US$60,000,000
2017	Entered into agreement in relation to the issue of 11% coupon bonds due 2020 in an aggregate principal amount of US$220,000,000
2018	Entered into agreement in relation to the issue of 11% coupon bonds due 2019 in an aggregate principal amount of US$200,000,000

AWARDS AND RECOGNITIONS

We place great emphasis on building strong brand recognition in the regions in which we operate and have successfully established a strong reputation for designing and developing distinctive and quality products. Our success in recent years has been recognised through a number of awards, certificates and recognitions, with the more notable ones set out below:

Name of Award	Award Presenter
Love Enterprise of Xingkong Love Foundation — HEFEI Mingfa Shopping Mall	Star, Lu'an Yingshanhong Love Public Welfare Association
Model Property with Investment Value in Anhui in 2011 — Hefei Mingfa Shopping Mall	Xin'an Property Website
Lands-saving, Energy-saving and Environment-friendly Public Building Demonstrative Projects in Anhui Province — Hefei Mingfa Shopping Mall	Department of Housing and Urban-Rural Development of Anhui Province, Anhui Development and Reform Commission, Anhui Economic and Information Technology Commission
Top Ten Famous Commercial Properties in Hefei Real Estate in 2011 — Hefei Mingfa Shopping Mall	Marketing Star, Hefei TV Station, Anhui Traffic Radio, Xingkong Community
2011 Influential Commercial Property Awards — Hefei Mingfa Shopping Mall	Hefei Hotline, Hefei Forum, House365
2008–2010 Outstanding Overseas Chinese Enterprise in Jiangsu Province — Yangzhou Real Estate	Jiangsu Overseas Chinese Federation, Department of Commerce, Local Taxation Bureau, Promotion of Trade Council, Chamber of International Commerce, Overseas Chinese Enterprise Federation
Third Session of Popular Property in Yangzhou — Yangzhou Mingfa Shopping Mall	Yangzhou Daily, Yangzhou Evening, Yangzhou Times
2011 Popular Commercial Property in Real Estate — Yangzhou Mingfa Shopping Mall	China Real Estate Information Corporation, Sina Leju
Most Driving Real Estate Brand — Mingfa Group	Xiamen Newspaper Office
2008–2011 Excellent Member Enterprise — Mingfa Group	Siming District Federation of Industry and Commerce (Chamber of Commerce)
Leading Fujian Real Estate Enterprise in China — Mingfa Group	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee
Top 10 Real Estate Development Enterprises in Xiamen in — Xiamen Mingfa Group	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Center
China Real Estate Golden Key Awards — Xiamen Mingfa Xiangwan Peninsula	China International Fair For Investment & Trade, World Chinese Entrepreneurs Real Estate Forum
China Real Estate Premium Awards — Xiamen Mingfa Xiangwan Peninsula	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee
The Most Investment Valuable Commercial Property in — Hefei Shopping Mall	SouFun, ChinaIndex Academy
The Most Investment Valuable Award in 2012 — Hefei Shopping Mall	JiangHuai Morning News
Entity of Outstanding Contributions 2013 — Nanjing Real Estate	CPC Committee of Nanjing Hi-tech Industry Development Zone
Best Commercial Property in the PRC Real Estate Industry 2013 — Mingfa Group	Nanjing Hi-tech Industry Development Zone Management Committee
Advanced Entity in the Development of Dingshan — Nanjing Real Estate	Annual Conference of the PRC Real Estate Industry and its General Rating Chart Organizing Committee
	Dingshan Street Working Committee of CPC Pukou District Committee Dingshan Street Office of Pukou District Government

We believe that our strong brand name, particularly in the Western Straits Economic Zone and the Greater Yangtze River Delta region, will continue to strengthen our competitiveness and enable us to consolidate and further implement our "selected regional focus" growth strategy.

SUMMARY OF OUR LAND BANK

Our land bank is well diversified and balanced to cater the needs from different market segments. As at 31 December 2015, land bank attributable to the Group was approximately 15.3 million sq.m., consisting of 63 projects (2014: 55 projects) in total.

The following table summarises the details of the Group's land bank as at 31 December 2015:

Property	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	450	100%	450
Xiamen Mingfa Noble Place .	Located at Jiangtou Residential, Hull 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	8,367	100%	8,367
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	30,754	70%	21,528
Xiamen Mingfa Town.	Located at Siming Industrial Park, Lvling Road, Siming District, Xiamen, Fujian Province	Jan-2008	Residential/ Commercial	Completed	12,879	14,930	100%	14,930
Nanjing Mingfa Pearl Spring Resort	Located in Pearl Spring Resort, Pukou District, Nanjing, Jiangsu Province	Dec-2008	Residential/ Hotel	Completed	112,973	26,828	100%	26,828
Nanjing Mingfa Riverside New Town.	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Nov-2009	Residential/ Commercial	Completed	1,072,182	75,426	100%	75,426
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	437,297	70%	306,108
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	195,363	100%	195,363
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	234,517	100%	234,517
Nanjing Mingfa City Square. .	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec-2012	Residential/ Commercial/ Office	Completed	128,683	82,823	100%	82,823

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Note 3)	(sq.m.) (Note 4)		(sq.m.)
Honglai Mingfa Commercial Centre	Located at Honglai District, Nanan, Fujian Province	Jun-2012	Residential/ Commercial	Completed	27,065	12,491	100%	12,491
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	28,371	100%	28,371
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	246,391	100%	246,391
Xiamen Mingfa Harbor Resort	Located at the south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Dec-2013	Hotel	Completed	58,952	153,757	100%	153,757
Huai'an Mingfa Shopping Mall (Block C) . . .	Located at Weihai East Road, Huaian, Jiangsu Province	Dec-2014	Residential	Completed	51,345	44,294	100%	44,294
Sub-total					2,758,765	1,721,481		1,581,066
Properties under development (Note 2)								
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec-2016	Residential/ Commercial/ Hotel	Completion certificate had been granted for GFA of 151,709 sq.m. in December 2015. The remaining GFA of 252,969 sq.m. will be completed in December 2016	296,702	292,787	100%	292,787
Huai'an Mingfa Shopping Mall (Block A) . . .	Located at Shenzhen South Road, Huai'an, Jiangsu Province	Dec-2017	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-2016	Residential/ Commercial	Completion certificate had been granted for GFA of 280,040 sq.m. in December 2015. The remaining GFA of 26,070 sq.m. will be completed in December 2016	61,222	224,626	100%	224,626
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 2015. The remaining GFA of 217,499 sq.m. will be completed in December 2016	258,297	251,075	100%	251,075

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Note 3)	(sq.m.) (Note 4)		(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 158,578.77 sq.m. in December 2015. The remaining GFA of 62,954 sq.m. will be completed in May 2016	158,238	144,931	100%	144,931
Taizhou Mingfa City Complex	Located at the west of Machang Zhonggou, Huangang Avenue, Gaogang District, Taizhou, Jiangsu Province	Dec-2017	Residential/ Commercial	Completion certificate had been granted for GFA of 191,522 sq.m. in December 2015. The remaining GFA of 539,778 sq.m. will be completed in December 2017	292,487	604,661	100%	604,661
Zhangzhou Longhai Mingfa Mall .	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec-2017	Residential/ Commercial	Approximately 95% of construction has been completed	78,622	277,762	100%	277,762
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec-2016	Residential/ Commercial	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-2017	Commercial	Approximately 70% 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-2017	Residential	Approximately 55% 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-2017	Residential/ Commercial	Approximately 60% 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-2017	Residential/ Commercial	Approximately 35% of construction has been completed	285,594	928,837	100%	928,837
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Guangdong Province	Dec-2017	Residential	Approximately 15% of construction has been completed	332,335	708,157	80%	566,526
Nanjing Mingfa Cloud Mansion. . . .	Located in along the mountain road south, Jiangpu Street, Nanjing, Jiangsu Province	Dec-2016	Residential	Approximately 40% of construction has been completed	32,787	59,016	40%	23,606
Nanjing Mingfa Xiang Hill Garden	Located in along the mountain road to the South, Caiba Road East, Pukou District, Nanjing, Jiangsu Province	Dec-2016	Residential	Approximately 20% of construction has been completed	115,876	185,402	100%	185,402
Nanjing Mingfa Pearl River International .	Located at Jiangpu Street, east to Xianzhang Road, south to Jiangpu Secondary School, north to South River, west to Guihua Road, Pukou District, Jiangsu Province	Dec-2017	Residential	Approximately 10% of construction has been completed	8,586	25,759	100%	25,759
Jinzhai Mingfa Shopping Mall	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Dec-2018	Residential/ Commercial	Approximately 20% of construction has been completed	105,504	355,831	100%	355,831

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Note 3)	(sq.m.) (Note 4)		(sq.m.)
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec-2017	Commercial	Approximately 20% of construction has been completed	209,048	418,096	100%	418,096
Nanjing Mingfa Wealth Center	Located in New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province	Dec-2017	Commercial/Office	Approximately 10% of construction has been completed	56,694	283,470	100%	283,470
Nanjing Rong Li.	Located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province	Dec-2017	Residential	Approximately 20% of construction has been completed	132,937	255,552	51%	130,331
Nanjing Dream Garden	Located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province	Dec-2018	Residential	Approximately 20% of construction has been completed	58,914	117,827	51%	60,092
Wujiang Mingfa Jiangwan New City	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec-2018	Residential/ Commercial	Approximately 20% of construction has been completed	219,826	516,006	100%	516,006
Quanzhou Mingfa International Huachang City	Located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province	Dec-2017	Residential/ Commercial	Approximately 40% of construction has been completed	276,120	826,500	100%	826,500
Xiamen Mingfeng Town.	Located at Lingdou, Siming District, Xiamen, Fujian Province	Dec-2017	Commercial	Approximately 20% of construction has been completed	19,910	12,485	100%	12,485
Sub-total					3,408,638	7,721,135		7,109,367
Properties with land use rights certificate for future development								
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province	Dec-2017	Industrial	Vacant	41,434	103,585	100%	103,585
Lanzhou Mingfa Zhongke Ecological Park	Located in Weijia Village of Southwest Region, Gansu Province	Dec-2017	Residential/ Commercial	Vacant	1,371,786	1,371,786	51%	699,611
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec-2017	Residential/ Commercial	Vacant	154,024	462,072	100%	462,072
Zhangzhou Longhai Mingfa Mall (2011G15, 2012G15) . . .	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec-2017	Residential	Vacant	63,127	189,381	100%	189,381
Taiwan Taoyuan 54 Block. . . .	Located in Air Passenger Park, Taoyuan, Taiwan	Dec-2017	Commercial	Vacant	13,710	32,905	40%	13,162
Taiwan Taoyuan 169 Block . . .	Located in Air Passenger Park, Taoyuan, Taiwan	Dec-2017	Commercial	Vacant	16,110	38,663	40%	15,465
New project in Anhui Jinzhai (Block D, E, F).	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Dec-2018	Residential/ Commercial	Vacant	266,291	592,527	100%	592,527
Shenyang Mingfa Wealth Center	Located at Young Street, Heping District, Shenyang, Liaoning Province	Dec-2017	Commercial	Vacant	5,468	54,677	100%	54,677
Sub-total					1,931,950	2,845,596		2,130,480
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-2017	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-2017	Residential/ Commercial	Vacant	147,371	618,958	100%	618,958

Property	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Note 3)	(sq.m.) (Note 4)		(sq.m.)
Guang'an Mingfa Mall (GC2013–45 Block)	Located in Bridge Group, Guan'an, Sichuan Province	Dec-2017	Residential/ Commercial	Vacant	76,153	382,692	100%	382,692
Guang'an Mingfa City complex Project (ChaMa Road B1–1 Block) .	Located on Binjiang Road, Guang'an Sichuan Province	Dec-2017	Residential/ Commercial	Vacant	76,363	305,452	100%	305,452
Shenyang Mingfa Square	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec-2017	Residential/ Commercial	Vacant	119,154	238,308	100%	238,308
Zhangzhou Longhai Mingfa Mall (2011G16, 2012G13, 2012G14) . . .	Located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province	Dec-2017	Residential	Vacant	105,188	315,564	100%	315,564
New project in Nanjing Pukou G86.	Located at the intersection of the Jiangsu 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 Shenzhen (Block A603-0387).	Located at Tianliao Yulv Area, Guangming New District, Shenzhen	Dec-2018	Commercial	Vacant	4,109	12,320	100%	12,320
New project in Anhui Jinzhai(Block AC)	Located at New City District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Dec-2018	Residential/ Commercial	Vacant	482,937	1,063,579	100%	1,063,579
Shenyang Mingfa Comprehensive Technology Park	Located at Zaohua Street, Yuhong District, Shenyang, Liaoning Province	Dec-2018	Residential	Vacant	235,526	423,948	100%	423,948
Wujiang Mingfa Jiangwan New City	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec-2018	Residential/ Commercial	Vacant	329,825	884,396	100%	884,396
Sub-total					1,703,145	4,479,934		4,479,934
Total Land Bank .					9,802,498	16,768,146		15,300,847

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 2015.
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 2015.
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.

RECENT DEVELOPMENTS

Suspension of Trading

On 1 April 2016, subsequent to our announcement of the consolidated annual results of the Group for the year ended 31 December 2015 (the "2015 Results") and the extract of independent auditor's report (the "2015 Report") on the Company's consolidated financial statements for the year ended 31 December 2015 and at our request, trading in our shares and the 2018 Notes on the Main Board of HKSE was suspended pending an announcement on further information in relation to the disclaimer of opinion by our auditor, PricewaterhouseCoopers (the "Auditor"), on the 2015 Results.

Disclaimer of opinion by the Auditor

As disclosed in the annual results announcement of the Company dated 31 March 2016, because of the significance of the matters described in the basis for disclaimer of opinion described in the sub-section headed "Basis for disclaimer of opinion of the Auditor" below, the Auditor had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the Auditor did not express an audit opinion on the consolidated financial statements for the year ended 31 December 2015. In all other respects, in the opinion of the Auditor, the consolidated financial statements for the year ended 31 December 2015 were properly prepared in compliance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Basis for disclaimer of opinion of the Auditor

Sale of equity interests in a subsidiary

On 20 December 2014, the Group entered into an equity sales agreement (the "Equity Sales Agreement") with a third party individual (the "Buyer") to sell 51% equity interests in one of our subsidiaries in Tianjin (the "Tianjin Project") at a consideration of RMB663,000,000 (the "Consideration"), and the Tianjin Project was to become a joint venture after the transaction. The carrying amount of the Tianjin Project as at 31 December 2015 was approximately RMB169,000,000. Up to 31 December 2014, a partial payment for the consideration amounted to RMB32,689,000 was received from a related party entity in which certain senior executives of the Group held directorship and senior positions. Approximately RMB367,590,000 in total were paid during the period from March to August 2015 by the said related party entity and certain companies majority-owned by an alleged third party individual (the "Alleged Third Party Individual") who is also a remunerated executive of one of the Group's subsidiaries. Management initially explained that all these payments were made by these payers on behalf of the Buyer as partial settlement of the Consideration. Management subsequently explained that out of the total proceeds of RMB400,279,000 received up to August 2015, RMB342,279,000 should be returned to the ultimate controlling shareholders of the Group who would arrange for settlements with the respective payers, and the remaining RMB58,000,000 should be refunded to one of the payer entities owned by the Alleged Third Party Individual. On 30 and 31 December 2015, a series of payments totaled RMB480,000,000 were further received from a company owned by the Buyer, which management explained were for partial settlement of the Consideration. Meanwhile, during the course of the audit, the Auditor independently identified a series of payments on 30 and 31 December 2015 totaled RMB580,000,000 made by the Group to two entities majority-owned by the Alleged Third Party Individual (see also the sub-section headed "Unexplained cash payments and receipts" below). The Equity Sales Agreement stipulates that the legal ownership of the 51% equity interest in the Tianjin Project should have been transferred to the Buyer upon receipt of the first installment of payment of RMB33,150,000. However, up to the date of the 2015 Report, the legal ownership of the subject equity interest has yet to be transferred, nor has the Buyer appointed any director into the board of the Tianjin Project. Management eventually did not recognise the gain arising from this sales of equity interests in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. As at 31 December 2015, all these cash receipts were recorded in "trade and other payables" and "amounts due to related parties". Most of the payers involved are related parties of either the Group itself or a remunerated executive of the Group. According to the Auditor, management of the Company was unable to provide the Auditor with adequate documentary evidences to support the nature and source of these receipts from various parties, nor was the management able to provide satisfactory and consistent explanations about the commercial substance of these transactions. The Auditor was also not able to obtain independent confirmations or other corroborative evidences from these payers about the nature of these payments and their outstanding balances. Given the above, together with the Auditor's concerns on those transactions described in the sub-sections headed "Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members", "Sales of use rights of certain properties to a subcontractor" and "Unexplained cash payments and receipts" below, the Auditor requested the board of directors of the Company to form an independent committee to commission an independent investigation on the authenticity and commercial substance of these transactions (the "Proposed Investigation"). Up to the date of the 2015 Report, the Proposed Investigation had yet to commence. Because of these reasons, according to the Auditor there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the occurrence, accuracy, nature and commercial substance of these receipts during the year together with the related balances at 31 December 2015; and

(ii) whether these receipts represented settlements of the Consideration, and whether the Tianjin Project should be de-consolidated and the related gain on sale be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members

The Group entered into certain agreements to sell the use rights (i.e., right to use without transfer of ownership title) of eight units of properties developed by one of its subsidiaries to its ultimate controlling shareholders and their close family members at an aggregate consideration of RMB189,000,000. The carrying amounts of these units of properties totaled RMB46,000,000, among which RMB42,500,000 were included in "completed properties held for sale" and RMB3,500,000 were included in "land use rights" in current assets as at 31 December 2015. Deposits of RMB96,880,000 were received in advance in 2014 from these buyers, while the remaining consideration of RMB92,120,000 were paid on 31 December 2015 by a company majority-owned by the Alleged Third Party Individual (which is also one of the payers of the Consideration described in the sub-section headed "Sale of equity interests in a subsidiary" above) on behalf of these buyers. Meanwhile, during the course of the audit, the Auditor independently identified a series of payments made by the Group on 30 and 31 December 2015 to the above company owned by the Alleged Third Party Individual, which was included in the amount of RMB580,000,000 described in the sub-section headed "Sale of equity interests in a subsidiary" (see also the sub-section headed "Unexplained cash payments and receipts" below). Despite these units of properties have been delivered to the buyers on 27 December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. Up to the date of the 2015 Report, no tax invoices were issued nor the related tax filings were made in respect of these sales. As at 31 December 2015, these cash receipts totaled RMB189,000,000 were recorded in "trade and other payables."

According to the Auditor, management was not able to provide the Auditor with satisfactory explanations as to the commercial substance of these transactions, and provide the Auditor with adequate documentary evidences to support the nature and source of these receipts from and payments to the above company owned by the Alleged Third Party Individual. The Auditor was also not able to obtain independent confirmations or other corroborative evidences from that party to substantiate the nature of these transactions. As a result, and because the Proposed Investigation had yet to commence as at the date of the 2015 Report, the Auditor was of the view that there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the nature and commercial substance of these receipts together with the related balances at 31 December 2015; and

(ii) the occurrence of the sales of the use rights of these properties and whether the related gains on sales should be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to a subcontractor

On 18 November 2015, the Group entered into certain agreements (the "November 2015 Agreements") with a subcontractor (the "Subcontractor") in which the Subcontractor agreed to settle, on behalf of the Group, certain of the Group's outstanding payables to two main contractors (the "Main Contractors") amounted to RMB644,000,000 in total. In return, the Group agreed to deliver to the Subcontractor the use rights of 42 units of properties developed by one of the Group's subsidiaries. Pursuant to the November 2015 Agreements, the Subcontractor designated two individuals, namely the Buyer and the Alleged Third Party Individual mentioned in the sub-section headed "Sale of equity interests in a subsidiary" above, to take over these 42 units of properties. On 10 December 2015, the Buyer and the Alleged Third Party Individual entered into certain property use right sales agreements with the Group in which the Group agreed to sell the use rights of these 42 units of properties at a total consideration of RMB644,000,000. Management explained to the Auditor that these latter sales agreements were executed on behalf of the Subcontractor in connection with the November 2015 Agreements. The carrying amounts of these 42 units of properties totaled RMB137,305,000, among which RMB126,581,000 were included in "completed properties held for sale" and RMB10,724,000 were included in "land use rights" in current assets as at 31 December 2015.

Despite these 42 units of properties have been delivered to the buyers at the end of December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite having originally planned to do so. Up to the date of the 2015 Report, no tax invoices were issued nor the related tax filings were made in respect of these sales. The Auditor also noted that all these 42 units of properties were still available for sale in the market in March 2016.

The Auditor was initially not provided with any substantive evidences that indicated acknowledgement by the two Main Contractors of these payables settlement arrangements, until mid-March 2016 when management provided them with certain tripartite agreements, dated 18 November 2015, executed among one of the two Main Contractors, two subsidiaries of the Group and the Subcontractor which formalises these payables settlement arrangements. No similar tripartite agreement executed by the other Main Contractor was provided to the Auditor up to the date of the 2015 Report. The Auditor was also not able to obtain all the necessary independent confirmations or other corroborative evidences from the Subcontractor and the two Main Contractors to substantiate the nature of these arrangements and transactions. As a result, and because the Proposed Investigation had yet to commence as at the date of the 2015 Report, the Auditor was of the view that there were no alternative audit procedures that they could perform to satisfy themselves as to:

(i) the nature and commercial substance of these arrangements and transactions;

(ii) the occurrence of the sales of the use rights of these properties;

(iii) the rights and obligations of the payables to the two Main Contractors totaled RMB644,000,000, which were included in "trade and other payables" at 31 December 2015;

(iv) the existence of undisclosed terms in these sales arrangements, if any, that could have implications on revenue recognition; and

(v) whether the related gains on sales should be recognized during the year ended 31 December 2015.

Unexplained cash payments and receipts

During the course of the 2015 audit, the Auditor has independently identified significant amounts of payments to and receipts from (including the payments and receipts described in the above sub-sections) a number of companies majority-owned by the Alleged Third Party Individual and a company in which the Alleged Third Party Individual holds a managerial position (the "Fujian Entity"). Such payments and receipts were not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB904,220,000 and RMB542,265,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB353,693,000 and RMB210,852,000 respectively.

In March 2016, management provided to the Auditor two framework agreements (the "Framework Agreements"), dated 5 January 2013, entered into between a subsidiary of the Group, and the Alleged Third Party Individual and the Fujian Entity. The "Framework Agreements" stipulate, among other things, (i) the general terms upon which funds can be borrowed and lent between entities within the Group on the one hand, and the Fujian Entity and other companies controlled by the Alleged Third Party Individual on the other hand; and (ii) the basis upon which interests are charged on funds borrowed and lent. The Auditor was also provided with a number of supplementary documents (the "Supplementary Documents") that allegedly supported some of these fund transfer transactions executed between 2013 and 2015. However, none of these documents were provided to the Auditor prior to March 2016. No interests on the said receivables and payables have ever been paid, received or accrued in the Group's consolidated financial statements, nor did management provide to them a breakdown or estimate of the impact of these interest income/ expenses up to 31 December 2015.

In addition, other payments to and receipts from certain alleged third parties were independently identified by the Auditor during the course of the 2015 audit, which were (according to the Auditor) also not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB164,000,000 and

RMB309,000,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB86,000,000 and RMB231,000,000 respectively.

According to the Auditor, management was not able to provide them with satisfactory explanations as to why the Framework Agreements and the Supplementary Documents were not provided to them prior to March 2016, nor was it able to provide satisfactory explanations or adequate evidence as to the identify of these parties and their relationship with the Group, if any, together with the commercial substance and rationale of these payments and receipts. As a result, and because the Proposed Investigation has yet to commence at the relevant time, the Auditor was not able to verify the occurrence, accuracy and completeness of these payments and receipts and the substance of their nature, nor the existence, accuracy, valuation and completeness of the related receivables and payables balances. The Auditor was also not able to ascertain the amount of interest income and expenses that should have been accrued by the Group, if any. According to the Auditor, there were no other alternative audit procedures that they could perform to satisfy themselves as to whether these transactions and balances were free of material misstatements and were properly accounted for and disclosed in the consolidated financial statements in accordance with their substance, and whether and how these transactions would affect other reported balances and amounts in these financial statements.

The Resumption Conditions and Further Resumption Condition

On 29 April 2016, HKSE issued a letter informing the Company of the following conditions which the Company must satisfy before it is allowed to resume trading (the "Resumption Conditions"):

(i) conduct an appropriate investigation on the matters identified by the Auditor, disclose the findings of the investigation, assess the impact on the Company's financial and operational positions, and take appropriate remedial actions;

(ii) address the audit qualifications on the 2015 Annual Results; and

(iii) inform the market of all material information for the shareholders and the investors to appraise the Group's position.

On 27 July 2018, the Company received a letter from HKSE informing the Company the decision of HKSE to further impose the following resumption condition (the "Further Resumption Condition"):

— publish all outstanding financial results and address any audit modifications

and for the avoidance of doubt, the Company is still subject to all the other Resumption Conditions. Should future development necessitates, HKSE may modify or impose further conditions.

The Investigations

Our audit committee appointed an independent professional adviser (the "Independent Forensic Accountants") to carry out investigations in relation to the issues raised by the Auditor as mentioned in the disclaimer of opinion, and the Company has been cooperating in full with the Independent Forensic Accountants to facilitate such investigations (the "Investigations").

Since the Investigations commenced on 11 April 2016, the Independent Forensic Accountants collected, reviewed and analysed a large amount of information and documents from the Company, and conducted various interviews with relevant persons involved.

Mr. Chu Kin Wang Peleus ("Mr. Chu"), an independent non-executive director of the Company, has relevant experience and qualifications and was proposed to provide valuable advice to the board and assist the Company in complying with the Resumption Conditions. Since his appointment as independent non-executive director of the Company on 1 November 2016, Mr. Chu has conducted meetings with the Independent Forensic Accountants and management of the Company, and reviewed the documents relating to the Investigations which have been collected by the Independent Forensic Accountants.

Following the appointments of Dr. Wong Tin Yau Kelvin *J.P.* and Dr. Lam, Lee G as the new independent non-executive Directors of the Company and the resulting change in the composition of the audit committee of the board of directors of the Company on 1 September 2018, the new independent non-executive Directors have been reviewing the background, the scope and the progress of the Investigations. As such, the management of the Company, the new independent non-executive Directors together with other members of our audit committee and the Independent Forensic Accountants have been further exchanging views and seeking further clarifications on various key matters comprised under the Investigations such as (i) the comprehension of the relevant records and documents and (ii) the analysis of information provided by the Independent Forensic Accountants.

As at the date of this offering circular, the Independent Forensic Accountants have produced the draft of the written report of their Investigations and provided it to the board of directors and the Audit Committee of the Company. Our audit committee is currently reviewing the findings of the investigation report, and will assess whether the findings have adequately addressed the relevant issues and any plan for further action. The publication and despatch of (i) the respective annual report of the Company for the financial year ended 31 December 2015, 31 December 2016 and 31 December 2017 and the interim report of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and (ii) the respective announcement of the interim results of the Company for the six months ended 30 June 2016, 30 June 2017 and 30 June 2018, and the annual results announcement of the Company for the year ended 31 December 2016 and 31 December 2017 will be delayed until the Investigations are completed, the timing of which is currently uncertain. Trading in the shares and debt securities of the Company on HKSE will remain suspended until further notice.

Transitional Arrangements for the Amendments to the Delisting Framework under the Listing Rules

On 25 May 2018, HKSE has published certain Guidance Letter in relation to, among other matters, the amendments to the delisting framework under the Listing Rules which came into effect on the Effective Date. As the shares and debt securities of the Company will have been suspended from trading for more than 12 months as at the Effective Date, under Rule 6.01A(2)(b)(ii) of the Listing Rules, HKSE may cancel the Company's listing if trading in the shares has remained suspended for 12 continuous months from the Effective Date. The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the Resumption Conditions to the satisfaction of HKSE and resume trading in the shares by 31 July 2019, the Listing Department of HKSE will recommend the Listing Committee of HKSE to proceed with the cancellation of the Company's listing. This is subject to HKSE's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate.

Appointment of Internal Control Consultant

On 19 December 2018, the board of directors as part of the drive to improve the Group's internal control system of the Group and as part of the effort in the pursuit of resuming trading of the shares of the Company on HKSE has appointed BDO Financial Services Limited as the Company's Internal Control Consultant to conduct a review of the internal control systems and procedures of the Group and make recommendations of remedial measures.

The result of the review will assist the audit committee to determine whether the Group has maintained an appropriate and adequate internal control system required of a listed issuer under the Listing Rules, and to ensure that the Group will have in place proper procedures, systems and monitoring procedures. The scope of the review by the Internal Control Consultant has been reviewed and approved by the audit committee. As agreed between the Board and the Internal Control Consultant, it is expected that the review by the Internal Control Consultant will commence no later than January 2019 and complete by mid-February 2019, and upon completion of the implementation of the remedial measures as recommended by the Internal Control Consultant, the subsequent follow up review by the Internal Control Consultant of the implementation of such remedial measures will commence in mid-February 2019 and complete by March 2019.

The 2019 9% Bonds

On 15 December 2016, we entered into a placing agreement with certain guarantors and Haitong International Securities Company Limited as placing agent pursuant to which we issued 9% bonds due 2019 in an aggregate principal amount of US$60.0 million guaranteed by certain deeds of guarantee and secured by the charge and deposit of 1,000,000,000 of our ordinary shares in favour of Haitong International Securities Company Limited as security agent. See "Description of Other Material Indebtedness."

The 2020 Bonds

On 12 May 2017, we entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% bonds due 2020 in an aggregate principal amount of US$220.0 million. See "Description of Other Material Indebtedness."

The 2019 11% Bonds

On 11 January 2018, we entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% bonds due 2019 in an aggregate principal amount of US$200.0 million. See "Description of Other Material Indebtedness."

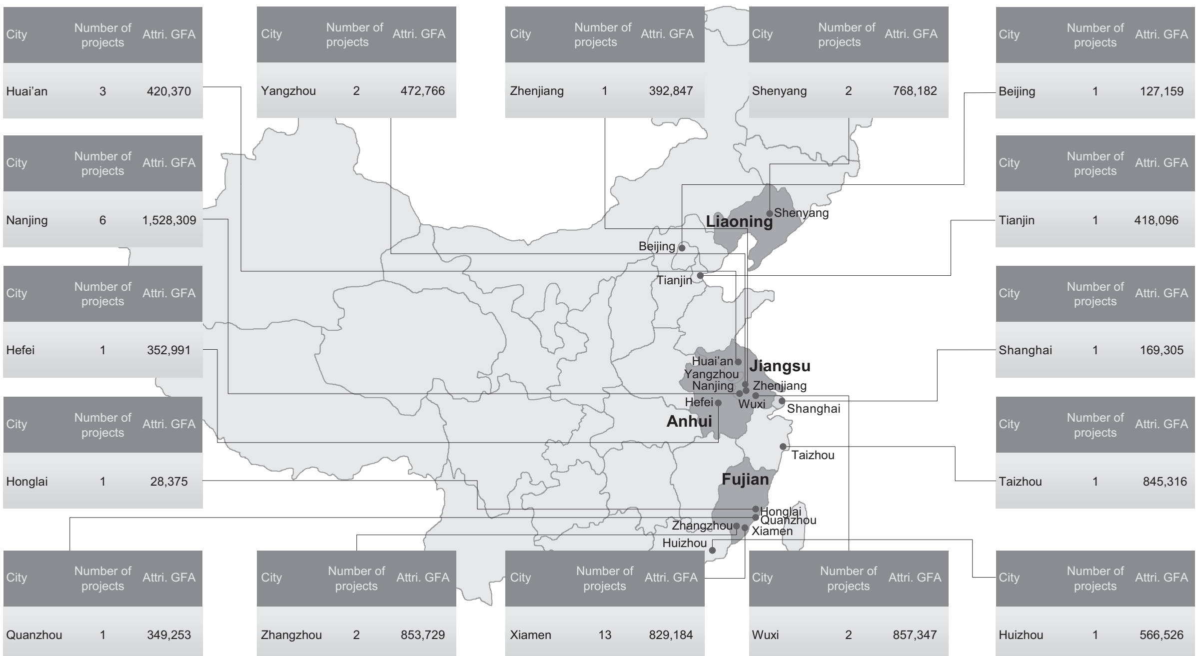
Our performance for the nine months ended 30 September 2018

For the nine months ended 30 September 2018, we achieved unaudited contracted sales of approximately RMB13.36 billion in total, representing an increase of approximately 38.8% when compared to the same period in 2017 (approximately RMB9.62 billion) in the following regions:

City	Area (sq.m.)	Average Selling Price (RMB/ sq.m.)	Amount (RMB in million)	Percentage (%)
Nanjing, Jiangsu Province	229,489	21,583	4,953.0	37.1%
Zibo, Shandong Province	65,731	13,454	884.3	6.6%
Ma'anshan, Anhui Province	110,683	7,268	804.4	6.0%
Quanjiao, Anhui Province	130,233	5,856	762.6	5.7%
Taizhou, Jiangsu Province	123,571	6,072	750.3	5.6%
Changsha, Hunan Province	100,082	6,558	656.4	4.9%
Chizhou, Anhui Province	75,770	7,596	575.5	4.3%
Chuzhou, Anhui Province	54,120	9,852	533.2	4.0%
Jinzhai, Anhui Province	90,265	5,628	508.0	3.8%
Sihong, Jiangsu Province	58,223	6,073	353.6	2.6%
Wuhu, Anhui Province	47,894	6,234	298.5	2.2%
Hanshan, Anhui Province	35,827	7,160	256.5	1.9%
Shenyang, Liaoning Province	48,282	5,293	255.6	1.9%
Lai'an, Anhui Province	21,968	10,033	220.4	1.6%
Guang'an, Sichuan Province	44,536	4,798	213.7	1.6%
Others	188,188	7,094	1,335.0	10.0%
	1,424,862	9,377	13,361.0	

DESCRIPTION OF OUR PROJECTS

The following are descriptions of our major projects as at 31 December 2015:



City	Number of projects	Attri. GFA
Huai'an	3	420,370
Yangzhou	2	472,766
Zhenjiang	1	392,847
Shenyang	2	768,182
Beijing	1	127,159
Nanjing	6	1,528,309
Tianjin	1	418,096
Hefei	1	352,991
Shanghai	1	169,305
Honglai	1	28,375
Taizhou	1	845,316
Quanzhou	1	349,253
Zhangzhou	2	853,729
Xiamen	13	829,184
Wuxi	2	857,347
Huizhou	1	566,526

Completed Projects

Xiamen Mingfa Shopping Mall

Xiamen Mingfa Shopping Mall is located to the northwest of Jiahe Road and Lianqian Road in Siming district, Xiamen, Fujian province, with a total GFA of approximately 406,000 sq.m., making it the largest shopping mall in Xiamen. Xiamen Mingfa Shopping Mall is a prominent shopping mall in the city centre of Xiamen which provides a one stop shopping experience for a broad range of customers. It includes anchor shops such as supermarkets and departmental stores and designated regions within the shopping mall to cater to different tastes, such as international cuisines and lifestyle shopping. The shopping mall comprises well-known international brand names such as Carrefour, B&Q and New World Department Store. In addition, the shopping mall also contains entertainment features such as a ferris wheel which offers a bird's eye view of the shopping mall and the city of Xiamen, as well as a seven-screen cinema.

Xiamen Mingfa Shopping Mall was awarded the title of "2004 Excellent Commercial Property in China" by the Committee of China International Real Estate & Architect Fairs and the Main Stream Media Association of China International Real Estate & Fairs and a "Top 10 Commercial Property Malls in China,,by the Organizing Committee of 2004 China Urban Land Operation Exposition and China Main Stream Real Estate Media Promotion Association in 2004.

The project was completed in October 2007.

As at 31 December 2015, an aggregate attributable GFA of 14,334 sq.m had been pre-sold and undelivered.

Nanjing Mingfa Pearl Spring Resort

Nanjing Mingfa Pearl Spring Resort is located in the Pearl Spring resort zone within Jiangsu province provincial resort zone, which is situated north of Puhe Highway Road, Dingshan town, Pukou district, Nanjing, Jiangsu province.

Nanjing Mingfa Pearl Spring Resort comprises 53 resort townhouse units held for sale and five hotel buildings. Located on the national level Forest Park, which is at the intersection of the Laoshan forest park and the Pearl Spring scenic zone, Nanjing Pearl Spring Resort overlooks numerous scenic spots. The well-equipped development is designed to cater for business meetings and holidays.

The total GFA of the project is 66,372 sq.m. of which 30,627 sq.m. is allocated for the townhouse units, with the remaining 35,745 sq.m. allocated for the hotels.

This project was completed in December 2008.

As at 31 December 2015, an aggregate attributable GFA of 6,600 sq.m had been pre-sold and undelivered.

Nanjing Mingfa Riverside New Town

Nanjing Mingfa Riverside New Town is located in Taishan village, Pukou district, Nanjing, Jiangsu province. It is situated next to a new national development zone and three provincial new development zones and forms part of the Yangtze River's "Golden Bund".

Nanjing Mingfa Riverside New Town is one of our most significant residential property projects. It is a large-scale, integrated residential property project with a river-front avenue extending approximately 2.4 kilometres along the Yangtze River and complemented by comprehensive public ancillary facilities. This project has a total GFA of approximately 2.2 million sq.m. and comprises over 200 commercial and residential buildings, including 189 high-rise residential buildings, as well as shopping malls and commercial spaces. Ancillary facilities include kindergartens, schools and a multi-functional clubhouse.

Phase one of the project includes high-rise residential buildings ranging between 10 to 18 storeys, as well as ancillary facilities including two kindergartens, one primary school and one clubhouse. Phase two of the project includes 72 high-rise residential buildings ranging between 10 to 26 storeys. Phase three of the project includes 54 of high-rise residential buildings ranging between 9 to 34 storeys.

This project was completed in November 2009.

As at 31 December 2015, an aggregate attributable GFA of 4,402 sq.m had been pre-sold and undelivered.

Nanjing Mingfa Shopping Mall

Nanjing Mingfa Shopping Mall is located on the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing City, Jiangsu province.

Nanjing Mingfa Shopping Mall is a large-scale integrated commercial, hotel and office complex with a total GFA of approximately 420,000 sq.m. This project is designed to include retail space, office space, hotel space and ancillary facilities. We expect the shopping mall to have convenient access to major transportation such as trains, subway, light-rail trains and other public transportation. The shopping mall is in the vicinity of the Nanjing South Bus Terminal, subway station and Nanjing South Railway Station. The Nanjing South Railway Station is currently under construction and is expected to become a major railway station in China upon its completion at the end of June 2011, providing direct access to Shanghai, the economic centre of Eastern China, through high-speed rail link.

As a large integrated commercial complex with shopping, entertainment, dining, recreation, hotel and leisure activities under one roof, the shopping mall is expected to attract well-known brands as anchor tenants. We expect that Nanjing Mingfa Shopping Mall will attract a broad range of visitors, from both Nanjing and other areas in Jiangsu province.

The project was completed in December 2010.

As at 31 December 2015, an aggregate attributable GFA of 1,813 sq.m. had been pre-sold and undelivered.

Wuxi Mingfa Shopping Mall

Wuxi Mingfa Shopping Mall is located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi City, Jiangsu province, at the intersection of Wuxi town's Weishan Road and Beihuan Road. We expect the Wuxi Mingfa Shopping Mall to have easy and convenient access through the surrounding transportation networks. Wuxi Mingfa Shopping Mall is designed to be a large-scale and integrated building complex consisting of commercial, residential, hotel and commercial elements, which include supermarkets, department stores, cinemas and a number of themed pedestrian walkways. The total GFA of Wuxi Mingfa Shopping Mall is approximately 489,364 sq.m. and we believe that this shopping mall, when completed, will become one of the largest integrated shopping malls and a new commercial landmark in Wuxi. We plan to introduce well-known international brands as anchor tenants to the Wuxi Mingfa Shopping Mall.

The project was completed in December 2011.

As at 31 December 2015, an aggregate attributable GFA of 2,361 sq.m. had been pre-sold and undelivered.

Hefei Mingfa Shopping Mall

Hefei Mingfa Shopping Mall is located along the northeast side of the junction of Silihe Road and Dangshan Road in Luyang District, Hefei City, Anhui province. We expect the Hefei Mingfa Shopping Mall to benefit from the surrounding transportation networks and infrastructure facilities. Hefei Mingfa Shopping Mall is designed to be a large-scale integrated building complex consisting of commercial, residential, hotel and office elements, which include retail stores, themed pedestrian-only walkways, restaurants, hotels, cinemas as well as residential properties. The total GFA of Hefei Mingfa Shopping Mall is approximately 578,610 sq.m. and we believe that this shopping mall, when completed, will become one of the largest integrated shopping malls in Anhui province. We plan to introduce well-known brands as anchor tenants to the Hefei Mingfa Shopping Mall.

The project was completed in December 2011.

As at 31 December 2015, an aggregate attributable GFA of 21,757 sq.m. had been pre-sold and undelivered.

Yangzhou Mingfa Shopping Mall

Yangzhou Mingfa Shopping Mall is located on the south of Yunhe Road East and the west of Baolin Road in Guangling District, Yangzhou City, Jiangsu province. Yangzhou Mingfa Shopping Mall is designed to be a large-scale and integrated building complex including commercial, residential and hotel units with a total GFA of approximately 399,353 sq.m. It is located next to the Great Canal of China, the East Yangzhou Bus Station as well as the Beijing-Shanghai Highway and Ningbo-Nantong Highway. Upon completion, we expect the Yangzhou Mingfa Shopping Mall to comprise residential properties, a commercial block consisting of shopping, entertainment, leisure and dining facilities and a hotel. The design of the Yangzhou Mingfa Shopping Mall consists of streets specifically dedicated to supermarkets, furniture stores, electronics stores and cinemas. We plan to introduce well-known brands as anchor tenants and we believe that Yangzhou Mingfa Shopping Mall will become one of the largest integrated shopping malls in Yangzhou.

The project was completed in December 2011.

As at 31 December 2015, an aggregate attributable GFA of 7,005 sq.m. had been pre-sold and undelivered.

Nanjing Mingfa City Square

Nanjing Mingfa City Square is located on Dingshan Road which is the centre and the heart of the Pukou District, Nanjing City, Jiangsu province. Nanjing Mingfa City Square is designed to be a large-scale commercial, residential and office complex with a total GFA of 299,520 sq.m. We believe that the Dingshan area will be developed into an administrative centre by the local district government in the future. This project is adjacent to the Laoshan Forest Park and the Pearl Spring Resort, and is close to the entrance of Cross Yangtze River Tunnel connecting Pukou District and Nanjing City.

This project was completed in December 2012.

As at 31 December 2015, an aggregate attributable GFA of 9,287 sq.m. had been pre-sold and undelivered.

Xiamen Mingfa Xiangwan Peninsula

Xiamen Mingfa Xiangwan Peninsula is located on the east part of Xiang'an Road, Xiang'an, Fujian province. Xiang'an is a newly developed area in Xiamen which is located eight minutes away by car from the main island of Xiamen through a newly opened 6-lane tunnel and the Xiamen Mingfa Xiangwan Peninsula is located adjacent to the Xiang'an-end exit of the tunnel. The project is designed to be a large-scale residential complex with total GFA of 292,557 sq.m..

The project was completed in December 2012.

As at 31 December 2015, an aggregate attributable GFA of 3,633 sq.m. had been pre-sold and undelivered.

Nanjing Mingfa Cloud Mansion

Nanjing Mingfa Cloud Mansion is located at Yuan Shan Road South, Jiangpu Road, Nanjing, Jiangsu Province. This project is designed as integrated residential complex. The site area of the project is approximately 32,787 sq.m. with an aggregate GFA of approximately 59,016 sq.m..

The project was completed in September 2017.

As at 31 December 2015, an aggregate attributable GFA of 9,148 sq.m. had been pre-sold but not yet delivered.

Nanjing Mingfa Pearl River International

Nanjing Mingfa Pearl River International is located at Jiangpu Street, East to Xianzhang Road, South to Jiangpu Secondary School, North to South River, West to Guihua Road, Pukou District, Nanjing,Jiangpu Province. This project is designed as integrated residential complex. The site area of the project is approximately 8,586 sq.m. with an aggregate GFA of approximately 25,759 sq.m.

The project was completed in September 2017.

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 was completed in December 2017.

As at 31 December 2015, an aggregated attributable GFA of 186,489 sq.m. had been pre-sold but not yet delivered.

Nanjing Mingfa Yuejingting

Nanjing Mingfa Yuejingting is located at Pukou South Along Mountain Road, East side Nanjing University of Technology, Nanjing, Jiangsu Province and it is designed as integrated commercial complex. The site area of the project is approximately 31,455 sq.m. with an aggregate GFA of approximately 62,911 sq.m..

The project was completed in May 2018.

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 was completed by October 2018.

As at 31 December 2015, an aggregated attributable GFA of 51,508 sq.m. had been pre-sold but not yet delivered.

Zhangzhou Mingfa Shopping Mall

Zhangzhou Mingfa Shopping Mall is located in Long Wen District, east of Long Jiang Road, north of Shui Xian Avenue, west of Liu Hao Road and south of Xin Pu Road in Zhangzhou, Fujian province.

Zhangzhou Mingfa Shopping Mall is designed to be an integrated commercial complex providing residential, retail, office, dining, entertainment and hotel facilities with a total GFA of approximately 688,383 sq.m. It is located near a transportation hub that provides high speed train services. We plan to introduce well-known brands as anchor tenants for the project.

Construction of the project commenced in February 2010 and the pre-sales of the project commenced in December 2010.

As at 31 December 2015, an aggregate attributable GFA of 6,535 sq.m. had been pre-sold and undelivered.

Xiamen Mingfa Harbour Resort

Xiamen Mingfa Harbour Resort is located south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian province.

The resort is expected to comprise a high-end hotel and 30 townhouse units with accommodation, conferencing, leisure and entertainment facilities. Most of the hotel rooms will have panoramic ocean views. The resort is less than five minutes away by car from the Xiamen Gaoqi International Airport, and close to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and the Xiangshan International Yacht Pier.

With its attractive location, scenic surroundings, convenient transportation and surrounding infrastructure, we believe that this resort will become one of Xiamen's landmark hotel developments.

The planned total site area for this project is 58,952 sq.m., with an aggregate GFA of 161,705 sq.m. Construction of the project commenced in December 2010 and completed by December 2013.

As at 31 December 2015, an aggregate attributable GFA of 2,779 sq.m. had been pre-sold and undelivered.

Projects under development

Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu province, near the New Administration Centre of Zhenjiang.

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

The project is expected to be completed in December 2019.

As at 31 December 2015, an aggregate attributable GFA of 16,562 sq.m. had been pre-sold and undelivered.

Huai'an Mingfa Shopping Mall (Block A and Block C)

Huai'an Mingfa Shopping Mall is located on Weihai East Road in Huai'an City, Jiangsu province. The project is designed to be a large-scale commercial and residential complex with a total GFA of 420,370 sq.m. out of which 266,335 sq.m. has been allocated for commercial use, and the remaining GFA for residential use.

The project was developed in two phases and the first and second phase were completed in June 2013 and December 2014 respectively.

The project is expected to be completed in December 2019.

As at 31 December 2015, an aggregate attributable GFA of 4,898 sq.m. had been pre-sold and delivered.

Shenyang Mingfa Jinxiuhua City

Shenyang Mingfa Jinxiu Hua City is located in Shenbei Xinqu Daoyi Development Zone, Shenyang City, Liaoning province. The project is designed to be a large-scale commercial complex with a total GFA of 306,110 sq.m..

The project is expected to be completed by December 2019.

As at 31 December 2015, an aggregate 51,507 sq.m. had been pre-sold and undelivered.

Wuxi Mingfa International New Town

Wuxi Mingfa International New Town is located south of Yanqiao town in Huishan district, Wuxi City, Jiangsu province.

Wuxi Mingfa International New Town comprises two parcels of land and is designed to be an integrated residential complex comprising high-rise apartments, buildings and townhouse units. This project is situated in the central business district of Wuxi and enjoys convenient access to several highways connecting to a number of neighbouring cities, including Zhenjiang, Nanjing and a range of residential and public ancillary facilities, with a total GFA of approximately 549,561 sq.m.

The project is expected to be completed by December 2019.

As at 31 December 2015, an aggregate attributable GFA of 64,752 sq.m. had been pre-sold and undelivered.

Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located 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 aggregated GFA of approximately 221,533 sq.m..

The project is expected to be completed by December 2019.

As at 31 December 2015, an aggregate attributable GFA of 34,266 sq.m. had been pre-sold and undelivered.

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 529,562 sq.m. with an aggregate attributable GFA of approximately 922,584 sq.m.

The project is expected to be completed by December 2020.

As at 31 December 2015, an aggregate attributable GFA of 48,250 sq.m. had been pre-sold and undelivered.

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 141,749 sq.m. with an aggregate attributable GFA of approximately 431,320 sq.m.

The project is expected to be completed by December 2020.

As at 31 December 2015, an aggregate attributable GFA of 33,950 sq.m. had been pre-sold and undelivered.

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 June 2020.

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..

The project is expected to be completed by December 2020.

As at 31 December 2015, an aggregated attributable GFA of 26,606 sq.m. had been pre-sold but not yet delivered.

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 2019.

As at 31 December 2015, an aggregate attributable GFA of 57,306 sq.m. had been pre-sold but not yet delivered.

Huizhou Mingfa Gaobang New City

Huizhou Mingfa Gaobang New City is located in at Huizhou City West Train Station, Huizhou, Guangdong Province. This project is designed as integrated residential and complex. The site area of the project is approximately 332,335 sq.m. with an aggregate GFA of approximately 708,157 sq.m.

The project is expected to be completed in December 2020.

As at 31 December 2015, an aggregate attributable GFA of 1,056 sq.m. had been pre-sold but not yet delivered.

Nanjing Mingfa Xiang Hill Garden

Nanjing Mingfa Xiang Hill Garden is located at Yuan Shan Road South, Caiba Road East, Pukou District, Nanjing,Jiangpu Province. This project is designed as integrated residential complex. The site area of the project is approximately 115,876 sq.m. with an aggregate GFA of approximately 185,402 sq.m..

The project is expected to be completed in October 2019.

As at 31 December 2015, an aggregate attributable GFA of 53,978 sq.m. had been pre-sold but not yet delivered.

Jinzhai Mingfa City Square

Jinzhai Mingfa Shopping Mall is located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province. This project is designed as integrated residential complex. The site area of the project is approximately 371,795 sq.m. with an aggregate GFA of approximately 897,018 sq.m.

The project is expected to be completed in September 2019.

As at 31 December 2015, an aggregate GFA of 9,287 sq.m. had been pre-sold but not yet delivered.

Tianjin Binhai Mingfa Shopping Mall

Tianjin Binhai Mingfa Shopping Mall is located at Tanggu Marine Hi-Tech Development Zone, Tianjin. This project is designed as integrated commercial complex. The site area of the project is approximately 209,048 sq.m. with an aggregate GFA of approximately 418,096 sq.m.

The project is expected to be completed in October 2020.

Nanjing Mingfa Wealth Center

Nanjing Mingfa Wealth Center is located at New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated office complex. The site area of the project is approximately 56,694 sq.m. with an aggregate GFA of approximately 283,470 sq.m..

The project is expected to be completed in December 2019.

Nanjing Rong Li

Nanjing Rong Li is located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated residential complex. The site area of the project is approximately 132,937 sq.m. with an aggregate GFA of approximately 255,552 sq.m..

The project is expected to be completed in December 2019.

As at 31 December 2015, an aggregate GFA of 56,974 sq.m. had been pre-sold but not yet delivered.

Nanjing Dream Garden

Nanjing Dream Garden is located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province. This project is designed as integrated residential complex. The site area of the project is approximately 58,914 sq.m. with an aggregate GFA of approximately 117,827 sq.m.

The project is expected to be completed in December 2019.

Wujiang Mingfa Jiangwan New City

Wujiang Mingfa Jiangwan New City is located at Wujiang Town Four Lian, Hexian, Anhui Province. This project is designed as integrated residential complex. The site area of the project is approximately 787,856 sq.m. with an aggregate GFA of approximately 2,105,387 sq.m.

The project is expected to be completed in December 2019.

Quanzhou Mingfa Huachang City Quanzhou

Mingfa Huachang City is located at Neicuo village,Guanqiao Town,Nanan, Fujian Province. This project is designed as integrated residential complex. The site area of the project is approximately 276,120 sq.m. with an aggregate GFA of approximately 826,500 sq.m.

The project is expected to be completed in December 2019.

As at 31 December 2015, an aggregate GFA of 50,716 sq.m. had been pre-sold but not yet delivered.

Xiamen Mingfeng Town

Xiamen Mingfeng Town is located in Lingdou, Siming District, Xiamen, Fujian province.

Xiamen Mingfeng Town is expected to be an integrated complex comprising office, manufacturing and R&D premises, and is one of the high-tech establishments that receives local government support in Xiamen. Situated in the Xiamen Software Park, Xiamen Mingfeng Town offers seaview offices targeting companies in the high-tech sector, and is expected to become a high-quality modern research centre. This project has a total GFA of approximately 12,485 sq.m. The project is expected to be developed into a high-end R&D centre in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and the Xiangshan International Yacht Pier.

The project is expected to be completed by July 2018.

Guang'an Mingfa Mall

Guang'an Mingfa Mall is located in Bridge Group, Guang'an Sichuan Province and it is designed as integrated residential complex. The site area of the project is approximately 76,153 sq.m. with an aggregate GFA of approximately 382,692 sq.m..

The project is expected to be completed in December 2019.

Zhenjiang Mingfa Xinjin Yuancheng

Zhenjiang Mingfa Xinjin Yuancheng is located at East of the new road, Danbei Town, Danyang City, Jiangsu Province and it is designed as integrated residential complex. The site area of the project is approximately 14,287 sq.m. with an aggregate GFA of approximately 42,861 sq.m..

The project is expected to be completed in December 2019.

Shenzhen Mingfa Guangming Xuan

Zhenjiang Mingfa Yuejingting is located at Tianliao Yulv Area, Guangming New District, Shenzhen, Guangdong Province and it is designed as integrated commercial complex. The site area of the project is approximately 4,109 sq.m. with an aggregate GFA of approximately 12,320 sq.m..

The project is expected to be completed in December 2019.

Shandong Zibo World Trade Centre

Shandong Zibo World Trade Centre is located at People's Road to the north, Shanghai Road to the east, Daoyi Development Zone, Liaoning Province and it is designed as integrated residential complex. The site area of the project is approximately 147,371 sq.m. with an aggregate GFA of approximately 618,958 sq.m..

The project is expected to be completed in December 2019.

Shenyang Creative Industrial Estate

Shenyang Creative Industrial Estate is located in Shenbei Xinqu Daoyi Development Zone, Shenyang City, Liaoning province. The project is designed to be a large-scale residential/commercial complex. The site area of the project is approximately 154,024 sq.m. with an aggregated GFA of approximately 462,072 sq.m..

The project is expected to be completed by December 2020.

Zhongao Town Building

Zhongao Town Building is located at South of Xiang'an District, Xiamen, Fujian province. The project is designed to be a commercial complex. The site area of the project is approximately 11,870 sq.m with an aggregated attributable GFA of approximately 50,033 sq.m..

The project is expected to be completed by December 2019.

Projects for future development

Nanjing Mingfa Furniture City

Nanjing Mingfa Furniture City is located at Huangyao Village, Taishan Street, Pukou district, Nanjing, Jiangsu province. The project is designed to be a industrial complex. The site area of the project is approximately 41,434 sq.m with an aggregated attributable GFA of approximately 103,585 sq.m.

The project is expected to be completed by December 2019.

Lanzhou Mingfa Zhongke Ecological Park

Lanzhou Mingfa Zhongke Ecological Park is located at Huangyao Village, Taishan Street, Pukou district, Nanjing, Jiangsu province. The project is designed to be a industrial complex. The site area of the project is approximately 3,371,796 sq.m. with an aggregated attributable GFA of approximately 699,611 sq.m..

The project is expected to be completed by December 2020.

Taiwan Taoyuan project

Taiwan Taoyuan project is located at Air Passager Park, Taoyuan, Taiwan. The project is designed to be a commercial complex. The site area of the project is approximately 29,820 sq.m. with an aggregated attributable GFA of approximately 28,627 sq.m..

The project is expected to be completed by December 2020.

Shenyang Mingfa Wealth Centre

Shenyang Mingfa Wealth Centre is located Young Street, Heping District, Shenyang City, Liaoning province. The project is designed to be a large-scale commercial complex. The site area of the project is approximately 5,468 sq.m. with an aggregated attributable GFA of approximately 54,677 sq.m..

The project is expected to be completed by December 2019.

Jinzhai Mingfa City Square

Jinzhai Mingfa Shopping Mall is located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province. This project is designed as integrated residential complex. The site area of the project is approximately 111,142 sq.m. with an aggregate attributable GFA of approximately 162,164 sq.m..

The project is expected to be completed in December 2019.

Wujiang Mingfa Jiangwan New City

Wujiang Mingfa Jiangwan New City is located at Wujiang Town Four Lian, Hexian, Anhui Province. This project is designed as integrated residential complex. The site area of the project is approximately 613,287 sq.m. with an aggregate GFA of approximately 1,665,440 sq.m..

The project is expected to be completed in December 2020.

Shenyang Mingfa Square

Shenyang Mingfa Square is located in Shenbei Xinqu Daoyi Development Zone, Shenyang City, Liaoning province. The project is designed to be a residential complex. The site area of the project is approximately 119,154 sq.m. with an aggregated attributable GFA of approximately 238,308 sq.m..

The project is expected to be completed by December 2019.

Mingfa Mingjue Town

Mingfa Mingjue Town is located at Bowang Town, Bowang District, Maanshan,, Anhui Province. This project is designed as integrated residential complex. The site area of the project is approximately 101,504 sq.m. with an aggregate attributable GFA of approximately 171,950 sq.m..

The project is expected to be completed in December 2019.

New project in Nanjing Pukou G22

The project is located at Puzhu Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province. It is designed as integrated commercial complex. The site area of the project is approximately 26,530 sq.m. with an aggregate attributable GFA of approximately 66,325 sq.m..

The project is expected to be completed in December 2019.

Hong Six highway rebuilding project

The project is located at Xixia Village, Honglai Town, Nanan, Fujian Province. It is designed as integrated residential complex. The site area of the project is approximately 22,784 sq.m. with an aggregate attributable GFA of approximately 92,298 sq.m..

The project is expected to be completed in December 2020.

Guang'an Mingfa City Complex

The project is located at Binjinang Road, Guang'an District, Guanan, Sichuan Province. It is designed as integrated residential complex. The site area of the project is approximately 76,363 sq.m. with an aggregate attributable GFA of approximately 305,452 sq.m..

The project is expected to be completed in December 2020.

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 complex. The site area of the project is approximately 105,188 sq.m. with an aggregate attributable GFA of approximately 315,564 sq.m..

The project is expected to be completed by December 2020.

New project in Nanjing Pukou G86

The project is located at Jiangpu Street angle at Industrial University and Flower Avenue, Pukou District, Nanjing, Jiangsu Province. It is designed as integrated residential complex. The site area of the project is approximately 72,280 sq.m. with an aggregate attributable GFA of approximately 79,508 sq.m..

The project is expected to be completed in December 2019.

Shenyang Mingfa Comprehensive Technology Park

Shenyang Mingfa Square is located at Zaohua Street, Yuhong District, Shenyang, Liaoning province. The project is designed to be a residential complex. The site area of the project is approximately 235,526 sq.m. with an aggregated attributable GFA of approximately 423,948 sq.m..

The project is expected to be completed by December 2019.

Taoyuan New Town

Taoyuan New Town is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed to be a residential complex. The site area of the project is approximately 109,452 sq.m. with an aggregated attributable GFA of approximately 240,794 sq.m..

The project is expected to be completed by August 2019.

New project in Nanjing Pukou G30

The project is located at Pukou North of Nanjing University of Technology, south Along Mountain Road, Pukou District, Nanjing, Jiangsu Province. It is designed as integrated commercial complex. The site area of the project is approximately 32,843 sq.m. with an aggregate attributable GFA of approximately 59,117 sq.m..

The project is expected to be completed by June 2019.

New project in Nanjing Pukou 2014GY04 and 2016GY020

The project is located at the channel of science and technology industrial park, Pukou District, Nanjing, Jiangsu Province. It is designed as integrated industrial complex. The site area of the project is approximately 119,564 sq.m. with an aggregate attributable GFA of approximately 95,652 sq.m.

The project is expected to be completed by February 2020.

New project in Nanjing Pukou G20

The project is located at Software Service Centre, High Tech Development Zone, Pukou District, Nanjing, Jiangsu Province. It is designed as integrated commercial complex. The site area of the project is approximately 62,015 sq.m. with an aggregate attributable GFA of approximately 281,298 sq.m..

The project is expected to be completed by June 2020.

New project in Nanjing Pukou G42

The project is located at High and New Technology Industrial Development Zone, Nanjing, Jiangsu Province. It is designed as integrated commercial complex. The site area of the project is approximately 27,428 sq.m. with an aggregate attributable GFA of approximately 32,913 sq.m..

The project is expected to be completed by October 2019.

PRE-SOLD PROPERTIES

As at 31 December 2015, the attributable GFA of pre-sold properties not yet delivered to the buyers was 738,366 sq.m.. Set out below are the details of the properties, the Group's interest 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%	51,508
Changsha	Changsha Mingfa Shopping Mall	100%	57,306
Hefei	Hefei Mingfa Shopping Mall	100%	21,757
Honglai	Honglai Mingfa Commercial Centre	100%	590
Huai'an	Huai'an Mingfa Shopping Mall	100%	4,898
Huizhou	Huizhou Mingfa Gaobang New City	80%	1,056
Jinzhai	Jinzhai Mingfa City Square	100%	9,287
Nanjing	Nanjing Mingfa City Square	100%	4,357
Nanjing	Nanjing Mingfa Pearl Spring Resort	100%	6,600
Nanjing	Nanjing Mingfa Riverside New Town	100%	4,402
Nanjing	Nanjing Mingfa Shopping Mall	100%	1,813
Nanjing	Nanjing Mingfa New City Finance Building	64%	119,353
Nanjing	Nanjing Mingfa Cloud Mansion	40%	9,148
Nanjing	Nanjing Mingfa Xiang Hill Garden	100%	53,978
Nanjing	Nanjing Rong Li	51%	29,057
Pingliang	Pingliang Mingfa European City	60%	26,606
Quanzhou	Quanzhou Mingfa Hua Chang City	100%	50,716
Shenyang	Shenyang Mingfa Jinxiuhua City	100%	51,507
Taizhou	Taizhou Mingfa City Complex	100%	48,250
Wuxi	Wuxi Mingfa International New Town	100%	64,752
Wuxi	Wuxi Mingfa Shopping Mall	70%	2,361
Xiamen	Xiamen Mingfa Harbour Resort	100%	2,779
Xiamen	Xiamen Mingfa Shopping Mall	70%	14,334
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	3,633
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	34,266
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	7,005
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	6,535
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	33,950
Zhenjiang	Zhengjiang Jinxiu Yishan	100%	16,562
			738,366

INVESTMENT PROPERTIES

Investment properties are self-owned properties we hold for lease purposes or capital appreciation or both, and that we do not occupy or otherwise use ourselves. As at 31 December 2015, our investment properties are located in the city of Xiamen, Nanjing, Zhangzhou, Lianfeng, Wuxi, Hefei, Quanzhou, Yangzhou, Tianjin and Changsha. Our investment properties have appreciated in value due to the overall appreciation and general growth of property prices in the areas where they are located. At the same time, the operation and management by our professional team and other third party management companies has contributed to the increasing rental income from such properties, which are a source of stable and steady cash flows. In addition, many of the retail units that we are currently developing will be held for investment, primarily to complement our commercial complexes and residential properties within each project site.

Our objective regarding investment properties is to achieve a stable earnings profile through increasing recurrent income from a diverse portfolio of investment properties including offices, retail units and hotels. We also have plans to extend our business to the logistics and asset management industries to further diversify our businesses. See "Business — Our Strategies — Prudent expansion of our investment property portfolio to reduce fluctuations in our income stream."

The following table summarises the details of our major properties held for investment as at 31 December 2015:

Property Name	Location	Existing Usage	Attributable GFA	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
			(sq.m.)		
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Commercial	112,462	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	30,058	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, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	6,695	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Commercial	137,942	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	47,221	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%
Xiamen Mingfeng Town . .	Located at Lingdou, Siming District, Xiamen, Fujian Province	Industrial	110,220	Under construction	100%
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Commercial	4,655	3 years	100%
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	1,339	3 years	100%
			957,411		

MEMORANDA OF UNDERSTANDING WITH GOVERNMENT BODIES

Various governmental bodies in China often grant land use rights in developing cities, including second and third tier cities. As at 31 December 2015, the Group entered into 12 uncompleted MOUs with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2015. We believe that entering into these MOU enables us to establish a close working relationship with the relevant governmental bodies.

We believe that because of our scale of operations, track record in developing large-scale commercial and residential complexes, strong brand name, and ability to offer employment opportunities, various local governments have offered us opportunities to participate in large-scale development projects. These local governments usually enter into MOU with us, confirming their intention to support our projects once we obtain underlying land use rights via public tender, auction or listing for sale procedures.

These MOUs set out each parties' intention to co-operate and develop relevant projects. However, terms relating to specific land parcels, including the amount of land premium payable, are still subject to land use rights grant contracts to be entered into between the relevant governmental authorities and us. We are required to go through public tender, auction or listing for sale procedures under PRC law and to obtain the relevant government approvals before we can obtain the land use rights with respect to the land parcels under these MOU. As such, there is no guarantee that these MOU will lead to our acquisition of any land use rights.

Historically, such MOU have played an important role in our land acquisitions strategy. These MOU encompass urban redevelopment projects in different regions through various land acquisition channels and methods in the primary and secondary markets. Due to differences in the applicable local government rules and regulations governing urban redevelopment projects, the expected timeframe for completing the transactions and obtaining the land use rights certificates may vary from contract to contract.

The following table summarises the information relating to the 12 uncompleted MOUs with government bodies entered into by us as at 31 December 2015:

Project Name	Location	Date of MOU	Site Area	GFA	Note
			(sq.m.)	(sq.m.)	
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)
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	(5)
Nanjing Software Park Starting Area Project (南京軟件園啟動區項目) .	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project (南京紫金(浦口)科技創業特別社區2#地塊項目)	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project (南京軟件谷科技城項目)	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(6)
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	(7)
Total			**7,486,167**	**19,646,270**	

Notes:

(1) The Group had acquired three plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.

(2) The Group had acquired one plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.

(3) The Group had acquired two plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.

(4) The Group had acquired two plots of land in 2011 under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 292,487 sq.m. and approximately 731,300 sq.m. respectively.

(5) The Group had acquired two plots of land under the MOU signed on 6 December 2012. The land is located at Zaohua Street, Guan Jia Village, Yuhong District, Liaoning Province. Total land area and GFA is approximately 235,526.47 sq.m. and approximately 423,947.63 sq.m. respectively.

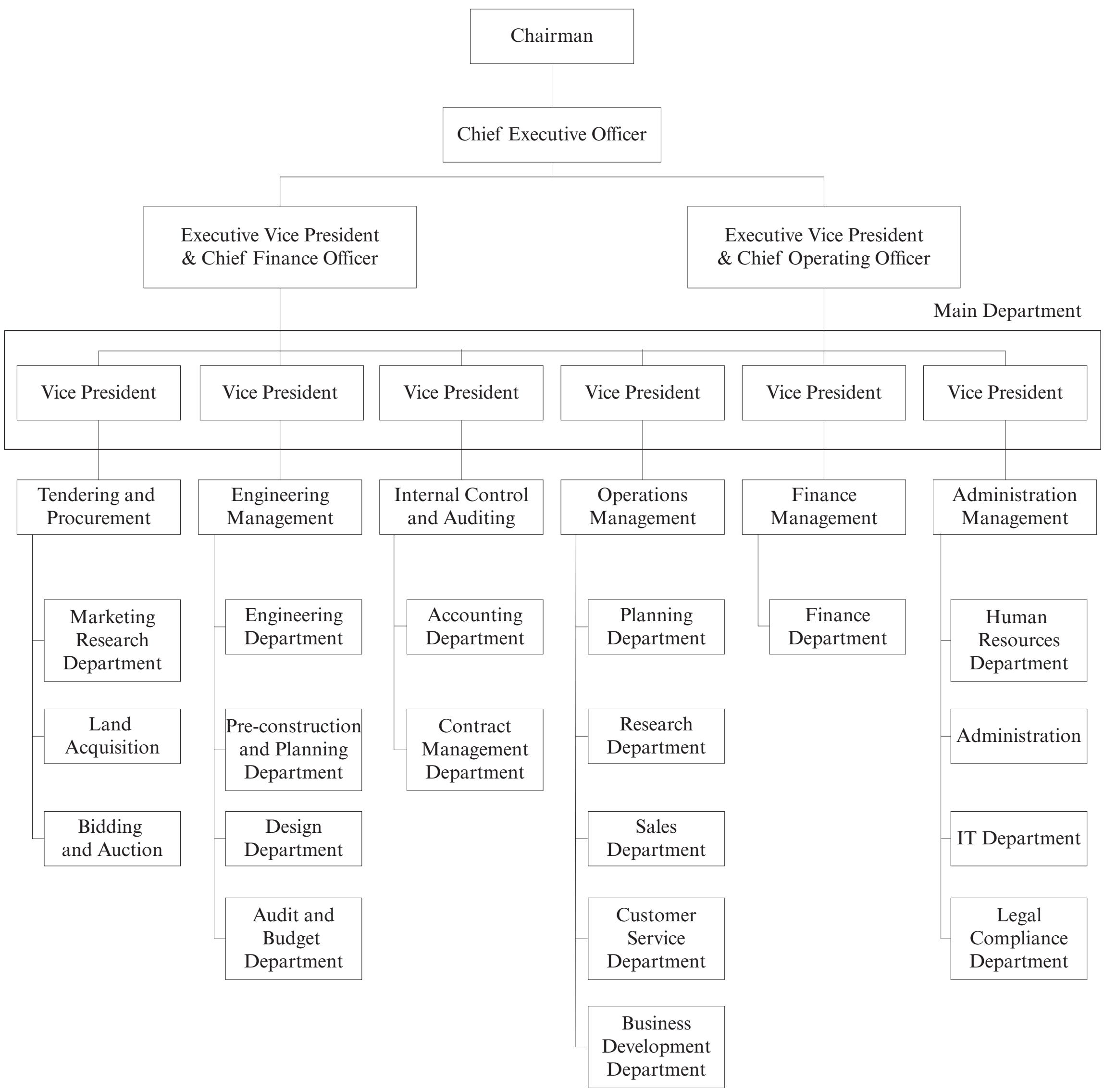
(6) The Group had acquired one plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.

(7) The Group had acquired 25 plots 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 549,651 sq.m. and approximately 1,400,401.5 sq.m. respectively.

PROPERTY DEVELOPMENT

Our project development process is coordinated and supervised by the various key functional departments located in our headquarters in Nanjing, which have been operating on a centralized basis since 2008. Our Chairman, Mr. Wong Wun Ming, Chief Executive Officer, Executive Vice Presidents and our senior management team work closely with the head of each of these departments and provide the necessary management guidance. We believe our centralized management structure, which allows the overseeing of the various management teams of local project companies, is highly effective, allows for efficient supervision by our Chairman, Chief Executive Officer, Executive Vice Presidents and our senior management team and helps to enhance our operational efficiency and optimise our resources.

The chart below summarises our management structure:



We have specialised personnel in charge of the various key stages of the project development process, which include, but are not limited to, site selection, land acquisition, pre-construction planning and design, construction, sales and marketing, completion, delivery and after-sales services.

We also engage independent third party service providers, with whom we have established strong working relationships over the years, to assist us in some of the above stages, such as planning and design, construction as well as sales and marketing.

We have summarised below the key stages of our project development process:

Site Selection	Land Acquisition	Pre-construction, financing and design	Construction	Sales and Marketing	Completion, delivery and after-sales services	Business Development and Management
• Identify potential site	• Acquire land through public tender, auction or listing-for sale	• Obtain key government permits/ certificates	• Engage third party construction companies through a bidding process	• Engage selected sales and marketing agency through tenders	• Deliver property	• Provide leasing and promotion services
• Prepare feasibility study report and conduct market research and analysis for the Board's consideration	• Acquire and through transfer MOU	• Consolidate funds from internal financial resources and bank loans	• Procure construction equipment	• Comply with pre-sale statutory requirements	• Provide after sales customer services including property management, mortgage and registration assistance, and handling of complaints	• Provide management services
• Liaise with local government to understand the various legal and environmental requirements, procedures and timing for acquisition process	• Obtain land use rights certificate	• Select and finalise design	• Monitor internal quality control	• Marketing and promotion	• Provide leasing, administrative, marketing, operational and management services in relation to commercial complexes	
• Obtain final approval from the Board			• Perform fitting-out as required			

Site Selection

Site selection and evaluation process is a fundamental step in our project development process and is crucial to the success of a property development. Therefore, we devote significant management resources to it. In our site selection process, our research department, with the assistance of independent third party service providers, commences the process by identifying and assessing the development potential of a potential site. Our Chairman, Mr. Wong Wun Ming, our Executive Directors and our senior management team will then participate in the evaluation process to reach the final decision. We use a disciplined and systematic approach to identify suitable sites for project development. The primary criteria in our site selection and evaluation process includes the following:

- economic development prospects, taking into account factors such as GDP growth, local government revenue, population, average income and disposable income in the area where the site is located;

- supply and demand characteristics and property market conditions for residential properties and commercial complexes in the local market;

- applicable zoning regulations and policies on real estate development, future land availability, preferential tax rates, specifications and requirements imposed by the local government on the project, and long-term and short-term development plans for the region and its surrounding areas;

- size and geographic location of the site, in particular, its proximity and accessibility to city centres or business districts;

- supporting infrastructure facilities, including transportation and utilities; and

- total acquisition cost, investment returns.

After we have identified a suitable site, our market research, land acquisition and finance departments will engage independent third party service providers to prepare an investment feasibility report and a financial analysis report for our Executive Directors. Our research department will also work closely with our planning and sales departments, which will conduct their own research and analysis to assess the overall market positioning and profitability potential of the proposed site.

If our Executive Directors decide to proceed with the acquisition of the relevant site based on the investment feasibility report and financial analysis report, our relevant departments, depending on the type of properties to be built on the site, will liaise with the local government to understand the terms and conditions, procedures and timing for the acquisition process. They will also seek suggestions and proposals from the local government on how the relevant site can fit into the overall development plan of the city or locality involved, before reporting back to the Executive Directors for their final approval.

Land Acquisition

We acquire land use rights directly from the PRC Government by way of public tender, auction or listing for sale and in the secondary markets through transfer agreements with the original grantees of the land use rights. Under PRC law, all land to be developed for commercial purposes, such as business, tourism, entertainment and residential housing, must be granted by way of public tender, auction or listing-for-sale. Starting from 31 August 2006, land for industrial use must also be granted by way of public tender, auction or listing-for-sale. Where land use rights are granted by way of public tender, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. Where land use rights are granted by way of listing for sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centres and the bids submitted by the bidders. The land use rights are granted to the bidder that has submitted the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the Ministry of Land and Resources and the MOHURD and effective on 19 July 2012, all local governments shall strictly enforce the macroeconomic policy on real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (i) fail to pay land premium in time; (ii) leave the land idle; (iii) reserve lands for future development or speculation; (iv) commit to a construction scale beyond its actual development capacity; or (v) fail to perform land use contract.

Grantees of land use rights may dispose of the rights granted to them in private sales, subject to the terms and conditions of the contracts and the relevant regulations of the PRC. To the extent permitted by law, we may also choose to acquire land use rights in the secondary market through negotiated transfers. Where the opportunity arises, we may also obtain land use rights by acquiring equity interests of companies or persons that hold the relevant land use rights.

Based on our current development and growth targets, we have sufficient land bank to fulfil our development requirements for the next four to five years. We will continue to search for land sites which meet our criteria.

Pre-construction, Planning and Design

Before we commence construction of our projects, we undergo three key stages, namely, applications for the various government permits, financing and design.

Government Permits

Once we enter into land use rights grant contracts for a parcel of land, we apply for the various certificates, permits and licences that are required for the commencement of the construction and sale of properties, the key ones being the land use rights certificate, the planning permit for construction land, the planning permit for construction works, the permit for commencement of construction works and the pre-sale permit.

Certificates, Permits and Licences

Once we have obtained the rights to develop a parcel of land, we will begin to apply for the various permits and licences that we need in order to begin the construction and sale of our properties:

- land use rights certificate — a certification of the right of a party to use a parcel of land;
- planning permit for construction land — a permit authorising a developer to begin the surveying, planning and design of a parcel of land;
- planning permit for construction works — a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit;
- permit for commencement of construction works — a permit required for commencement of construction; and

- pre-sale permit — a permit authorising a developer to start the pre-sale of properties under development.

If the land use right is acquired by way of grant, the land use rights grant contract will need to be obtained before we can apply for the above mentioned certificates, permits and licences.

A property developer is allowed to commence construction of a property upon receipt of the permit for commencement of construction work which will only be issued after the land use rights certificate, the planning permit for construction land and the planning permit for construction works (together with the permit for commencement of construction works, collectively known as the "four certificates") are obtained.

Financing

Our financing methods vary from project to project and are subject to various limitations imposed by PRC regulations and monetary policies. Our policy is to finance our property development projects through internal funding to the extent practicable so as to keep the level of external funding to a minimum. As required by the State Council, we are required to finance our projects with at least 20% internal funding for ordinary residential properties and at least 30% internal funding for other property development projects. The balance is typically derived from a combination of funding from our shareholders, bank borrowings as well as pre-sale and sale proceeds.

As at 31 December 2015, we had obtained bank borrowings of RMB9.4 billion from various PRC banks. We believe that our creditworthiness has allowed us to maintain good business relationships with such banks.

Project Design

To achieve distinctive designs and operating efficiency, we typically outsource design work to selected architectural and design firms with whom we have established strong working relationships from past projects. Depending on the type of properties to be developed, we will involve design firms with the relevant expertise in preliminary design work for a project at the site selection and land acquisition stages. When determining the design of a particular property development, we consider factors such as:

- the environment and community surrounding the site;
- the size of the site;
- the advice provided by our professional advisers which include architects, planning experts and sales and marketing personnel;
- the demand for the type and mix of buildings to be developed; and
- the requirements and preferences of our principal anchor tenants.

Our practice of involving architectural and design firms during the early stages of our development process helps to shorten the time it takes for us to complete a project. We typically receive a preliminary design when we are negotiating with the government on the terms of the grant. This enables us to commence construction shortly after the requisite approval to develop a land site has been granted. We believe that the overall time needed to complete the development is therefore reduced.

We select architectural and design firms for each project through a selective bidding process. In making our final selection, we consider their proposed design concepts, their reputation for reliability and quality as well as the price of their proposed services. In our previous projects, we usually limit the bidding process by short-listing five architectural and design firms with whom we enjoy close working relationships.

Our design and operations management departments are responsible for monitoring the progress and quality of the appointed architectural and design firms to ensure that they meet our specifications. They are usually assisted by a third party service provider who will also help supervise the design process. In addition, upon completion of our projects that are built for rental purposes, we generally also render design support to facilitate the fitting-out work for our tenants.

Construction

Construction Work

Our construction work is outsourced to third party construction companies and we typically hire more than one contractor for each project. Save as disclosed below, contractors are selected through a competitive bidding process. Standardised procedures have been established to select the appropriate construction companies to ensure that they meet our standards for quality and craftsmanship. We typically invite a minimum of three qualified construction companies to bid for a construction project through a tender by invitation process.

On 2 October 2009, we entered into a strategic cooperation agreement with China State Construction Engineering Corporation Limited ("CCC") (the "Strategic Cooperation Agreement"), an independent third party construction company. Established in 2007, CCC is a key subsidiary of China State Construction Engineering Corporation, which is a state-owned enterprise that focuses on construction and real estate business in both domestic and overseas markets. Through the Strategic Cooperation Agreement, we believe that our construction projects will benefit from CCC's knowledge and experience gained from their handling of large-scale construction projects. Under the Strategic Cooperation Agreement, the parties agreed to: (i) strengthen the parties' cooperation in the construction of large-scale commercial complexes in the PRC in which we will first consider engaging CCC as the construction company for such projects, and CCC will first consider taking up such projects; (ii) jointly develop a strategy for investigating, planning, designing and constructing future projects both in the PRC and overseas, and (iii) jointly establish "Xiamen Mingfa Group — China State Construction Engineering Corp. Ltd. Strategic Cooperation and Coordination Committee" which will be responsible for coordinating, studying and executing projects and other matters between the parties. Pursuant to the Strategic Cooperation Agreement, in the event CCC and us decide to cooperate on a particular project, we will enter into separate contractual arrangements, in which we will engage CCC as our contractor for that specific project.

We conduct detailed due diligence on the construction companies during the bidding process before entering into construction contracts with them. We examine their track record, industry reputation for quality, professional qualifications, past performance and co-operation, management and quality control systems, financial situation and resources and other relevant information to evaluate the suitability of such contractors. Our senior management personnel are actively involved in the bid assessment and selection process.

At the request of certain clients, fitting-out services may be provided and included as part of the agreed service contract. This procedure is normally performed by independent contractors in accordance with pre-approved interior design plans which accommodate both the design of each specific property as well as relevant regulations in the region. Fitting-out contractors are also selected through a tender process. Our construction contractors and fitting-out contractors must obtain the relevant licences from the MOHURD. To the best of our knowledge, all contractors that we currently employ for our projects possess the necessary qualifications and licences.

The terms of our standard construction contracts provide for progressive payments throughout the construction process, and contain express warranties on construction quality and schedule. We withhold 10% of the contract sum for one year after completion of the construction work to apply against any potential claims arising out of any construction defects. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on site inspection and production of progress reports. We do not allow our construction contractors to subcontract or transfer their contractual arrangements with us to any third party without our prior consent.

Our contracts with construction companies contain provisions requiring them to comply with the relevant environmental, labour, safety laws and regulations. Our engineering department together with a third party supervisory company engaged by us will regularly conduct on-site inspections to ensure compliance with such laws and regulations as well as the coverage of any potential risk by relevant insurance policies that we maintain. In the event of any non-compliance or any risk of such, we will ensure that the contractors rectify the situation without any delay. Generally, the terms of such contract provide that we are responsible for any increase in labour costs and any increase in excess of 5% of the agreed costs of construction materials.

Quality Control

We place a high emphasis on the quality of our properties, and have established standard procedures to ensure that the quality of our properties and services complies with the relevant regulations and meets market standards. Such quality control procedures are implemented by relevant functional departments as well as by each construction company. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company and construction supervisory companies for such project, our project team in charge as well as our general project management department.

In accordance with PRC laws, we engage the services of PRC-qualified third party construction supervisory companies to supervise the construction of our real estate developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a real estate development throughout the construction phase.

For the years ended 31 December 2013, 2014 and 2015, costs attributable to our five largest contractors approximately amounted to 34.9%, 29.3% and 24.6% of our total costs paid, respectively.

As at 31 December 2015, none of our Board of Directors, their associates or any of our shareholders holding more than 5% of our issued share capital had any interest in or was associated with our five largest contractors.

Procurement

Our tendering and procurement headquarters are primarily responsible for procuring certain specialised equipment such as elevators, air-conditioners and generators, where necessary, from selected suppliers. Our construction contractors are responsible for purchasing the basic building materials such as steel and cement, in accordance with the agreed price range as set out in the supply contracts.

Our tendering and procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalises the purchase arrangements with the supplier with the better terms by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our tendering and procurement headquarters, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies. We believe our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contract specifications before accepting the materials on site and approving payment. We reject materials which are below standard or do not comply with our specifications and return them to the suppliers.

Over the years, our project management teams have developed good working relationships with our suppliers, which allow us to produce quality products at optimal efficiency and increasingly low costs. These established relationships also help to ensure that supplies are delivered on time.

Sales and Marketing

The operations management department carries out our sales and marketing functions. It is responsible for brand building, market positioning, sales supervision, marketing as well as the leasing and management of our investment properties. Our operations management department conducts detailed market analyses, prepares promotional materials, conducts general promotional campaigns, recommends unit prices and pricing-related policies for our projects and coordinates and monitors our relationship with the media. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

Our operations management department is involved in our real estate development projects starting from the early stages and provides its input at key steps. When our R&D department identifies a potential project, our operations management department will conduct research on the local property market and study the local government's land policies. Before we decide to acquire land, our operations management department provides us with the results of their research and analysis of the relevant land. During the land acquisition process, our sales and marketing department provides suggestions on the site plan and designs and assists us in the design preparation.

We use various advertising media, including newspapers, magazines, brochures, television, radio, internet, signage posters and outdoor billboards, to market our property developments. We participate in real estate exhibitions to enhance our brand name and promote our property developments projects. We also set up on-site reception centres to display information relating to the relevant real estate development and for certain major projects, off-site reception centres in areas frequented by targeted customers in circumstances where on site reception centres may not be suitable.

We have a selected number of independent third-party sales, business promotion and marketing agencies. When selecting these third-party agencies, we take into account their qualifications and reputation, the qualifications and experience of their professional staff, their past performance and market share, their project proposal, and their allocation of available resources.

Customers

For the years ended 31 December 2013, 2014 and 2015, the percentage of revenue attributable to our five largest customers was less than 30% of our total revenue. As at 31 December 2015, none of our Board of Directors, their associates or any of our shareholders who held more than 5% of our issued share capital had any interest in or was associated with our five largest customers.

Customers' Payment Arrangements

Residential Properties

Payment by customers of the purchase price of our residential properties is due before delivery of each property. Typically, for the first residential property, buyers are required to pay a down payment of no less than 30% of the purchase price upon confirmation of the sale. For second and subsequent properties bought, the down payment will generally be 60% of the purchase price. It is common practice in the PRC for property developers to facilitate bank financing with various domestic banks for the purchasers of their residential properties. In accordance with market practice, property developers are usually required by the banks to guarantee the obligations to repay the loans on the property. The guarantee periods normally last up to 24 months until the property is delivered and building ownership certificate is issued. If a purchaser defaults on the loan, once the property developer repays all debt owed by such purchaser to the mortgagee bank under the loan, the mortgagee bank will assign their rights under the loan and the mortgage to the developer and, after mortgage registration, the developer will have full recourse against the property.

Consistent with industry practice, we do not conduct independent credit checks on our customers, but rely on credit checks conducted by the mortgage bank. As at 31 December 2015, the outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB4,245.1 million. See "Risk Factors — Risks Relating to Our Business — We provide guarantees for mortgages taken out by our customers and if a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected."

Commercial Properties

The payment method for purchasers of our property sales other than residential units is similar to the above arrangements, except that the down payment is typically 50% of the purchase price and that the purchase price is usually fully paid before delivery.

Completion, Delivery and After Sales Services

We strive to develop quality properties within the time frame specified in any applicable pre-sale or sales contracts. Upon passing inspections by the relevant PRC governmental departments, including planning fire safety and environmental protection, we notify our customers and deliver the properties in accordance with the terms of the relevant sale and purchase agreement, which certifies the completion of construction and the receipt of full payment from our customers. We also assist our customers in obtaining ownership certificates from the relevant PRC governmental departments as well as in other areas related to various title registration procedures and financing, including the provision of information on potential mortgagee banks and the mortgage terms they offer.

In relation to ongoing after-sale customer services, our customer service centre and customer service executive in each city are responsible for handling any complaints and the relevant after-sale services we may provide to our customers and supervising the repair and ongoing maintenance of our developed properties that is carried out by the construction companies that we engage.

Business Development and Property Management

We retain a portion of our commercial complexes for investment purposes. The leasing and promotion of such commercial complexes is handled by our operations management department and Xiamen Mingsheng Investment Management Co., Ltd, and assisted by third party agencies. Xiamen Mingsheng Investment Management Co., Ltd is also responsible for the management of such properties.

PROPERTY MANAGEMENT

In accordance with local regulations, we engage external property management companies to manage properties developed by us on behalf of our customers until the owners committee of the relevant property is established and a new property manager is appointed. We emphasise customer service and effective maintenance services for our completed projects. When selecting property management companies, we consider the qualifications of the candidate companies, the quality of their services, their proposed fees and their ability to introduce us to potential future quality clients. Our staff that are responsible for property management also assist the individual project teams in handover inspections and with the follow-up work required on our completed projects.

With respect to our completed residential property developments, the owners of units in these developments are free to choose their own property management company upon establishment of an owners committee.

In relation to our commercial property projects, the property management is operated by our wholly-owned subsidiaries named Mingsheng.

COMPETITION

The PRC real estate industry is highly competitive. Our major competitors consist of large national and regional real estate developers, including local property developers that focus on one or more of the cities or in provinces that we currently operate in, and to a lesser extent, foreign developers.

In recent years, an increasing number of property developers have commenced real estate development and investment projects in Fujian and Jiangsu provinces as well as other fast growing regions in the PRC. We compete with other property developers on various fronts, including, but not limited to, product and service quality, pricing, financial resources, brand recognition, and our ability to acquire suitable sites. Our competitors, however, may have a better track record, greater financial, marketing and land resources, stronger brand name and greater economies of scale than us in the cities or markets in which we operate. We believe that with our strong presence in Fujian and Jiangsu provinces, our close relationships with the local governments, our low land cost and diversified product portfolio, we are less vulnerable to market changes than our competitors and that we are experienced in responding promptly to the challenges in the PRC property market.

INSURANCE

We maintain insurance policies for some of our properties and assets. We also contribute to social insurance for our employees as required by PRC social security regulations, such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. We do not, however, in general have insurance coverage against potential losses or damage with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. We believe that this practice is consistent with industry practice in the PRC. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil proceedings.

To help ensure construction quality and safety, we provide a set of standards and requirements in the construction contracts for construction workers to observe during construction. We also engage qualified supervisory companies to oversee construction. Under PRC law, construction companies bear the primary liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we expect to be able to defend ourselves as a property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. See "Risk Factors — Risks Relating to our Business — We have limited insurance to cover all potential losses and claims."

INTELLECTUAL PROPERTY RIGHTS

As at 31 December 2015, we own thirteen registered trademarks in the PRC for various categories of business including real estate businesses (real estate leasing, real estate agency and real estate management), construction, architecture, engineering, furniture and non-metal construction. We are also the owner of the domain names "www.ming-fa.com", "mf-thebund.com", "mf-warehouse.com", "mingfagroup.com" and "mingfahotels.com."

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as additional environmental regulations promulgated by local governments. These include the Environmental Protection Law 1989, the Prevention and Environmental Control of Noise Pollution Law 1996, the Environmental Impact Assessment Law 2002 and Regulation on the Administrative of Construction Projects and Environmental Protection 1998. Pursuant to these laws and regulations, each real estate development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an "environmental impact assessment document") has to be submitted by a property developer to the relevant authorities who will then grant a construction permit for the property development. Upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

As at 31 December 2015, none of our PRC subsidiaries had breached any applicable PRC environmental laws and regulations in any material respect, and we are not aware of any material legal proceedings, claims or disputes relating to environmental matters pending or threatened against any of our PRC subsidiaries.

OPERATIONAL AND FINANCIAL CONTROLS

We have implemented strict financial controls in various aspects of our operations to protect our interests. These controls are essential to maintaining our high operational standards. We have six Management Centres to set operational policies and to monitor and control our operations. The centres consist of the Financial Management Centre, Engineering Management Centre, Operation Management Centre, Procurement Management Centre, Administration Management Centre and Internal Audit Management Centre.

Procurement and Construction

All contractors are selected through public tenders. We consider the financial positions, integrity, cost and track record of a contractor before making a decision. We enter into written contracts with the selected contractors which contain cost calculations so as to avoid any future disputes.

Architects' Inspection

We appoint independent licenced architects for every project to inspect the progress of construction. These architects are selected through public tenders. The architects send monthly progress reports with estimated costs to our project companies, and our Engineering Management Centre inspects progress to ensure the projects follow our timelines.

Financial Controls

Accounting policies are set by the Financial Management Centre. All subsidiaries must strictly adhere to these policies to arrange payment, receipt and reporting. Budgetary control has been imposed in every project. The General Managers of the project companies have no authority to overrule the accounting policies.

Internal Audit

The Internal Audit Management Centre is an independent department which reports to the Board of Directors. The members will visit each project company to inspect the operational and financial compliance of the project companies.

LEGAL AND COMPLIANCE

The operation of the Group is subject to various laws and regulations of the PRC and Hong Kong. Since our listing on the HKSE, save as disclosed below, we have not been subject to material fines, penalties or sanctions by national or local authorities.

MATERIAL LITIGATION AND ARBITRATION

We are subject to various legal proceedings and claims that arise in the ordinary course of business. As at 31 December 2014, save as disclosed below, we were not parties to, nor are we aware of, any claims or lawsuits pending or threatened against us that would have a material adverse effect on our results of operations or financial condition.

Dispute Relating to Yangcheng Lake Project

In October 2005, we entered into an agreement with Suzhou Yitong Real Estate Development ("Suzhou Yitong") and Beijing Chengxin Mechanics and Electricity Company Limited (collectively, the "Sellers")to purchase their respective equity interests in Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited, a project company. Pursuant to this agreement, we paid the Sellers a deposit of RMB100.0 million. When the Sellers failed to transfer their shares in the project company to us pursuant to the terms of the agreement, we initiated legal proceedings against them to terminate the agreement or, in the alternative, seek specific performance of the agreement. We eventually obtained a judgment from the Higher People's Court of Jiangsu Province for the rescission of the agreement and the return of our deposit with interest. To enforce our judgment, we filed a petition to liquidate Suzhou Yitong, whose appointed liquidator, in turn, petitioned to liquidate the project company. As at the date of this offering circular, these liquidation proceedings were ongoing, and we have not collected any part of the damages awarded. We recorded an impairment provision of RMB100.0 million for the full amount of the deposit in 2008. As at the date of 31 December 2015, no judgment for the appeal was made by People's Court of Suzhou Industry Park.

MANAGEMENT

Our Board currently consists of eight Directors, comprising four Executive Directors and four Independent Non-Executive Directors.

Executive Directors

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

Independent Non-Executive Directors

Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus
Dr. Wong Tin Yau Kelvin *J.P.*
Dr. Lam, Lee G.

EXECUTIVE DIRECTORS

Mr. WONG Wun Ming (黃煥明), aged 55, 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 Qinzhou by establishing Xiamen Manga Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qinzhou, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qinzhou (黃慶祝), aged 48, 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 Manga 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 Manga 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 46, 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.

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

Mr. HUANG Li Shui (黃麗水), aged 61, 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 Manga Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Manga Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qinzhou and Mr. Huang Lianchun, our Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kin Hon (劉建漢), aged 51, 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 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 and an independent non-executive director from 19 April 2005 to 30 May 2005 and a non-executive director from 31 May 2005 to 31 December 2018 of Lisi Group (Holdings) Limited (Previous name: Magician Industries (Holdings) Limited) (Stock code: 526), all of which are listed on HKSE.

Mr. CHU Kin Wang Peleus (朱健宏), aged 54, was appointed as an Independent Non-Executive Director with effect from 1 November 2016. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators. Mr. Chu graduated from the University of Hong Kong with a master's degree in business administration in December 1998. Since December 2008, Mr. Chu has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (stock code: 0681) which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and listed on the Main Board of HKSE. During the period from September 2005 to March 2007, Mr. Chu was an executive director responsible for financial reporting and compliance matters of Global Mastermind Capital Limited (stock code 0905), a company principally engaged in investing in listed and unlisted companies in various countries and listed on the Main Board of HKSE, and which was known as Haywood Investments Limited during the relevant period. Mr. Chu was appointed as a non-executive director of Perfect Group International Holdings Limited (stock code 3326) from August 2015 to March 2017, a company listed on the Main Board of HKSE.

Mr. Chu is or was an independent non-executive director of the following companies listed on the Main Board of the HKSE or Growth Enterprise Market (GEM) of HKSE:

- Madison Wine Holdings Limited (stock code: 8057) since September 2015.
- National Agricultural Holdings Limited (stock code: 1236) from June 2015 to September 2015.
- Telecom Service One Holdings Limited (stock code: 8145) since May 2013 to December 2017.
- SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012.
- China First Capital Group Limited (stock code: 1269) since October 2011.
- Flyke International Holdings Ltd. (stock code: 1998) since February 2010.
- Huayu Expressway Group Limited (stock code: 1823) since May 2009.
- Tianli Holdings Group Limited (stock code: 0117) since April 2007.
- Sustainable Forest Holdings Limited (stock code: 0723) from January 2008 to August 2010.
- China Huishan Dairy Holdings Company Limited (stock code: 6863) from June 2017 to December 2017.
- PT International Development Corporation Limited (BM) (stock code: 372) from March 2017 to September 2017.

Dr. WONG Tin Yau Kelvin *J.P.* (黃天祐), aged 58, is an Executive Director, a Deputy Managing Director and the Chairman of Corporate Governance Committee of COSCO SHIPPING Ports Limited. Dr. Wong is the immediate past Chairman and was the Chairman (2009–2014) of The Hong Kong Institute of Directors, the Chairman of Investor Education Centre, the Chairman of Financial Reporting Council and a member of Operations Review Committee of Independent Commission Against Corruption.

Dr. Wong is currently an Independent Non-executive Director of Bank of Qingdao Co., Ltd., China ZhengTong Auto Services Holdings Limited, Huarong International Financial Holdings Limited and I.T Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai, and Xinjiang Goldwind Science & Technology Co., Ltd., a company dual listed in Hong Kong and Shenzhen.

Dr. Wong was a Non-executive Director of Securities and Futures Commission from 20 October 2012 to 20 October 2018, an independent non-executive director of each of AAG Energy Holdings Limited from 5 June 2015 to 28 April 2016, Asia Investment Finance Group Limited from 19

October 2016 to 14 February 2018, CIG Yangtze Ports PLC from 2 September 2005 to 12 October 2015, Xinjiang Goldwind Science & Technology Co., Ltd. from 25 June 2011 to 29 June 2016, all the aforementioned companies are listed in Hong Kong.

He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong was appointed as a Justice of the Peace by the Government of the HKSAR in 2013.

Dr. LAM, Lee G. (林家禮), aged 59, is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman — Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Board member of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman — Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, an MPA and a PhD from the University of Hong Kong.

Dr. Lam is a Solicitor of the High Court of Hong Kong, a former member of the Hong Kong Bar, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited, Glorious Sun Enterprises Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Elife Holdings Limited, Haitong Securities Co., Ltd. (a company also listed on Shanghai Stock Exchange), Huarong Investment Stock Corporation Limited, Hua Long Jin Kong Company Limited (formerly known as Highlight China IoT International Limited), Kidsland International Holdings Limited and Hsin Chong Group Holdings Limited; and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited,National Arts Entertainment and Culture Group Limited, China Shandong Hi-Speed Financial Group Limited and Tianda Pharmaceuticals Limited (the shares of all of the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited). He is also an independent non-executive director of each of China Real Estate Group (formerly known as Asia-Pacific Strategic Investments Limited), Top Global Limited and China Medical (International) Group Limited, and a non-executive director of Singapore eDevelopment Ltd. (the shares of all of the aforementioned companies are listed on Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (a company listed on Toronto Stock Exchange); an independent non-executive director of AustChina Holdings Limited (a company listed on Australian Securities Exchange), and a non-executive director of Adamas Finance Asia Limited (a company listed on London Stock Exchange).

Dr. Lam was a non-executive director of each of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) from 9 October 2015 to 8 December 2015 and Roma Group Limited from 13 September 2017 to 11 December 2017; and an independent non-executive director of each of Xi'an Haitiantian Holdings Company Limited (former name as Xi'an Haitain Antenna Holdings Company Limited) from 15 September 2017 to 23 July 2018 and Imagi International Holdings Limited from 11 May 2010 to 28 January 2016, all of which are listed on the Hong Kong Stock Exchange; and an independent non-executive director of Rowsley Limited (a company listed on Singapore Exchange) from 26 June 2002 to 25 April 2018; and an independent non-executive director of Vietnam Equity Holding (a company listed on Stuttgart Stock Exchange) from 25 October 2007 to 28 February 2018.

SENIOR MANAGEMENT

Mr. POON Wing Chuen (潘永存), aged 53, 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.

Ms. HAO Jin (郝晉), aged 41, 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 53, 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.

AUDIT COMMITTEE

Our 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 and performing other duties and responsibilities as assigned by the Board.

The chairperson of the Audit Committee is Mr. Chu Kin Wang Peleux. The other members are Mr. Lau Kin Hon, Dr. Wong Tin Yau Kelvin and Dr. Lam Lee G. All are independent non-executive Directors of our Company.

REMUNERATION COMMITTEE

Our 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 remuneration and to ensure none of the Directors can determine their own remuneration.

The chairperson of the Remuneration Committee is our independent non-executive director Mr. Lau Kin Hon. The other members are Mr. Chu Kin Wang Peleus and Mr. Wong Wun Ming.

NOMINATION COMMITTEE

Our 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. Wong Wun Ming. The other members are Mr. Lau Kin Hon, Mr. Chu Kin Wang Peleus.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) shows that as at 30 June 2018, the Company has been notified of the following substantial shareholders' interests and short positions in the shares or underlying shares of the Company, being interests of 5% or more of the Company's issued share capital.

Name of shareholders	Capacity	Long/short position	Number of ordinary shares held	Approximate percentage in the Company's issued share capital
Mr. Wong Wun Ming(1)(3)	Beneficial owner Interest of a controlled corporation	Long	5,100,000,000	83.70%
Ms. Chen Bihua(2)(3)	Interest of spouse	Long	5,100,000,000	83.70%
Haitong Securities Co., Ltd.(5)	Interest of a controlled corporation	Long	1,000,000,000	16.41%

Notes:

(1) Mr. Wong Wun Ming held long interest in 5,100,000,000 shares in the Company, comprising:

(a) 13,500,000 shares beneficially owned by him; and

(b) 5,086,500,000 shares held by Galaxy Earnest Limited. Galaxy Earnest Limited is owned as to 55% by Growing Group Limited, a company wholly-owned by Mr. Wong Wun Ming. Mr. Wong Wun Ming is therefore deemed to be interested in such 5,086,500,000 shares of the Company pursuant to the Securities and Futures Ordinance.

(2) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is interested in pursuant to the Securities and Futures Ordinance.

(3) Mr. Wong Wun Ming and Ms. Chen Bihua, being controlling shareholders of the Company, have pledged (i) an aggregate of 1,602,948,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 26.3% of the total issued share capital of the Company, to note holders pursuant to a share charge executed in December 2014 and (ii) an aggregate of 1,000,000,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 16.4% of the total issued share capital of the Company, to Haitong International Finance Company Limited pursuant to a facility agreement signed in December 2016.

(4) Haitong Securities Co., Ltd. is deemed to be interested in the 1,000,000,000 shares in which Haitong International Securities Company Limited held as security agent for bondholders pursuant to a share charge executed by Galaxy Earnest Limited in favor of Haitong International Securities Company Limited, details of which are disclosed in the announcement of the Company dated 15 December 2016. Haitong International Securities Company Limited is wholly owned by Haitong International Finance Company Limited, a company wholly-owned by Haitong International (BVI) Limited, which is in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to approximately 61.00% by Haitong International Holdings Limited, which is wholly-owned by Haitong Securities Co., Limited.

Save as disclosed above, as at the date of this offering circular, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated.

As a listed company on the HKSE, we are subject to Chapter 14A of the Listing Rules, which require certain "connected transactions" with "connected persons" (as defined under the Listing Rules) be approved by a company's independent shareholders. The related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules have complied with the relevant requirements under or is otherwise exempted from compliance with Chapter 14A of the Listing Rules.

PURCHASES OF CONSTRUCTION MATERIALS FROM A RELATED COMPANY

We purchase construction materials from Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd., which has directors in common with us. The purchases were negotiated at arm's length and on terms and conditions similar to those offered by our other suppliers. The purchases from this company were RMB7.9 million, RMB0.17 million in the years ended 31 December 2013 and 2014, respectively.

GAIN ON DISPOSAL OF A RESIDENTIAL PROPERTY

During the year ended 31 December 2014, we sold a residential property to Mr. Huang Li Shui with the proceeds of RMB102,864,000 resulting a gain of RMB42,650,000. 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.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of 31 December 2015, our total external borrowings amounted to RMB15,148.0 million, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Project Loan and Working Capital Loan Agreements

Certain of our PRC subsidiaries have entered into project and working capital loan agreements with various PRC banks, including The Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, China Everbright Bank, Xiamen Bank Jiangsu Bank, Xiamen International Trust Co., Ltd. and China Minsheng Bank. Most of these loans are project loans to finance the construction of our projects and typically have tenors ranging from 24 to 60 months, which generally corresponds to the construction periods of the particular projects. Working capital loans are used to finance the operations of completed investment properties, including cash flow and goods procurement. Our project loans and working capital loans are usually secured by land use rights and properties and, in some cases, are guaranteed by certain of our other PRC subsidiaries. Certain of our project loans require us to prepay the loan if a certain percentage of GFA of the relevant project has been delivered.

As at 31 December 2015, investment properties of the Group with net book value of approximately RMB5,176.2 million (31 December 2014: approximately RMB4,145.4 million), buildings of approximately RMB544.2 million (31 December 2014: approximately RMB555.2 million), land use rights of approximately RMB4,711.0 million (31 December 2014: approximately RMB3,166.8 million), completed properties held for sale of approximately RMB2,611.9 million (31 December 2014: approximately RMB2,734.9 million), properties under development of approximately RMB1,836.3 million (31 December 2014: approximately RMB951.6 million), available-for-sale financial assets of approximately RMB100.0 million (31 December 2014: RMB50.0 million), other non-current assets of approximately RMB268.7 million (31 December 2014: RMB268.7 million) and restricted bank deposits of approximately RMB3,073.6 million (31 December 2014: approximately RMB2,458.6 million) were pledged to secure the banking facilities of the Group. No cash deposits (31 December 2014: approximately RMB5.69 million) were restricted and deposited in certain banks as security for bank notes.

Interest

The principal amount outstanding under these loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. The working capital loans generally amortize on a straight line basis over their tenors. As of 31 December 2015, the weighted average interest rate on the aggregate outstanding amount of our project loans was approximately 6.68% per annum.

Covenants

Certain of our PRC subsidiary borrowers have agreed under these loans, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- incur any material indebtness;
- alter the nature or scope of their business operations in any material respect;
- distribute dividends before fully repay the loan; and
- use revenue from relevant projects for purposes other than repaying the loan, project expenses and other permitted purposes.

In addition, certain of our PRC loans require us to deposit the sales income in a special account and prepay the relevant loan if a certain percentage of GFA of the relevant project has been delivered.

Events of Default

These loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Contingent liabilities

As at 31 December 2015, the contingent liabilities of the Group were approximately RMB4,245.1 million (31 December 2014: approximately RMB4,005.5 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.

The 2019 11% Bonds

On 11 January 2018, we entered into a placing agreement (as amended and supplemented from time to time, the "2018 Placing Agreement") with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% Bonds due 2019 in an aggregate principal amount of US$200.0 million.

Interest

The 2019 11% Bonds bear an interest rate of 11.0% per annum payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2018 Placing Agreement contained certain covenants pursuant to which we agreed, among other things:

- to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%;
- to supply bondholders under the 2019 11% Bonds with certain compliance certificate within 7 business days of publishing our annual and semi-annual financial statements;
- to use best endeavours to maintain our listing on the HKSE;

The 2020 Bonds

On 12 May 2017, we entered into a placing agreement (as amended and supplemented from time to time, the "2017 Placing Agreement") with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% Bonds due 2020 in an aggregate principal amount of US$220.0 million.

Interest

The 2020 Bonds bear an interest rate of 11.0% per annum payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2017 Placing Agreement contained certain covenants pursuant to which we agreed, among other things:

- to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%;
- to supply bondholders under the 2020 Bonds with certain compliance certificate within 7 business days of publishing our annual and semi-annual financial statements;
- to use best endeavours to maintain our listing on the HKSE; and
- to use best endeavours to maintain the listing of the Bonds on SGX-ST.

Events of Default

The 2017 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company, cessation of all or a material part of our business, cross default and other events of default specified in the 2017 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2020 Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Change of Control

Upon the occurrence of a certain event of change of control, the bondholder will have the right, at the option of such bondholder, to require us to redeem all, but not some only, of their bonds at 101% of their principal amount together with accrued interest (but excluding) the date of such early redemption.

The 2019 9% Bonds

On 15 December 2016, we entered into a placing agreement (as amended and supplemented from time to time, the "2016 Placing Agreement") with Haitong International Securities Company Limited as placing agent pursuant to which we issued 9% Bonds due 2019 in an aggregate principal amount of US$60.0 million.

Guarantee

The obligations pursuant to the 2019 9% Bonds are guaranteed under certain deed of guarantee by Mingfa Group Company Limited as corporate guarantor (the "Corporate Guarantor"), and by Mr. Huang Lianchun, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Wong Wun Ming as personal guarantors (the "Personal Guarantors") certain deed of guarantee, jointly and severally for the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2019 9% Bonds.

Collateral

In order to secure the obligations under the 2019 9% Bonds, Galaxy Earnest Limited, being our controlling shareholder, charged and deposited 1,000,000,000 of our ordinary shares to Haitong International Securities Company Limited as security agent.

Interest

The 2019 9% Bonds bear an interest rate of 9.0% per annum payable quarterly in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2016 Placing Agreement contained certain covenants pursuant to which we agreed, among other things:

- to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%;
- to supply bondholders under the 2019 9% Bonds with certain compliance certificate within 7 business days of publishing our annual and semi-annual financial statements;
- to use best endeavours to maintain our listing on the HKSE;
- not to create, permit to subsist or have outstanding any security interest upon the whole or any part of our property, assets or revenues, present or future; and
- not to incur any further indebtedness which does not exist on the first issue date, until and unless approved by an extraordinary resolution passed by the meeting of bondholders.

Events of Default

The 2016 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019% Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company or the Corporate Guarantor, bankruptcy of any of the Personal Guarantors, cessation of all or a material part of our business, cross default and other events of default specified in the 2016 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2019% Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Change of Control

Upon the occurrence of a certain event of change of control, the bondholder will have the right, at the option of such bondholder, to require us to redeem all, but not some only, of their bonds at 101% of their principal amount together with accrued interest (but excluding) the date of such early redemption.

TERMS AND CONDITIONS OF THE BONDS

The issue of US$210,000,000 15.0 per cent. bonds due 2020 (the ***Bonds***) was authorised by a resolution of the board of directors of Mingfa Group (International) Company Limited (明發集團(國際)有限公司) (the ***Issuer***), an exempted company incorporated in the Cayman Islands with limited liability and listed on The Stock Exchange of Hong Kong Limited (Stock code 846) (the ***HKSE***), passed on 7 January 2019. These terms and conditions (the ***Conditions***) are to be attached to or form part of the Bonds (with amendments thereto as the parties hereto agree). A copy of the fiscal agency agreement dated on or about 16 January 2019 (the ***Issue Date***) relating to the Bonds between the Issuer, Haitong International Securities Company Limited as fiscal agent, as CMU lodging agent, as registrar (the ***Registrar***), as initial principal paying agent (the ***Principal Paying Agent***), as transfer agent (the ***Transfer Agent***) and any other agents named in it (the ***Fiscal Agency Agreement***), is available for inspection during usual business hours at the specified offices of the Principal Paying Agent. The Agents means the Principal Paying Agent and any other agent or agents appointed from time to time with respect to the Bonds.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

The Bonds are issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates (***Certificates***) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. In the event that there are any discrepancies between the provisions of the Certificates and these Conditions, the provisions of the Certificates shall prevail.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the ***Register***). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, ***Bondholder*** and (in relation to a Bond) ***holder*** mean the person in whose name a Bond is registered.

2. TRANSFERS OF BONDS AND CERTIFICATES

(a) **Transfer**: A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five (5) business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), business day means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of the Bonds have been complied with.

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 7 days ending on (and including) the due date for redemption of that Bond, (ii) after any such Bond has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record.

(e) **Regulations**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Fiscal Agency Agreement. Each of the Issuer and the Registrar may by agreement change the regulations from time to time. A copy of the current regulations will be made available for inspection upon prior written request during usual business hours at the specified office of the Transfer Agent.

3. STATUS AND PRIORITY

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4. COVENANT

4.1 Financial Covenant

(a) The Issuer shall ensure that the ratio of Consolidated Net Debt to Book Equity shall, at any time, be equal to or less than 110 per cent.

(b) The financial covenant set out in Condition 4.1(a) above shall be calculated in accordance with the Accounting Principles and confirmed by the Issuer's compliance certificate delivered pursuant to Condition 4.2.

In these Conditions:

Accounting Principles means generally accepted accounting principles in Hong Kong.

Book Equity means the total assets less the aggregate of: (a) current liabilities; and (b) long term liabilities, each such item as shown on the consolidated balance sheet of the Issuer.

Borrowings means:

(a) monies borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or by any bill discounting facility (or dematerialised equivalent);

(c) any amount outstanding pursuant to any note purchase facility, the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before any repayment date or the issue of bonds (other than performance bonds issued by the Issuer or any of its Subsidiaries), notes, debentures, loan stock or any similar instrument or any finance or capital lease; or

(d) any amount outstanding under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, excluding trade payables to suppliers incurred in the ordinary and usual course of business.

Consolidated Debt means the aggregate amount of all obligations of the Issuer or, as the case may be, any of its Subsidiaries for or in respect of its Borrowings, or (unless the liability arises in connection with an item already treated as Consolidated Debt) in respect of guarantees and indemnity for Borrowings, or in respect of guarantee and indemnity granted in respect of Borrowings of third parties, excluding financial guarantee for mortgage facilities for purchasers of properties of the Issuer and its Subsidiaries.

Consolidated Net Debt means the Consolidated Debt minus non-restricted cash and restricted cash.

Indebtedness means, with respect to any person or entity at any date of determination (without duplication), (i) all indebtedness of such person or entity for borrowed money, and (ii) all obligations of such person or entity evidenced by bonds, debentures, notes or other similar instruments, provided that, in the case of both (i) and (ii), such indebtedness or obligation, as the case may be, would appear as a liability upon a balance sheet of the specified person or entity prepared in accordance with the accounting principles applicable to it.

4.2 Provision of Information

For so long as any Bonds remains outstanding, the Issuer shall supply to the Bondholders a copy of the Compliance Certificate within 7 Business Days of the Issuer publishing its annual and semi-annual financial statements on the HKSE website.

In these Conditions:

Compliance Certificate means a certificate issued by the Issuer (i) signed by at least one director of the Issuer, (ii) setting out (in reasonable detail) computations as to compliance with the financial covenants in Condition 4 and (iii) confirming that No Event of Default (as defined in Condition 9) has occurred and is continuing;

PRC means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

Subsidiary means, in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

(b) more than half of the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or

(c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or control the composition of its board of directors or equivalent body;

US$ or ***USD*** means the official currency of the United States of America.

4.3 Maintenance of listing

(a) The Issuer will use best endeavours to maintain the listing of the Issuer on the HKSE for as long as any Bond is outstanding and pay all fees and supply any and all documents, information and undertakings and publish all announcements or other material that may be necessary or advisable for such purpose.

(b) The Issuer will use best endeavours to resume trading of shares in the Issuer on the HKSE for as long as any Bond is outstanding.

(c) The Issuer will use best endeavours to maintain the listing of the Bonds on the Singapore Exchange Security Trading Limited (SGX-ST) for so long as any Bond is outstanding and pay all fees and supply any and all documents, information and undertakings and publish all announcements or other material that may be necessary or advisable for such purpose.

4.4 Permitted Security Documents

On or after the first Issue Date and so long as any Bond is outstanding, the Issuer and/or any of its Subsidiaries may enter into any documents to create charges, liens, encumbrances or other security interests or third party rights or interests over the assets of the Issuer and/or any of its Subsidiaries (the ***Permitted Security Documents***) as security for any bonds or notes issued by the Issuer on or after the first Issue Date, provided that the Issuer and/or if Subsidiaries shall procure the holder(s) of such bonds or notes to execute an intercreditor agreement with the Bondholder (or its representative) so that the Bondholder be entitled to the benefits of the Permitted Security Documents as if it were a direct party thereto and rank *pari passu* with such holders of the bonds and notes thereunder.

5. INTEREST

Each Bond bears interest on its outstanding principal amount from and including its issue date at the rate of 15.0 per cent. per annum (the ***Interest Rate***), payable semi-annually in arrear on 16 July 2019 and 15 January 2020 (each an ***Interest Payment Date***). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven calendar days after the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed (the ***Day Count Fraction***). In these Conditions, the period beginning on and including the issue date of each Bond and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an ***Interest Period***.

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the ***Calculation Amount***). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If the Issuer fails to pay any amount due on the due date under these Conditions, interest shall accrue on the overdue amount from and including the initial due date to but excluding the date on which the payment of such overdue amount is made in full at a rate of 10 per cent. per annum above the Interest Rate calculated on the basis of Day Count Fraction.

In this Condition 5, the expression ***business day*** means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks and foreign exchange markets are generally open for business and settlement of USD payments in Hong Kong.

6. REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 January 2020 (the ***Maturity Date***). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Change of Control Event**: Following the occurrence of a Change of Control Event, the holder of any Bond will have the right (the ***Put Right***), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in this Condition 6(d)) at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Issuer set out in Condition 14 a duly completed and signed notice of redemption, in the form set out in Schedule 3 or such other form as may be determined by the Issuer, obtainable from the specified office of the Issuer (a ***Put Exercise Notice***) set out in Condition 14 by not later than 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 14.

(c) The ***Put Settlement Date*** shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

(d) A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

(e) Immediately after the Change of Control Event occurs or, if later, after the Issuer becomes aware of the Change of Control Event, the Issuer shall procure that notice regarding the Change of Control Event shall be delivered to the holders in writing (in accordance with Condition 15) (the ***Change of Control Notice***) stating:

(i) the Put Settlement Date;

(ii) the date of the occurrence of the Change of Control Event and, briefly, the events causing, as applicable, the Change of Control Event;

(iii) the date by which the Put Exercise Notice must be given;

(iv) the redemption amount;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Put Right;

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn; and

(viii) if the Issuer has determined that the Bondholders shall submit a notice different from the form of Put Exercise Notice set out in Schedule 3 to the Conditions, the form of notice which the Bondholders must submit.

In this Condition 6(e):

a ***Change of Control Event*** shall occur if Galaxy Earnest Limited ceases to be a "controlling shareholder" (as defined under the Listing Rules) of the Issuer.

control means:

(i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to, directly or indirectly:

(A) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the company;

(B) appoint or remove all, or the majority, of the directors or other equivalent officers of the company; or

(C) give directions with respect to the operating and financial policies of the company with which the directors or other equivalent officers of the company are obliged to comply; or

(ii) the holding beneficially of more than 50% of the issued capital of the company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(f) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6 and any Change of Control Notice given by the Issuer pursuant to Condition6(e)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(g) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) or 1.

(h) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer or its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7. PAYMENTS

(a) Method of Payment:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer to the registered account of the Bondholder.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the ***Record Date***). Payments of interest on each Bond shall be made in USD by transfer to the registered account of the Bondholder.

(iii) For the purposes of this Condition 7(a), a Bondholder's ***registered account*** means the USD account maintained by or on behalf of it with a bank that processes payments in USD, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.

(iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(c) **Payment Initiation**: Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Paying Agents and Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 14.

(e) **Delay in payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, ***Payment Business Day*** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of USD in Hong Kong, and the place where payment is to be made by transfer to an account maintained with a bank in USD and (if surrender of the relevant Certificate is required) the relevant place of presentation.

(g) **Singapore Agents**: For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the global certificate for the Bonds is exchanged for definitive certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the definitive certificates in respect of the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the global certificate for the Bonds is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000, to be traded in a single transaction, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

8. TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, Singapore, the Cayman Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If any deduction or withholding is required by law in any jurisdiction (including without limitation Hong Kong, Singapore, the Cayman Islands or the PRC), the Issuer shall pay such additional amounts (***Additional Tax Amounts***) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond under the following circumstances:

(a) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the applicable jurisdiction imposing the withholding or deduction; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

Relevant Date in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. EVENTS OF DEFAULT

If any of the following events (***Events of Default***) occurs, then any Bondholder may, by written notice to the Issuer at its address set out in Condition 14 declare any Bond held by it to be immediately due and payable whereupon the same shall immediately become due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind:

(a) Non-Payment:

There is a failure to pay the principal of or any premium or interest on any of the Bonds when due except where the failure to pay is caused by administrative or technical error and such payment is paid within five (5) Business Days from its due date; or

(b) Breach of financial and other covenants:

Any requirement of Condition 4 is not satisfied and is not remedied within thirty (30) days; or

(c) The breach of other obligations:

The Issuer breaches or does not comply with any provision of the Bonds (except for Conditions 9(a) and 9(b)) unless the non-compliance:

(i) is capable of remedy; and

(ii) is remedied within twenty-eight (28) days of the Issuer becoming aware of the failure to comply; or

(d) Cross default:

Any present or future indebtedness (whether actual or contingent) of the Issuer for or in respect of moneys borrowed or raised:

(i) becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or

(ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period or the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised.

No Event of Default will occur under this Condition 9(d) if the aggregate amount of the relevant indebtedness, guarantees and indemnities falling within paragraphs (i) and (ii) above is less than US$50,000,000 (or its equivalent in any other currency or currencies); or

(e) Insolvency of the Issuer:

(i) The Issuer is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on all or a material part of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to deferring, rescheduling or making other adjustments to all or a material part of its indebtedness; or

(ii) A moratorium is declared in respect of all or a material part of the indebtedness of the Issuer; or

(f) Insolvency proceedings:

(i) An order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations and except, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation whereby the undertaking and assets of the Issuer are transferred to or otherwise vested in the Issuer or the Issuer's other Subsidiaries; or

(ii) A liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer is appointed in respect of all or a material part of the assets of the Issuer and such appointment is not discharged within 14 days of commencement; or

(iii) The Issuer makes a general assignment or an arrangement or composition with or for the benefit of relevant creditors in respect of all or a material part of its debts.

(iv) This Condition 9(f) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement; or

(g) Creditors' process:

Any expropriation, attachment, sequestration, distress or execution affecting any material property, assets or revenues of the Issuer which would result in a Material Adverse Effect; or

(h) Unlawfulness:

It is or becomes unlawful for the Issuer to perform any of its obligations under the Transaction Documents; or

(i) Cessation of business:

The Issuer suspends or ceases to carry on all or a material part of its business (or the Group, taken as a whole, suspends or ceases to carry on all or a material part of its business); or

(j) Transaction Document:

Any Transaction Document becomes void, avoided, illegal, invalid, unenforceable or limited in its effect; or

(k) Appropriation:

A Governmental Agency compulsorily acquires all or a material part of the Issuer's assets; or

(l) Breach of laws and regulations:

Any breach of any laws, regulations or any rules governing the listing of securities to which the Issuer is bound and such breach is reasonably likely to have a Material Adverse Effect; or

(m) Change of constitutional documents

Any change is made to the constitutional documents of the Issuer which is reasonably likely to materially and adversely affect the rights of the Bondholders under the Transaction Documents; or

(n) Change of business:

The Group engages in or conducts any business which materially differs from the core business of the Group carried on as at the Issue Date without the prior approval of an Extraordinary Resolution; or

(o) Listing:

(i) The shares of the Issuer ceases to be listed on the HKSE.

(ii) The Bonds ceases to be listed on the SGX-ST.

In this Condition 9:

Group means the Issuer and its Subsidiaries from time to time.

Governmental Agency means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

Material Adverse Effect means a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Issuer, or the Group taken as a whole; (b) the ability of the Issuer to perform its obligations under the Transaction Documents to which it is a party; or (c) the validity or enforceability of these Conditions.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Registrar or any Transfer Agent for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders**: Schedule 1 to these Conditions contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if requested to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Bondholders holding (given there are more than one Bondholder) and representing a more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more Bondholders holding (given there are more than one Bondholder) and representing not less than 66 per cent., or at any adjourned meeting for a lack of quorum, not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

(b) **Modification of Agreements and Deeds**: The Issuer may, without the consent of the Bondholders, to (i) modify any of these Conditions that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of these Conditions that is in the opinion of the Issuer not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

13. RELEVANT ADDRESS IN HONG KONG

The address for the deposit of the Transfer Form, for presentation and surrender of any Certificate and for all such other purposes as are so specified in these Conditions will be Unit 8, 23/F, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong, or such other address in Hong Kong as may be notified by the Issuer to the Bondholder in writing pursuant to Condition 15 from time to time.

14. NOTICES

Notices to the holders of Bonds shall be validly given if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds.

16. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Bonds are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) **Jurisdiction**: The courts of Hong Kong are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (Proceedings) may be brought in the courts of Hong Kong. Each party irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process**: The address for service of process in respect of the Issuer in any Proceedings in Hong Kong shall be Unit 5–6, 7F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Issuer has appointed Central Dynamic Secretarial Limited to receive service of process in any Proceedings in Hong Kong. If for any reason such address changes, the Issuer shall provide a new address in Hong Kong or forthwith appoint an agent for service of process in Hong Kong.

(d) **Independence and Waiver of Immunity**: The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

Schedule 1
Provisions for meetings of Bondholders
Interpretation

1. In this Schedule:

1.1 references to a meeting are to a meeting of Bondholders and include, unless the context otherwise requires, any adjournment;

1.2 ***agent*** means a proxy or a representative;

1.3 ***Extraordinary Resolution*** means a resolution passed at a meeting duly convened by a majority of at least 75 per cent. of the votes cast; and

1.4 ***Written Resolution*** means a resolution in writing signed by the holders of not less than 90 per cent. in nominal amount of the Bonds outstanding;

1.5 references to persons representing a proportion of the Bonds are to Bondholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Bonds for the time being outstanding.

Appointment of proxy or representative

2. A proxy or representative may be appointed in the following circumstances:

2.1 A holder of Bonds may, by an instrument in writing in the English language (a ***form of proxy***) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Issuer not less than 48 hours before the time fixed for the relevant meeting, appoint one or more persons (each a ***proxy***) to act on his or its behalf in connection with any meeting of the Bondholders and any adjourned such meeting.

2.2 Any holder of Bonds which is a corporation may, by delivering to any Agent not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body in English, authorise any person to act as its representative (a ***representative***) in connection with any meeting of the Bondholders and any adjourned such meeting.

2.3 Any proxy appointed shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Bondholders, to be the holder of the Bonds to which such appointment relates and the holder of the Bonds shall be deemed for such purposes not to be the holder or owner, respectively.

Powers of meetings

3. A meeting shall, subject to the Conditions, have power by Extraordinary Resolution:

3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Issuer;

3.2 to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other entity;

3.3 to assent to any modification of the Bonds proposed by the Issuer;

3.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

3.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

3.6 to appoint any persons (whether Bondholders or not) as a committee or committees to represent the Bondholders' interests and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;

3.7 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Bonds; and

3.8 provided that the special quorum provisions in paragraph 10 shall apply to any Extraordinary Resolution (a ***special quorum resolution***) for the purpose of sub-paragraph 3.2 or sub-paragraph 3.8 or for the purpose of making a modification to the Bonds which would have the effect of:

(a) modifying the maturity of the Bonds or the dates on which interest is payable on them; or

(b) reducing or cancelling the principal amount of, any premium payable on redemption of, or interest on the Bonds; or

(c) changing the currency of payment of the Bonds; or

(d) modifying the provisions in this Schedule concerning the quorum required at a meeting or the majority required to pass an Extraordinary Resolution; or

(e) amending this proviso.

Convening a Meeting

4. The Issuer may at any time convene a meeting. If the Issuer receives a written request by Bondholders holding at least 10 per cent. in principal amount of the Bonds for the time being outstanding, the Issuer shall convene a meeting. Every meeting shall be held at a time and place approved by the Issuer.

5. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Bondholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and, unless the Issuer otherwise agrees, the nature of the resolutions to be proposed and shall explain how Bondholders may appoint proxies or representatives and the details of the time limits applicable.

Chairman

6. The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes from the time fixed for the meeting, the Bondholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman.

7. The chairman may, but need not, be a Bondholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

8. The following may attend and speak at a meeting:

   8.1 Bondholders and agents;

   8.2 the chairman; and

   8.3 the Issuer (through its representatives) and their respective financial and legal advisers.

   No one else may attend or speak.

Quorum and Adjournment

9. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Bondholders or if the Issuer agrees, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

10. Two or more Bondholders or agents present in person or by proxy shall be a quorum:

10.1 in the cases marked No minimum proportion in the table below, whatever the proportion of the Bonds which they represent; and

10.2 in any other case, only if they represent the proportion of the Bonds shown by the table below.

Column 1	**Column 2**	**Column 3**
Purpose of meeting	Any meeting except one referred to in column 3	Meeting previously adjourned through want of a quorum
	Required proportion	Required proportion
To pass a special quorum resolution	66 per cent.	33 per cent.
To pass any other Extraordinary Resolution	More than 50 per cent.	No minimum proportion
Any other purpose	10 per cent.	No minimum proportion

The holder of a Certificate shall (unless such Certificate represents only one Bond) be treated as two persons for the purposes of an quorum requirements of a meeting of Bondholders.

11. The chairman may, with the consent of (and shall if directed by) a meeting, adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph 11 or paragraph 9.

12. At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

Voting

13. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman or one or more persons representing 2 per cent. of the Bonds.

14. Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

15. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

16. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

17. On a show of hands, every person who is present in person and who produces a Bond or is a proxy has one vote. On a poll, every such person has one vote for US$1,000 in principal amount of Bonds so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

18. In case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

Effect and Publication of an Extraordinary Resolution

19. An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

20. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved, every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

British Virgin Islands

Companies incorporated under the BVI BC Act (or, in the case of former BVI international business companies, re-registered or deemed to have re-registered under the BVI BC Act) are exempt from all provisions of the BVI's Income Tax Act.

All dividends, interest, rents, royalties, compensations and other amounts paid by such BVI companies to persons who are not resident in the BVI, and capital gains realised with respect to any shares, debt obligations or other securities of such companies by persons who are not resident in the BVI, are exempt from the provisions of the BVI's Income Tax Act. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of such BVI companies.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or interest in respect of the Bonds.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Bonds where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

SUBSCRIPTION AND SALE

The following section contains the selling restrictions on the offer of the Bonds and the distribution of offering materials in various jurisdictions.

GENERAL

This offering circular do not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Bonds in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been taken or will be taken under the requirements of the legislation or regulation of, or of the legal regulatory requirements of, any jurisdiction to permit an offering of the Bonds to occur in any jurisdiction, or the possession, circulation, or distribution of this offering circular, its accompanying documents (if any) or any other material relating to the Company or the Bonds in any jurisdiction where action for such purpose is required, except that this offering circular has been lodged with the SGX-ST.

Accordingly, the Bonds may not be delivered, offered or sold, directly or indirectly, and none of this offering circular, its accompanying documents (if any) or any offering materials or advertisements in connection with the Bonds may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Investors are advised to consult their legal advisers prior to applying for the Bonds or making any offer, sale, resale or other transfer of the Bonds. Each person who purchases the Bonds shall do so in accordance with the securities regulations in each jurisdiction applicable to it.

No action is being taken or is contemplated by us that would permit a public offering of the Bonds or possession or distribution of any offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Bonds in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

This offering circular and/or its accompanying documents (if any) are made available to investors solely for their information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act in accordance with applicable law.

UNITED KINGDOM

This offering circular is only being distributed in the United Kingdom to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

SINGAPORE

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in the SFA) under Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person specified in Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B of the SFA), the Company has determined the classification of the Bonds as prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

HONG KONG

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and, accordingly, will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

CAYMAN ISLANDS

No Bonds will be offered to the public or sold in the Cayman Islands.

SWITZERLAND

This document is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland. Neither this offering circular or any other offering or marketing material relating to the offering, nor the Issuer have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (FINMA), and investors in the Bonds will not benefit from protection or supervision by such authority.

PRC

This offering circular does not constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

EUROPEAN ECONOMIC AREA

This document is not a prospectus for the purposes of the Prospectus Directive (defined below).

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (as defined below) (each, a "Relevant Member State") with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Bonds which are the subject of the offering contemplated by this offering circular, may not be made in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive, as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Placing Agent for any such offer; or

(c) in any other circumstances fully within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Bonds to be offered so as to enable an investor to decide to purchase any Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression.

"Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Any person making or intending to make any offer of Bonds within the EEA should only do so in circumstances in which no obligation arises for us or the Placing Agent to produce a prospectus for such offer. Neither we nor the Placing Agent have authorized, nor do they authorize, the making of any offer of Bonds through any financial intermediary, other than offers made by the Placing Agent which constitute the final offering of Bonds contemplated in this offering circular.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Bonds.

By purchasing the Bonds, you will be deemed to have made the following acknowledgements, representations to, and agreements with us and the Placing Agent:

1. You understand and acknowledge that the Bonds have not been and will not be registered under the Securities Act or any other applicable securities laws; the Bonds are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; the Bonds are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and unless so registered, the Bonds may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and you are purchasing the Bonds in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Placing Agent have made any representation to you with respect to us or the offering of the Bonds, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the Bonds. You agree that you have had access to such financial and other information concerning us and the Bonds as you have deemed necessary in connection with your decision to purchase the Bonds including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Bonds in violation of the Securities Act.

5. You acknowledge that we, the Placing Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Bonds is no longer accurate, you will promptly notify us and the Placing Agent. If you are purchasing any Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

6. You agree that you will inform each person to whom you transfer the Bonds of any restrictions on transfer of such Bonds.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Paul Hastings as to matters of Hong Kong law.

AUDITOR

Our audited financial statements as of and for the years ended 31 December 2013 and 2014 included in this offering circular have been audited by PricewaterhouseCoopers, certified public accountants, as stated in their reports appearing herein.

With respect to the unaudited financial information as of and for the year ended 31 December 2015 reproduced in this offering circular, PricewaterhouseCoopers has not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion because of the significance of the matters described in the Basis for Disclaimer of Opinion, see "Summary — Recent Developments — Suspension of Trading". Accordingly, they do not express an audit opinion on the consolidated financial statements. In other respects, in their opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

CONSENTS

We have obtained all necessary consents, approvals and authorisations in the Cayman Islands and Hong Kong in connection with the issue and performance of the Bonds. The issue of the Bonds have been authorised by a resolution passed at a meeting of our board of directors held on 7 January 2019.

DOCUMENTS AVAILABLE

For so long as any of the Bonds are outstanding, copies of the Placing Agreement governing the Bonds may be inspected free of charge during normal business hours on any weekday (except public holidays) at our office.

For so long as any of the Bonds are outstanding, copies of our audited financial statements for the financial years ended 31 December 2013 and 2014 and the unaudited financial statements for the financial year ended 31 December 2015 may be obtained during normal business hours on any weekday (except public holidays) at our office.

LISTING OF THE BONDS

Application will be made for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for the Bond is in definitive form, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000, to be traded in a single transaction, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

CLEARING SYSTEM

The Bonds will be lodged with and cleared through the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU Operator. The CMU instrument number, ISIN and the Common Code of the Bonds are HTISFB19001, HK0000474301 and 193665306, respectively.

INDEX TO FINANCIAL INFORMATION

Audited consolidated financial statements as of and for the year ended 31 December 2013

Audited consolidated financial statements as of and for the year ended 31 December 2014

Unaudited consolidated financial statements as of and for the year ended 31 December 2015

The following attached consolidated financial statements of the Company are derived from the Company's annual reports for the years ended 31 December 2013 and 2014. The unaudited consolidated financial statements for the year ended 31 December 2015 are derived from the Company's announcement dated 31 March 2016 uploaded to the website of HKSE, which have different page numbering than those used in this offering circular.

The page references included in the auditor's reports refer to pages set out in the Company's relevant annual reports and announcement and not in this offering circular.

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 57 to 177, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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.

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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 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2014

Consolidated Balance Sheet

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,521,738**	519,046
Investment properties	7	**8,704,268**	7,952,701
Land use rights	9	**155,829**	37,191
Intangible assets	10	**7,177**	7,184
Associated companies	12	**210,435**	170,749
Joint ventures	13	**264,895**	218,459
Deferred income tax assets	26	**414,044**	427,308
Available-for-sale financial assets	19	**20,000**	—
Amounts due from non-controlling interests	17	**265,000**	—
Other receivables	15	**13,589**	12,961
Other non-current assets	8	**2,245,062**	3,640,277
		13,822,037	12,985,876
Current assets			
Land use rights	9	**6,783,714**	4,736,660
Properties under development	11	**4,132,947**	3,926,069
Completed properties held for sale	14	**6,296,805**	7,323,116
Inventories		**6,834**	9,724
Trade and other receivables and prepayments	15	**1,447,959**	1,159,414
Prepaid income taxes		**230,992**	163,281
Amounts due from related parties	16	**53,879**	17,968
Amounts due from non-controlling interests	17	**496,620**	853,500
Restricted cash	18	**1,128,500**	458,404
Cash and cash equivalents	18	**971,184**	680,079
		21,549,434	19,328,215
Total assets		**35,371,471**	32,314,091
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**536,281**	536,281
Reserves	22	**9,717,806**	8,332,506
		10,254,087	8,868,787
Non-controlling interests in equity		**988,671**	972,158
Total equity		**11,242,758**	9,840,945

The notes on pages 66 to 177 are an integral part of these financial statements.

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	23	**1,515,479**	1,666,423
Borrowings	24	**2,031,671**	1,540,560
Deferred income tax liabilities	26	**1,949,336**	1,753,811
		5,496,486	4,960,794
Current liabilities			
Trade and other payables	27	**6,670,142**	6,839,950
Advanced proceeds received from customers		**2,775,825**	2,657,573
Amounts due to related parties	28	**348,209**	130,549
Amounts due to non-controlling interests	17	**160,564**	96,374
Income tax payable		**2,017,813**	1,815,331
Borrowings	24	**6,609,730**	5,647,275
Derivative financial instruments	25	**46,230**	310,283
Provision for other liabilities and charges	29	**3,714**	15,017
		18,632,227	17,512,352
Total liabilities		**24,128,713**	22,473,146
Total equity and liabilities		**35,371,471**	32,314,091
Net current assets		**2,917,207**	1,815,863
Total assets less current liabilities		**16,739,244**	14,801,739

The notes on pages 66 to 177 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Balance Sheet of the Company

As at 31 December 2013

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**4,209,080**	4,224,124
Current assets			
Amounts due from related parties	16	**1**	1
Cash and cash equivalents	18	**203,513**	3,670
		203,514	3,671
Total assets		**4,412,594**	4,227,795
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**536,281**	536,281
Reserves	22	**449,230**	634,925
Total equity		**985,511**	1,171,206
LIABILITIES			
Non-current liabilities			
Borrowings	24	**599,052**	—
Current liabilities			
Trade and other payables	27	**614**	—
Amounts due to related parties	28	**39,312**	113,519
Borrowings	24	**2,741,875**	2,632,787
Derivative financial instruments	25	**46,230**	310,283
		2,828,031	3,056,589
Total liabilities		**3,427,083**	3,056,589
Total equity and liabilities		**4,412,594**	4,227,795
Net current liabilities		**(2,624,517)**	(3,052,918)
Total assets less current liabilities		**1,584,563**	1,171,206

The notes on pages 66 to 177 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenues	5	**6,269,093**	3,741,096
Cost of sales	31	**(4,067,469)**	(2,549,993)
Gross profit		**2,201,624**	1,191,103
Fair value gains on investment properties	7	**453,396**	624,629
Fair value gains on derivative financial instruments	3(e)	**88,931**	340,932
Other gains	30	**378,674**	1,031,471
Selling and marketing costs	31	**(178,541)**	(139,251)
Administrative expenses	31	**(330,084)**	(286,685)
Other operating expenses	31	**(33,438)**	(19,992)
Operating profit		**2,580,562**	2,742,207
Finance income	32	**15,921**	21,726
Finance costs	32	**(283,031)**	(206,638)
Finance costs — net	32	**(267,110)**	(184,912)
Share of results of			
— Associated companies	12	**(6,946)**	(8,269)
— Joint ventures	13	**(3,564)**	(3,257)
		(10,510)	(11,526)
Profit before income tax		**2,302,942**	2,545,769
Income tax expense	34	**(926,628)**	(786,481)
Profit for the year		**1,376,314**	1,759,288
Attributable to:			
Equity holders of the Company		**1,399,229**	1,764,745
Non-controlling interests		**(22,915)**	(5,457)
		1,376,314	1,759,288
Earnings per share for profit attributable to equity holders of the Company			
(RMB cents)	36		
— Basic		**23.0**	29.0
— Diluted		**18.9**	20.4
Dividends	35	**—**	—

The notes on pages 66 to 177 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Profit for the year	**1,376,314**	1,759,288
Other comprehensive loss, which may be reclassified subsequently to profit or loss		
— Currency translation differences	**(13,929)**	(7,671)
Total comprehensive income for the year	**1,362,385**	1,751,617
Attributable to:		
Equity holders of the Company	**1,385,300**	1,757,074
Non-controlling interests	**(22,915)**	(5,457)
	1,362,385	1,751,617

The notes on pages 66 to 177 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)	Non-controlling interests RMB'000	Total RMB'000
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**

	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	533,843	6,471,880	264,106	7,269,829
Comprehensive income/(loss)				
Profit for the year	—	1,764,745	(5,457)	1,759,288
Other comprehensive loss				
— Currency translation differences	—	(7,671)	—	(7,671)
Total comprehensive income for the year	—	1,757,074	(5,457)	1,751,617
Transactions with owners				
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	2,438	77,642	—	80,080
Capital injection to a subsidiary by non-controlling interests	—	—	1	1
Dividends relating to 2011	—	(247,821)	—	(247,821)
	2,438	(170,179)	1	(167,740)
Acquisition of a subsidiary	—	—	19,110	19,110
Change in ownership interest in a subsidiary without loss of control	—	273,731	694,398	968,129
	2,438	103,552	713,509	819,499
Balance at 31 December 2012	536,281	8,332,506	972,158	9,840,945

The notes on pages 66 to 177 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Operating activities			
Net cash generated from operations	37	**576,869**	448,386
Interest received		**15,294**	21,006
Interest paid		**(576,422)**	(487,940)
PRC enterprise income tax paid		**(296,819)**	(319,228)
PRC land appreciation tax paid		**(204,638)**	(130,256)
Net cash used in operating activities		**(485,716)**	(468,032)
Investing activities			
Additions of property, plant and equipment and investment properties		**(227,846)**	(102,868)
Net cash advances received from/(made to) related parties		**3,000**	(3,000)
Net cash advances made to third parties		**(176,371)**	(104,753)
Cash received in connection with the disposal of partial interest in a subsidiary without loss of control		**24,080**	200,000
Acquisition of subsidiaries, net of cash acquired		**(84,450)**	(3,950)
Advances to a joint venture		**(50,000)**	(42,000)
Advances to associated companies		**(40,561)**	(6,904)
Capital injection to associated companies		**(60,561)**	(103,000)
Proceeds from sale of investment properties		**178,426**	—
Addition of available-for-sale financial assets	19	**(20,000)**	—
Payments for acquisition of additional interest in a subsidiary		**—**	(20,000)
Net cash used in investing activities		**(454,283)**	(186,475)

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Financing activities			
Drawdown of borrowings		**4,707,437**	2,688,160
Repayments of borrowings		**(3,545,927)**	(2,192,712)
Net cash advances received from non-controlling interests		**3,990**	4,900
Net cash advances received from related parties		**34,623**	99,422
Net cash advances received from a joint venture		**185,288**	—
Net cash advances received from an associated company		**600**	—
Net cash advances received from third parties		**544,857**	468,719
Dividends paid		**—**	(247,242)
Increase in restricted cash relating to financing activities		**(710,500)**	—
Capital contribution from non-controlling interests		**31,428**	1
Net cash generated from financing activities		**1,251,796**	821,248
Effect of foreign exchange rate changes on cash		**(5,159)**	273
Net increase in cash, cash equivalents and bank overdrafts		**306,638**	167,014
Cash, cash equivalents and bank overdrafts at beginning of the year		**664,546**	497,532
Cash, cash equivalents and bank overdrafts at end of the year	18	**971,184**	664,546

The notes on pages 66 to 177 are an integral part of these 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New/revised standards and amendments adopted by the Group in 2013

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2013 and are relevant to the Group's operations.

- HKAS 1 (Amendment) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012). The main change resulting from the amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.

- HKFRS 7 (Amendment) "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013). The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKAS 27 (Revised 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013). The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New/revised standards and amendments adopted by the Group in 2013 (continued)

- HKAS 28 (Revised 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013). The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

- HKFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- HKFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

- HKFRSs 10, 11 and 12 (Amendments) "Transition Guidance" (effective for annual periods beginning on or after 1 January 2013). These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

- Annual improvements 2011 — These annual improvements address six issues in the 2009-2011 reporting cycle. They include changes to the following standards which are relevant to the Group's operations:

  HKAS 1 "Presentation of Financial Statements"

  HKAS 16 "Property, Plant and Equipment"

  HKAS 32 "Financial Instruments: Presentation"

  HKAS 34 "Interim Financial Reporting"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New/revised standards and amendments adopted by the Group in 2013 (continued)

The adoption of the above new/revised standards and amendments to existing standards in 2013 does not have any significant impact on the Group's consolidated financial statements. Jointly controlled entities of the Group continue to be equity accounted for and are now called joint ventures. Jointly controlled assets continue to be accounted for on a line-by-line basis based on the Group's share of the assets, liabilities, revenue and expenses and are now called joint operations.

(ii) New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 and have not been early adopted by the Group

Certain new/revised standards, amendments and interpretation of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2013 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 32 (Amendment) "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments on the balance sheet: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.

- HKFRS 9 "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2015). The standard is the first step in the process to replace HKAS 39. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial assets and financial liabilities. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 and have not been early adopted by the Group (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 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 and 2013 — These annual improvements address certain issues in the 2010–2012 reporting cycle and the 2011–2013 reporting cycle (effective for annual periods beginning on or after 1 July 2014). They include changes to the following standards which are relevant to the Group's operations:

  HKFRS 3 "Business Combinations"

  HKFRS 8 "Operating Segments"

  HKAS 16 "Property, Plant and Equipment"

  HKAS 38 "Intangible Assets"

  HKFRS 13 "Fair Value Measurement"

  HKAS 40 "Investment Property"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments and interpretation of HKFRSs that have been issued but are not effective in 2013 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 and interpretation that have been issued but are not effective in 2013. The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretation and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

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)).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets — goodwill (continued)

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.

(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. Dividends on available-for-sale financial assets 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Convertible bonds (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax (continued)

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 collectibility 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.

(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 collectibility is reasonably assured.

(iii) Hotel operating income

Hotel operating income is recognised when the services are rendered.

(iv) 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.

(v) Decoration services

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

(vi) 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.

(vii) 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") and United States dollar ("US dollar").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances, certain amounts due to 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 2013, if RMB had strengthened/weakened by 5% against HK dollar with all variables held constant, the post-tax profit for the year would have been RMB157,831,000 higher/lower (2012: RMB153,691,000 higher/lower), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits, amounts due from/to non-controlling interests, related parties and a third party, certain borrowings and derivative financial instruments.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against US dollar with all variables held constant, the post-tax profit for the year would have been RMB37,527,000 higher/lower (2012: RMB608,000), mainly as a result of net foreign currency losses/gains on translation of US dollar denominated bank deposits and certain borrowings.

(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), 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.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

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

As at 31 December 2013, if interest rates on bank 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 RMB4,456,000 (2012: RMB3,643,000) 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 2013.

		As at 31 December	
		2013	2012
Counter party	**Rating** (note)	**RMB'000**	RMB'000
Bank A	A	**881,007**	403,786
Bank B	A	**377,728**	139,639
Bank C	AA–	**203,282**	1,378
Bank D	A–	**201,795**	951
Bank E	A	**166,754**	195,925
		1,830,566	741,679

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

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.

3 FINANCIAL RISK MANAGEMENT (continued)

(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 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**
As at 31 December 2012					
Borrowings	6,002,667	334,120	1,007,630	198,810	7,543,227
Interest payments on borrowings (note)	433,656	371,012	518,932	77,177	1,400,777
Trade and other payables	6,839,950	—	—	—	6,839,950
Amounts due to related parties	130,549	—	—	—	130,549
Amounts due to non-controlling interests	96,374	—	—	—	96,374
Financial guarantees	3,080,495	—	—	—	3,080,495
	16,583,691	705,132	1,526,562	275,987	19,091,372

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2013 and 2012 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 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 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**
At 31 December 2012					
Borrowings	2,988,177	—	—	—	2,988,177
Interest payments on borrowings (note)	129,919	—	—	—	129,919
Amounts due to related parties	113,519	—	—	—	113,519
	3,231,615	—	—	—	3,231,615

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2013 and 2012 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2013 and 2012 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

(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.

The gearing ratios at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Borrowings and derivative financial instruments	**8,687,631**	7,498,118
Less: Cash and cash equivalents	**(971,184)**	(680,079)
Net debt	**7,716,447**	6,818,039
Total equity	**11,242,758**	9,840,945
Total capital	**18,959,205**	16,658,984
Gearing ratio	**40.7%**	40.9%

3 FINANCIAL RISK MANAGEMENT (continued)

(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 2013. See Note 7 for disclosures of the investment properties that are measured at fair value.

	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**

The following table presents the Group's liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	310,283	310,283

(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.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

(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.

(iii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Available-for-sale financial assets 2013 RMB'000
Opening balance	—
Addition	**20,000**
Closing balance	**20,000**
Total gains or losses for the year included in profit or loss for available-for-sale financial assets at the end of the reporting period	—

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

(iii) Financial instruments in level 3 (continued)

	Derivative financial instruments	
	2013	2012
	RMB'000	RMB'000
Opening balance	**310,283**	670,344
Conversion of convertible bonds	**—**	(19,129)
Repurchase of convertible bonds	**(11,035)**	—
Redemption of convertible bonds	**(164,087)**	—
Gains recognised in profit or loss	**(88,931)**	(340,932)
Closing balance	**46,230**	310,283
Total gains for the year included in profit or loss for derivative financial liabilities at the end of the reporting period	**(88,931)**	(340,932)

(f) Financial instruments by category

Group

	As at 31 December	
	2013	2012
Assets as per balance sheet	**RMB'000**	RMB'000
Loans and receivables		
Trade and other receivables	**1,035,089**	789,395
Amounts due from related parties	**53,879**	17,968
Amounts due from non-controlling interests	**761,620**	853,500
Restricted cash	**1,128,500**	458,404
Cash and cash equivalents	**971,184**	680,079
	3,950,272	2,799,346
Available-for-sale financial assets	**20,000**	—
Total	**3,970,272**	2,799,346

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

Group (continued)

Liabilities as per balance sheet	**As at 31 December 2013** Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2012 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	**—**	**8,641,401**	**8,641,401**	—	7,187,835	7,187,835
Trade and other payables (excluding other taxes payable)	**—**	**6,456,140**	**6,456,140**	—	6,685,376	6,685,376
Derivative financial instruments	**46,230**	**—**	**46,230**	310,283	—	310,283
Amounts due to related parties	**—**	**348,209**	**348,209**	—	130,549	130,549
Amounts due to non-controlling interests	**—**	**160,564**	**160,564**	—	96,374	96,374
Total	**46,230**	**15,606,314**	**15,652,544**	310,283	14,100,134	14,410,417

Company

Assets as per balance sheet	As at 31 December **2013** RMB'000	2012 RMB'000
Loans and receivables		
Amounts due from related parties	**1**	1
Cash and cash equivalents	**203,513**	3,670
Total	**203,514**	3,671

Liabilities as per balance sheet	**As at 31 December 2013** Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2012 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	**—**	**3,340,927**	**3,340,927**	—	2,632,787	2,632,787
Other payables	**—**	**614**	**614**	—	—	—
Amounts due to related parties	**—**	**39,312**	**39,312**	—	113,519	113,519
Derivative financial instruments	**46,230**	**—**	**46,230**	310,283	—	310,283
Total	**46,230**	**3,380,853**	**3,427,083**	310,283	2,746,306	3,056,589

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.

(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 2013 and the post-tax profit for the year would have been approximately RMB12,906,000 (2012: RMB31,374,000) and RMB19,579,000 (2012: RMB63,485,000) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

On 22 March 2011, the Group filed an application for additional counterclaims to Xiamen Arbitration Commission aiming to clarify certain outstanding issues of the rulings, including (1) confirmation of the nature of cooperation under the Master Agreement, and the ruling that Baolong shall allocate the properties based on the principles of the Master Agreement, and deposit 30% of related taxes before applying for change of registration of the titles; (2) confirmation that the Group's obligation is to submit the required information in assisting the title transfer; (3) ruling for Baolong to bear the losses in all related taxes arising from early allocation of the properties; and (4) ruling for Baolong not to transfer, mortgage or change the operation status of the allocated properties. The counterclaims are still pending 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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

5 REVENUES AND SEGMENT INFORMATION (continued)

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.

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 and prepaid income taxes.

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	
	2013	2012
	RMB'000	RMB'000
Sale of properties		
— commercial	**2,014,641**	711,070
— residential	**3,828,986**	2,767,252
	5,843,627	3,478,322
Hotel operating income	**80,554**	49,422
Rental income		
— from investment properties	**306,859**	186,629
— others	**10,460**	7,564
Property management fee income	**27,593**	19,159
	6,269,093	3,741,096

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information

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**

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2012 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	711,070	2,767,252	50,011	213,352	—	—	3,741,685
Inter-segment revenues	—	—	(589)	—	—	—	(589)
Revenues	711,070	2,767,252	49,422	213,352	—	—	3,741,096
Operating profit/(loss)	308,903	1,428,353	(45,813)	731,714	319,050	—	2,742,207
Finance costs — net							(184,912)
Share of results of associated companies	(1,114)	(7,155)	—	—	—	—	(8,269)
Share of results of joint ventures	(870)	(2,382)	—	(5)	—	—	(3,257)
Profit before income tax							2,545,769
Income tax expense							(786,481)
Profit for the year							1,759,288
Other segment information							
Capital and property development expenditure	1,903,506	3,065,690	234,409	205,578	—	—	5,409,183
Depreciation	2,964	11,854	17,020	396	3,982	—	36,216
Amortisation of land use rights as expenses	5,663	1,578	—	—	—	—	7,241
Fair value gains on investment properties	—	—	—	624,629	—	—	624,629
Fair value gains on derivative financial instruments	—	—	—	—	340,932	—	340,932
Gain from disposal of a joint venture	—	1,026,694	—	—	—	—	1,026,694
Impairment of goodwill recognised as expenses	—	36	—	—	—	—	36

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2012 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	16,875,499	13,760,312	972,394	6,807,113	6,710,930	(13,791,954)	31,334,294
Associated companies	101,886	68,863	—	—	—	—	170,749
Joint ventures	57,759	158,211	—	2,489	—	—	218,459
	17,035,144	13,987,386	972,394	6,809,602	6,710,930	(13,791,954)	31,723,502
Unallocated:							
Deferred income tax assets							427,308
Prepaid income taxes							163,281
Total assets							32,314,091
Segment liabilities	7,957,016	8,152,591	354,575	708,435	8,025,223	(13,791,954)	11,405,886
Unallocated:							
Deferred income tax liabilities							1,753,811
Borrowings							7,187,835
Derivative financial instruments							310,283
Income tax payable							1,815,331
Total liabilities							22,473,146

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 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

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 2012	129,366	98,419	6,613	35,707	78,016	74,260	422,381
Acquisition of a subsidiary	—	—	—	149	916	—	1,065
Additions	143,690	—	2,998	12,362	52	—	159,102
Transfer from completed properties held for sale	—	70,336	—	—	—	—	70,336
Amortisation of land use rights	57	—	—	—	—	—	57
Disposals	—	—	—	(20)	—	—	(20)
Transfer upon completion	(273,113)	227,042	—	—	—	46,071	—
As at 31 December 2012	—	395,797	9,611	48,198	78,984	120,331	652,921
Accumulated depreciation							
As at 1 January 2012	—	(33,737)	(6,237)	(16,720)	(36,024)	(4,953)	(97,671)
Charge for the year	—	(15,995)	(344)	(6,053)	(10,764)	(3,060)	(36,216)
Disposals	—	—	—	12	—	—	12
As at 31 December 2012	—	(49,732)	(6,581)	(22,761)	(46,788)	(8,013)	(133,875)
Net book value							
As at 31 December 2012	—	346,065	3,030	25,437	32,196	112,318	519,046

Depreciation of property, plant and equipment of RMB49,127,000 (2012: RMB36,216,000) has been charged to the consolidated income statement.

As at 31 December 2013, certain buildings of RMB315,599,000 (2012: RMB110,814,000) 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 2013 (2012: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**7,952,701**	6,847,156
Additions	**163,147**	198,025
Transfer from land use rights (Note 9)	**223,151**	16,741
Transfer from deferred government grants (Note 23)	**(123,563)**	—
Transfer from completed properties held for sale	**172,436**	291,505
Fair value gains	**453,396**	624,629
Disposals	**(137,000)**	(25,355)
Ending balance	**8,704,268**	7,952,701

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 RMB170,000,000 as at 31 December 2013 (2012: RMB680,000,000).

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	**8,704,268**	7,952,701

As at 31 December 2013, investment properties of RMB3,849,948,000 (2012:RMB3,844,390,000) 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 2013 using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (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.

Fair value measurements using significant unobservable inputs (Level 3)

	Completed investment properties	Investment properties under development	Total
	RMB'000	RMB'000	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 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.

7 INVESTMENT PROPERTIES — GROUP (continued)

Valuation techniques (continued)

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.

Information about fair value measurements using significant unobservable inputs (Level 3) for the year ended 31 December 2013

Description	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Income capitalisation approach	Rental value	RMB20–303 per month per square meter	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	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 meter	The higher the direct comparison value, the higher the fair value
		Estimated profit margin required to hold and develop property to completion	20% of property value	The higher the profit margin required, the lower the fair value

7 INVESTMENT PROPERTIES — GROUP (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) for the year ended 31 December 2013 (continued)

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	
	2013	2012
	RMB'000	RMB'000
Prepayments or deposits for land use rights (note (a))	**2,120,092**	3,513,027
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))	**91,970**	94,250
	2,245,062	3,640,277

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.

(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 2013.

(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 RMB151,692,000 as at 31 December 2013 (2012: RMB155,287,000) 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	
	2013	2012
	RMB'000	RMB'000
Opening balance	**4,773,851**	3,723,768
Additions	**3,376,193**	1,533,084
Amortisation		
— capitalised in property, plant and equipment	**—**	(57)
— capitalised in properties under development	**(108,774)**	(78,711)
— recognised as expenses	**(6,424)**	(7,241)
Transfer to cost of sales	**(872,152)**	(380,251)
Transfer to investment property (Note 7)	**(223,151)**	(16,741)
Ending balance	**6,939,543**	4,773,851
Land use rights		
— relating to property, plant and equipment under non-current assets	**155,829**	37,191
— relating to properties developed for sale under current assets	**6,783,714**	4,736,660
	6,939,543	4,773,851
Outside Hong Kong, held on leases of:		
Over 50 years	**2,797,999**	1,967,036
Between 10 to 50 years	**4,141,544**	2,806,815
	6,939,543	4,773,851

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

Amortisation of land use rights of RMB6,424,000 (2012: RMB7,241,000) has been charged to the administrative expenses.

As at 31 December 2013, land use rights of RMB2,572,355,000 (2012: RMB1,774,478,000) 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	
	2013	2012
	RMB'000	RMB'000
Opening balance	**7,184**	7,220
Impairment of goodwill recognised as expenses (note)	**(7)**	(36)
Ending balance	**7,177**	7,184

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	
	2013	2012
	RMB'000	RMB'000
Property development	**7,177**	7,184

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	
	2013	2012
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**3,280,837**	3,489,103
Interest capitalised	**852,110**	436,966
	4,132,947	3,926,069

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest capitalised		
Opening balance	**436,966**	302,922
Additions (Note 32)	**565,507**	512,018
Transfer to cost of sales	**(90,127)**	(101,426)
Transfer to completed properties held for sale	**(61,066)**	(265,984)
Transfer to investment properties	**830**	(10,564)
Ending balance	**852,110**	436,966

The properties under development are all located in the PRC.

As at 31 December 2013, properties under development of RMB498,144,000 (2012: RMB491,305,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 9.31% for the year ended 31 December 2013 (2012: 10.24%)

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 Ke Rui Real Estate Company Limited ("Shimao Ke Rui"), an unlisted entity incorporated in the PRC at a cash consideration of RMB103,000,000.

12 ASSOCIATED COMPANIES — GROUP (continued)

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).

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**170,749**	83,689
Additions	**60,561**	103,000
Share of results		
— Loss for the year	**(6,946)**	(8,269)
Share of other comprehensive loss		
— Exchange differences	**(13,929)**	(7,671)
Ending balance	**210,435**	170,749

Nature of investments in associated companies in 2013 and 2012

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

The following amounts represent the Group's share of assets (including goodwill) and liabilities, and results of the associated companies.

	Eagle Rights As at 31 December		Shimao Ke Rui As at 31 December		Mingfa Tongxin As at 31 December		Total As at 31 December	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
Non-current assets	**25,785**	33,856	**88**	181	**153**	—	**26,026**	34,037
Current assets	**33,948**	42,909	**157,377**	119,479	**63,381**	—	**254,706**	162,388
	59,733	76,765	**157,465**	119,660	**63,534**	—	**280,732**	196,425
Liabilities								
Current liabilities	**(10,099)**	(7,902)	**(56,713)**	(17,774)	**(3,485)**	—	**(70,297)**	(25,676)
Net assets	**49,634**	68,863	**100,752**	101,886	**60,049**	—	**210,435**	170,749

12 ASSOCIATED COMPANIES — GROUP (continued)

	Eagle Rights Year ended 31 December		Shimao Ke Rui Year ended 31 December		Mingfa Tongxin Year ended 31 December		Total Year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**6,524**	8,435	**—**	—	**—**	—	**6,524**	8,435
Expenses	**(11,824)**	(15,590)	**(1,134)**	(1,114)	**(512)**	—	**(13,470)**	(16,704)
Loss after tax	**(5,300)**	(7,155)	**(1,134)**	(1,114)	**(512)**	—	**(6,946)**	(8,269)
Exchange differences	**(13,929)**	(7,671)	**—**	—	**—**	—	**(13,929)**	(7,671)
Total comprehensive loss	**(19,229)**	(14,826)	**(1,134)**	(1,114)	**(512)**	—	**(20,875)**	(15,940)

There are no contingent liabilities relating to the Group's interests in the associated companies.

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.

13 JOINT ARRANGEMENTS — GROUP

(a) Joint ventures

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**218,459**	179,716
Share of results		
— Loss for the year	**(3,564)**	(3,257)
Advances to a joint venture (note (a))	**50,000**	42,000
Ending balance	**264,895**	218,459

Note:

(a) 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") 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 (2012: RMB42,000,000) to the joint venture for property development.

13 JOINT ARRANGEMENTS — GROUP (continued)

(a) Joint ventures (continued)

Nature of investments in joint ventures in 2013 and 2012

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

The following amounts represent the Group's 50% share of the assets (including goodwill) and liabilities, and results of the joint ventures.

	Quanzhou Huachang As at 31 December		**Mingsheng Quanzhou As at 31 December**		**Total As at 31 December**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Non-current assets	**522**	714	**—**	—	**522**	714
Current assets	**399,560**	282,379	**2,495**	2,492	**402,055**	284,871
	400,082	283,093	**2,495**	2,492	**402,577**	285,585
Liabilities						
Current liabilities	**(137,676)**	(67,123)	**(6)**	(3)	**(137,682)**	(67,126)
Net assets	**262,406**	215,970	**2,489**	2,489	**264,895**	218,459

	Quanzhou Huachang Year ended 31 December		**Mingsheng Quanzhou Year ended 31 December**		**Total Year ended 31 December**	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**496**	36	**16**	1	**512**	37
Expenses	**(4,060)**	(3,288)	**(16)**	(6)	**(4,076)**	(3,294)
Loss after tax/Total comprehensive loss	**(3,564)**	(3,252)	**—**	(5)	**(3,564)**	(3,257)

There are no contingent liabilities relating to the Group's interests in the joint ventures.

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.

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	
	2013	2012
	RMB'000	RMB'000
Assets		
Non-current assets	**295,518**	260,885
Current assets	**553,541**	620,913
	849,059	881,798
Liabilities		
Non-current liabilities	**166,772**	164,622
Current liabilities	**480,112**	501,933
	646,884	666,555
Net assets	**202,175**	215,243

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Income	**30,649**	91,676
Fair value gains on investment properties	**2,306**	162,597
Expenses	**(46,023)**	(97,275)
(Loss)/profit after income tax	**(13,068)**	156,998
Proportionate interest in joint operation's		
— operating lease rentals receivable	**448,911**	508,510
— financial guarantees	**123,742**	175,749

14 COMPLETED PROPERTIES HELD FOR SALE — GROUP

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

As at 31 December 2013, completed properties held for sale of RMB1,115,571,000 (2012: RMB2,322,693,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2013, there was no impairment provision made on completed properties held for sale (2012: Nil).

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables (note (a))	**298,733**	209,054
Less: Provision for impairment of trade receivables (note (d))	**(49,136)**	(47,461)
Trade receivables — net	**249,597**	161,593
Deposits for resettlement costs	**2,755**	755
Deposits for land purchases	**28,050**	79,300
Advances to third parties (note (c))	**280,826**	208,825
Receivable in connection with the disposal of a joint venture (note (e))	**204,479**	204,479
Other receivables	**269,382**	134,443
Prepayments for construction costs	**257,016**	234,184
Prepaid business tax and other levies on pre-sale proceeds	**169,443**	148,796
	1,461,548	1,172,375
Less: Non-current portion of other receivables (note (b))	**(13,589)**	(12,961)
Current portion	**1,447,959**	1,159,414

As at 31 December 2013 and 2012, 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.

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

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	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**74,298**	60,775
Over 90 days and within 1 year	**92,235**	90,420
Over 1 year and within 2 years	**85,346**	13,379
Over 2 years	**46,854**	44,480
	298,733	209,054

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**5,189**	7,818
Over 90 days and within 1 year	**5,509**	6,514
	10,698	14,332

As at 31 December 2013, trade receivables of RMB10,698,000 (2012: RMB14,332,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2013, trade receivables of RMB49,136,000 (2012: RMB47,461,000) are considered impaired. The aging 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.

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

Notes: (continued)

(d) Movements on provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**47,461**	52,589
Additional/(Reversal of) provision for receivable impairment	**2,103**	(1,741)
Receivables written off during the year as uncollectible	**(428)**	(3,387)
Ending balance	**49,136**	47,461

(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	
	2013	2012
	RMB'000	RMB'000
Group		
Controlled by the Controlling Shareholders		
Growing Group Limited ("Growing Group")	**105**	110
Better Luck Group Limited ("Better Luck")	**50**	51
Gainday Holdings Limited ("Gainday")	**50**	51
Tin Sun Holdings Limited ("Tin Sun Holdings")	**50**	51
Run Fast International Limited	**25**	26
Bloom Luck Holdings Limited	**28**	29
Xiamen Mingfa Property Development Company Limited (廈門市明發物業發展有限公司) ("Xiamen Property Development")	**645**	257
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")	**667**	5,695
Associated companies (Note 12)		
Eagle Rights (鈞濠有限公司)	**9,759**	6,698
Shimao Ke Rui (長春世茂科瑞置業有限公司)	**42,500**	5,000
	53,879	17,968

16 AMOUNTS DUE FROM RELATED PARTIES (continued)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Amounts due from related parties:		
Denominated in RMB	**43,812**	10,952
Denominated in HK$	**3,970**	318
Denominated in US$	**6,097**	6,698
	53,879	17,968

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	**1**	1

Except for an amount of RMB667,000 due from Nanjing Qianqiuye as at 31 December 2013 (2012: RMB2,695,000), which was trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

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

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Amounts due from non-controlling interests:		
Nanjing Software Valley Development Company Limited (南京軟件谷發展有限公司) ("Nanjing Software Valley")	**742,600**	853,500
Nanjing Dingshan City Industrial Park Investment Development Co., Ltd. (南京頂山都市產業園投資發展有限公司)	**3,710**	—
Nanjing Jiangbei New City Co., Ltd. (南京江北新城投資發展有限公司)	**15,310**	—
	761,620	853,500
Less: Non-current portion of amounts due from Nanjing Software Valley	**(265,000)**	—
Current portion	**496,620**	853,500
Amounts due to non-controlling interests:		
Tai San Trading Company (泰山貿易公司)	**16,211**	16,211
Netnice Company Limited (美而實有限公司)	**62,547**	64,493
Gansu Zhongke Industry Co., Ltd. (甘肅中科實業有限公司)	**37,580**	14,570
Fuli (H.K.) International Group Investment Limited (富麗(香港)國際集團投資有限公司)	**1,100**	1,100
Xiamen Dingsheng Weiye Energy Investment Co. Ltd. (廈門鼎盛偉業能源投資有限公司)	**43,126**	—
	160,564	96,374

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Amounts due from non-controlling interests:		
Denominated in RMB	**761,620**	853,500
Amounts due to non-controlling interests:		
Denominated in RMB	**98,017**	31,881
Denominated in HK$	**62,547**	64,493
	160,564	96,374

Except for an amount of RMB742,600,000 due from Nanjing Software Valley, 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 which are expected to be fully settled by 2016 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	
	2013	2012
	RMB'000	RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	**1,877,998**	1,114,934
Denominated in HK$	**9,609**	16,030
Denominated in US$	**212,077**	7,519
	2,099,684	1,138,483
Less: Restricted cash	**(1,128,500)**	(458,404)
Total cash and cash equivalents	**971,184**	680,079
Company		
Cash at bank and in hand:		
Denominated in HK$	**1,679**	3,662
Denominated in US$	**201,834**	8
Total cash and cash equivalents	**203,513**	3,670

As at 31 December 2013, the Group's cash of approximately RMB1,118,000,000 (2012: RMB355,000,000) was restricted and deposited in certain banks as security for certain bank borrowings (Note 24).

As at 31 December 2013, there was no cash restricted and deposited in certain banks as security for project construction (2012: RMB40,404,000).

As at 31 December 2013, the Group's cash of approximately RMB10,500,000 (2012: RMB63,000,000) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

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 2013 was 1.86% (2012: 0.72%).

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Cash and cash equivalents	**971,184**	680,079
Bank overdrafts (Note 24)	**—**	(15,533)
	971,184	664,546

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December 2013 RMB'000
Opening balance	—
Addition	**20,000**
Ending balance	**20,000**
Less: Non-current portion	**(20,000)**
Current portion	—

Available-for-sale financial assets represented equity investment of 10% in a newly established PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets as at 31 December 2013 from the investment cost.

20 INVESTMENT IN SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	**4,209,080**	4,224,124
	4,209,080	4,224,124

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 2013 are set out in Note 39.

20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2013 are RMB998,671,000 of which RMB685,626,000 relates to Nanjing Software Valley Mingfa Information Technology Development Company Limited ("Software Valley Mingfa"). The other non-controlling interests are not material.

Set out below is the summarised financial information for Software Valley Mingfa which has non-controlling interests that is material to the Group. The financial information represents the amounts before intra-group transactions elimination.

Summarised balance sheet

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current		
Assets	**436,582**	344,703
Liabilities	**(792,356)**	(777,565)
Total current net liabilities	**(355,774)**	(432,862)
Non-current		
Assets	**2,020,010**	2,000,000
Liabilities	**(265,000)**	(150,000)
Total non-current net assets	**1,755,010**	1,850,000
Net assets	**1,399,236**	1,417,138

20 INVESTMENT IN SUBSIDIARIES — COMPANY (continued)

(b) Material non-controlling interests (continued)

Summarised income statement

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**146,580**	—
Profit/(loss) before income tax	**114,502**	(31,429)
Income tax	**(28,625)**	7,857
Post-tax profit (loss)/Total comprehensive income (loss)	**85,877**	(23,572)

Summarised cash flows

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash used in operations	**(11,894)**	(4,483)
Interest paid	**(21,380)**	(25,947)
Net cash used in operating activities	**(33,274)**	(30,430)
Net cash used in investing activities	**(338,629)**	(323,545)
Net cash generated from financing activities	**372,100**	354,289
Net increase in cash and cash equivalents	**197**	314
Cash and cash equivalents at beginning of the year	**1,118**	804
Cash and cash equivalents at end of the year	**1,315**	1,118

Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB1,315,000 as at 31 December 2013 of Software Valley Mingfa 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	Number of ordinary shares	Nominal value of ordinary shares	Equivalent
	HK$		HK$	RMB
Authorised:				
At 1 January 2012, 31 December 2012 and at 31 December 2013	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 31 December 2012 and at 31 December 2013	0.1	6,093,451,026	609,345,103	536,280,877
At 1 January 2012		6,063,470,969	606,347,097	533,842,510
Issue of shares in connection with conversion of convertible bonds (note)	0.1	29,980,057	2,998,006	2,438,367
At 31 December 2012	0.1	6,093,451,026	609,345,103	536,280,877

Note: During the year ended 31 December 2012, 19,253,066 and 10,726,991 ordinary shares at par value of HK$0.1 per share were issued upon the request for conversion by the bondholders (Note 24(c)) with the conversion price of HK$3.168 and HK$2.61 per share respectively. The ordinary shares issued have the same rights as the other shares in issue.

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 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**	—
	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)

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 2012	146,601	801,445	264,979	209,196	125,509	—	4,924,150	6,471,880
Comprehensive income/(loss)								
Profit for the year	—	—	—	—	—	—	1,764,745	1,764,745
Other comprehensive loss, which may be reclassified subsequently to profit or loss — Currency translation differences	—	—	—	—	—	(7,671)	—	(7,671)
Total comprehensive income for the year attributable to equity holders of the Company	—	—	—	—	—	(7,671)	1,764,745	1,757,074
Transactions with owners								
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	—	77,642	—	—	—	—	—	77,642
Dividends relating to 2011	—	(247,821)	—	—	—	—	—	(247,821)
	—	(170,179)	—	—	—	—	—	(170,179)
Change in ownership interest in a subsidiary without loss of control, net of tax	—	—	—	—	—	273,731	—	273,731
	—	(170,179)	—	—	—	273,731	—	103,552
Balance at 31 December 2012	146,601	631,266	264,979	209,196	125,509	266,060	6,688,895	8,332,506
Representing:								
Proposed final dividend								—
Others								8,332,506
								8,332,506

22 RESERVES (continued)

Company

	Share premium RMB'000	**Accumulated profit/(losses) RMB'000**	**Total RMB'000**
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

	Share premium RMB'000	Accumulated profit/(losses) RMB'000	Total RMB'000
Balance at 1 January 2012	801,445	(416,960)	384,485
Profit for the year	—	420,619	420,619
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	77,642	—	77,642
Dividends relating to 2011	(247,821)	—	(247,821)
Balance at 31 December 2012	631,266	3,659	634,925
Representing:			
Proposed final dividend			—
Others			634,925
			634,925

22 RESERVES (continued)

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. 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.

(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 2013 amounted to RMB449,230,000 (2012: RMB634,925,000).

23 DEFERRED GOVERNMENT GRANTS — GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**1,666,423**	1,069,013
Additions	**33,832**	622,919
Amortisation, credited to the consolidated income statement	**(61,213)**	(25,509)
Transfer to investment properties	**(123,563)**	—
Ending balance	**1,515,479**	1,666,423
Representing:		
Original amount	**1,758,641**	1,724,809
Accumulated amortisation	**(99,045)**	(37,832)
Transfer to investment properties	**(144,117)**	(20,554)
Net book amount	**1,515,479**	1,666,423

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
For the development of property projects	**1,758,641**	1,724,809

24 BORROWINGS

Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	**4,523,475**	4,279,559
Convertible bonds (notes (b) and (c))	**1,343,682**	2,334,982
Senior notes (note (d))	**626,053**	—
Other borrowings — secured (note (a))	**180,000**	200,000
	6,673,210	6,814,541
Less: Amounts due within one year	**(4,641,539)**	(5,273,981)
	2,031,671	1,540,560
Borrowings included in current liabilities		
Bank overdrafts (Notes 18)	**—**	15,533
Bank borrowings — secured (note (a))	**1,368,085**	357,761
Other borrowings — guaranteed and secured (note (a))	**600,106**	—
Current portion of long-term borrowings (note (a))	**4,641,539**	5,273,981
	6,609,730	5,647,275

24 BORROWINGS (continued)

Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	**—**	34,542
Convertible bonds (notes (b) and (c))	**1,343,682**	2,334,982
Senior notes (note (d))	**626,053**	—
	1,969,735	2,369,524
Less: Amounts due within one year	**(1,370,683)**	(2,369,524)
	599,052	—
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	**1,031,086**	263,263
Other borrowings — guaranteed (note (a))	**340,106**	—
Current portion of long-term borrowings (note (a))	**1,370,683**	2,369,524
	2,741,875	2,632,787

(a) Details on borrowings

As at 31 December 2013, the Group's certain borrowings of RMB3,986,323,000 (2012: RMB3,561,503,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2013, the Group's certain borrowings of RMB1,077,151,000 (2012: RMB934,273,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2013, the Group's certain borrowings of RMB1,268,086,000 (2012: RMB341,544,000) were secured by its restricted cash (Note 18).

As at 31 December 2013, the Group's certain borrowings of RMB340,106,000 (2012: Nil) 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.

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 2013	**779,576**	**568,043**	**684,052**	**2,031,671**
As at 31 December 2012	688,254	752,306	100,000	1,540,560
Borrowings included in current liabilities:				
As at 31 December 2013	**4,243,607**	**2,366,123**	**—**	**6,609,730**
As at 31 December 2012	3,255,065	2,392,210	—	5,647,275

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

	As at 31 December 2013 RMB'000	2012 RMB'000
Borrowings:		
Between 1 and 2 years	**325,343**	334,120
Between 2 and 5 years	**1,634,288**	1,007,630
Over 5 years	**72,040**	198,810
	2,031,671	1,540,560
Wholly repayable within 5 years	**1,518,401**	845,749
Wholly repayable after 5 years	**513,270**	694,811
	2,031,671	1,540,560

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
Bank overdrafts — HK$	**—**	5.40%
Bank borrowings — RMB	**7.10%**	7.90%
Bank borrowings — HK$	**2.19%**	3.26%
Convertible bonds — HK$	**13.91%**	14.66%
Senior notes — US$	**13.25%**	—
Other borrowings — RMB	**12.89%**	11.55%
Other borrowings — US$	**8.00%**	—

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

	Carrying amounts	**Fair values**
	RMB'000	RMB'000
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
As at 31 December 2012		
Bank borrowings (note (i))	1,350,560	1,327,353
Other borrowings (note (i))	190,000	197,487
	1,540,560	1,524,840

Notes:

(i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 7.05% as at 31 December 2013 (2012: 7.28%).

(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.

The fair values of current borrowings equal their carrying amounts.

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

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

Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Denominated in RMB	**5,299,752**	4,538,029
Denominated in HK$	**2,375,490**	2,649,806
Denominated in US$	**966,159**	—
	8,641,401	7,187,835

Company

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Denominated in HK$	**2,374,768**	2,632,787
Denominated in US$	**966,159**	—
	3,340,927	2,632,787

(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.

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

	Group and Company RMB'000
Liability component as at 1 January 2012	1,169,406
Interest expense (Note 32)	159,818
Coupon paid	(63,074)
Exchange losses	385
Liability component as at 31 December 2012	1,266,535
Interest expense (Note 32)	168,020
Coupon paid	(61,395)
Exchange gains	(38,056)
Liability component as at 31 December 2013	1,335,104

Subsequent to 31 December 2013 and on 15 January 2014, the Company redeemed all of the 2015 Bonds upon the request of the bondholder.

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"). 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 remain outstanding.

Subsequent to 31 December 2013 and on 10 March 2014, the Company redeemed all of the remaining 2016 Bonds 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 2012	1,036,268
Interest expense (Note 32)	154,871
Conversion of convertible bonds (Note 21 and Note 22)	(60,951)
Coupon paid	(62,368)
Exchange losses	627
Liability component as at 31 December 2012	1,068,447
Interest expense (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

(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"). 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 and as at 31 December 2013, and is therefore not recognised.

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

	Year ended 31 December 2013 RMB'000
Opening balance	—
Additions	**607,168**
Interest expenses (Note 32)	**77,251**
Coupon paid	**(41,004)**
Exchange gains	**(17,362)**
Ending balance	**626,053**

25 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
2015 Bonds — Embedded derivatives (note (a))	**43,299**	114,139
2016 Bonds — Embedded derivatives (note (a))	**800**	190,079
Warrants (note (b))	**2,131**	6,065
	46,230	310,283

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 Debenham Tie Leung Limited ("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 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 and the corresponding embedded derivatives with carrying amount of HK$3,726,000 (equivalent to RMB3,031,000) 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 and the corresponding embedded derivatives with carrying amount of HK$23,523,000 (equivalent to RMB19,129,000) were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

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).

(b) The warrants are issued together with the 2015 Bonds (Note 24(b)) on 10 December 2010, which are valued at HK$7,480,000 (equivalent to RMB6,065,000) at 31 December 2012 and HK$2,710,000 (equivalent to RMB2,131,000) at 31 December 2013 respectively by DTZ. The fair value change is made through profit and loss.

The fair values of the derivative financial instruments were determined using the Binomial Option Pricing model. The significant inputs into the models were volatility of 34.53% for 2015 Bonds (2012: 32.36%) and 38.74% for 2016 Bonds (2012: 32.36%) respectively, dividend yield of 2.00% (2012: 2.14%) for 2015 Bonds and 2016 Bonds and the risk free interest rate of 0.32% for 2015 Bonds (2012: 0.12%) and 0.46% for 2016 Bonds (2012: 0.18%) 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	
	2013	2012
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**376,328**	262,901
— to be recovered within 12 months	**37,716**	164,407
	414,044	427,308
Deferred income tax liabilities		
— to be settled after more than 12 months	**(1,672,670)**	(1,549,332)
— to be settled within 12 months	**(276,666)**	(204,479)
	(1,949,336)	(1,753,811)
	(1,535,292)	(1,326,503)

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	**1,326,503**	923,637
Charged to the consolidated income statement (Note 34)	**208,789**	402,866
Ending balance	**1,535,292**	1,326,503

26 DEFERRED INCOME TAX — GROUP (continued)

Movement in deferred income tax assets and liabilities for the year ended 31 December 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 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**
As at 1 January 2012	94,858	209,924	118,523	423,305
Credited/(Charged) to the consolidated income statement	9,448	47,292	(40,872)	15,868
As at 31 December 2012	104,306	257,216	77,651	439,173

26 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties	Temporary differences on revaluation surplus	Temporary differences on recognition of sales and related cost of sales	Withholding taxation on the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	**(1,141,302)**	**(100,270)**	**(226,009)**	**(298,095)**	**(1,765,676)**
Charged to the consolidated income statement	**(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)**
As at 1 January 2012	(994,480)	(100,270)	(10,136)	(242,056)	(1,346,942)
Charged to the consolidated income statement	(146,822)	—	(215,873)	(56,039)	(418,734)
As at 31 December 2012	(1,141,302)	(100,270)	(226,009)	(298,095)	(1,765,676)

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 RMB75,916,000 (2012: RMB60,235,000) as at 31 December 2013 in respect of accumulated losses amounting to RMB303,664,000 (2012: RMB240,940,000) as at 31 December 2013. Accumulated losses amounting to RMB8,092,000, RMB54,384,000, RMB83,880,000 ,RMB77,704,000 and RMB62,724,000, as at 31 December 2013 will expire in 2014, 2015, 2016, 2017 and 2018 respectively.

27 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables (note (a))	**4,071,332**	4,907,965
Other payables (note (b))	**2,384,808**	1,777,411
Other taxes payable	**214,002**	154,574
	6,670,142	6,839,950

Notes:

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**3,920,959**	4,518,738
Over 90 days and within 1 year	**150,373**	389,227
	4,071,332	4,907,965

(b) Other payables comprise:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Deposits and advances from constructors	**135**	816
Deposits received from tenants	**64,292**	30,256
Advances from third parties (note)	**1,928,710**	1,382,212
Consideration payable on acquisition of a joint venture	**50,000**	50,000
Consideration payable on acquisition of subsidiaries	**96,138**	88,818
Payable to a joint operation partner Baolong	**22,766**	118,686
Miscellaneous	**222,767**	106,623
	2,384,808	1,777,411

Note:

The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for advances of RMB68,000,000 (2012: RMB92,000,000) made from Nanjing Guoding Investment Property Company and HK$835,000,000 (equivalent to RMB656,502,000) (2012: HK$464,000,000, equivalent to RMB376,234,000) 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	
	2013	2012
	RMB'000	RMB'000
Other payables	**614**	—

28 AMOUNTS DUE TO RELATED PARTIES

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Group		
Controlling Shareholders		
Mr. Wong Wun Ming	**146,771**	1,480
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	**—**	113,519
Joint venture (Note 13(a))		
Quanzhou Huachang (泉州明發華昌商業城開發建設有限公司)	**200,838**	15,550
Associated company		
Mingfa Tongxin (南京軟體穀明發通信科技發展有限公司)	**600**	—
	348,209	130,549
Amounts due to related parties:		
Denominated in RMB	**201,438**	15,550
Denominated in HK$	**146,771**	114,999
	348,209	130,549

28 AMOUNTS DUE TO RELATED PARTIES (continued)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Company		
Controlling Shareholders		
Mr. Wong Wun Ming	**39,312**	—
Controlled by the Controlling Shareholders		
Galaxy Earnest Limited	**—**	113,519
	39,312	113,519

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	
	2013	2012
	RMB'000	RMB'000
Opening balance	**15,017**	15,412
(Reversal of)/Additional provision	**(2,822)**	2,563
Utilised during the year	**(8,481)**	(2,958)
Ending balance	**3,714**	15,017
Representing:		
Provided amounts	**67,935**	70,757
Utilised amounts	**(64,221)**	(55,740)
Net book amount	**3,714**	15,017

29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP (continued)

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Provision for delay in delivering properties	**3,714**	15,017

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 RMB3,714,000 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 2013.

30 OTHER GAINS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Government grants (note (a))	**437**	2,381
Net exchange gain	**105,715**	926
Gain from disposal of a joint venture (note (b))	**—**	1,026,694
Compensation income (note (c))	**269,340**	—
Miscellaneous	**3,182**	1,470
	378,674	1,031,471

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) The Group disposed its entire 50% equity interest in a joint venture in 2012 and recognised a gain of RMB1,026,694,000 from the disposal.

(c) In 2013, the Group received total compensation of RMB269,340,000 from the buyers representating 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	
	2013	2012
	RMB'000	RMB'000
Staff costs — including directors' emoluments (note (a))	**211,957**	148,356
Auditor's remuneration	**2,750**	2,750
Depreciation	**49,127**	36,216
Amortisation of land use rights	**6,424**	7,241
Advertising, promotion and commission costs	**132,780**	104,021
Cost of properties sold	**3,520,411**	2,226,064
Business tax and other levies on sales of properties (note (b))	**328,191**	196,841
Direct outgoings arising from investment properties that generate rental income	**60,064**	31,818
Operating lease expenses on land and buildings	**36,041**	24,921
Hotel operating expenses	**86,105**	56,429
Charitable donations	**6,606**	3,195
Office expenses	**99,394**	83,736
Professional fees	**10,041**	15,603
Additional/(Reversal of) provision for impairment of receivables	**2,103**	(1,741)
Impairment of goodwill (Note 10)	**7**	36
(Reversal of)/Additional provision for delay in delivering properties (Note 29)	**(2,822)**	2,563
Net loss from repurchase and redemption of 2016 Bonds	**11,442**	—
Miscellaneous	**48,911**	57,872
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	**4,609,532**	2,995,921

31 EXPENSES BY NATURE (continued)

Notes:

(a) Staff costs (including directors' emoluments)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Wages and salaries	**174,090**	120,628
Pension costs — defined contribution plans	**22,615**	11,906
Other allowances and benefits	**15,252**	15,822
	211,957	148,356

(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	
	2013	2012
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits	**15,921**	21,726
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	**(373,925)**	(297,344)
— wholly repayable over five years	**(40,098)**	(48,351)
Interest on other borrowings and advances from third parties	**(113,886)**	(58,272)
Interest expense on convertible bonds and senior notes (Notes 24(b), 24(c) and 24(d))	**(320,629)**	(314,689)
Less: Interest capitalised	**565,507**	512,018
Finance costs	**(283,031)**	(206,638)
Net finance costs	**(267,110)**	(184,912)

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 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
Executive directors						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao (resigned effective 18 November 2013)	—	—	—	—	—	—
Independent non-executive directors						
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

The remuneration of each director of the Company for the year ended 31 December 2012 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
Executive directors						
Mr. Wong Wun Ming	—	120	—	—	—	120
Mr. Huang Qingzhu	—	120	—	—	—	120
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	195	—	—	—	—	195
Mr. Dai Yiyi	162	—	—	—	—	162
Mr. Qu Wenzhou	162	—	—	—	—	162
	519	282	—	—	—	801

No emolument was paid to non-executive director for the years ended 31 December 2013 and 2012.

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

(b) Five highest paid individuals

During the years ended 31 December 2013 and 2012, 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 2013 and 2012 are set out below:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Basic salaries and allowance	**4,607**	4,346
Bonuses	**—**	—
Retirement scheme contributions	**63**	491
	4,670	4,837

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2013 and 2012 presented fall within the range of following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$500,001–HK$1,000,000	**3**	4
HK$1,000,001–HK$1,500,000	**1**	—
HK$2,000,001–HK$2,500,000	**1**	1

34 INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	**290,230**	192,147
— PRC land appreciation tax	**427,609**	191,468
	717,839	383,615
Deferred income tax		
— PRC enterprise income tax	**154,459**	346,827
— PRC withholding income tax	**54,330**	56,039
	208,789	402,866
	926,628	786,481

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	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	**2,302,942**	2,545,769
Less: PRC land appreciation tax	**(427,609)**	(191,468)
	1,875,333	2,354,301
Calculated at PRC enterprise income tax rate of 25%	**468,833**	588,575
Effect of expenses not deductible for income tax purposes (note (a))	**9,864**	68,594
Income not subject to tax (note (b))	**(49,689)**	(137,621)
Tax losses not recognised as deferred tax assets	**15,681**	19,426
PRC enterprise income tax	**444,689**	538,974
PRC land appreciation tax	**427,609**	191,468
PRC withholding income tax	**54,330**	56,039
Total tax charge	**926,628**	786,481

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.

34 INCOME TAX EXPENSE (continued)

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 2013 (2012: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2012: 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 2013 (2012: Nil).

36 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2013 and 2012 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	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	**1,399,229**	1,764,745
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,089,423
Basic earnings per share (RMB cents)	**23.0**	29.0

(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 2013 and 2012, 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	
	2013	2012
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**1,399,229**	1,764,745
Interest expense on convertible bonds (net of tax)	**31,450**	41,811
Exchange (gains)/losses on convertible bonds — liability component	**(55,874)**	1,012
Changes in fair value of convertible bonds — embedded derivatives	**(84,997)**	(337,950)
Net loss from repurchase and redemption of 2016 Bonds	**11,442**	—
Profit used to determine diluted earnings per share	**1,301,250**	1,469,618
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,089,423
Adjustment for conversion of convertible bonds (thousands)	**795,281**	1,098,443
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,888,732**	7,187,866
Diluted earnings per share (RMB cents)	**18.9**	20.4

37 NET CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before income tax for the year	**2,302,942**	2,545,769
Adjustments for:		
Interest income	**(15,921)**	(21,726)
Interest expense	**283,031**	206,638
Depreciation	**49,127**	36,216
Share of results of:		
— Associated companies	**6,946**	8,269
— Joint ventures	**3,564**	3,257
Amortisation of land use rights	**6,424**	7,241
Amortisation of other non-current assets	**2,280**	2,280
Fair value gains on investment properties	**(453,396)**	(624,629)
Fair value gains on derivative financial instruments	**(88,931)**	(340,932)
Additional/(Reversal of) provision for impairment of receivables	**2,103**	(1,741)
Losses from disposal of property, plant and equipment	**61**	8
Impairment of goodwill	**7**	36
Net exchange loss/(gain) on cash	**5,159**	(273)
Net loss from repurchase and redemption of 2016 Bonds	**11,442**	—
Gain from disposal of a joint venture	**—**	(1,026,694)
	2,114,838	793,719
Changes in working capital:		
Properties under development and completed properties held for sale	**345,487**	(1,606,181)
Land use rights	**(939,960)**	(12,069)
Restricted cash relating to operating activities	**40,404**	(73,370)
Trade and other receivables and prepayments	**(152,947)**	(278,341)
Trade and other payables	**(915,232)**	1,005,071
Advanced proceeds received from customers	**84,279**	619,557
Net cash generated from operations	**576,869**	448,386

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 2013 and 2012, which have been charged to the consolidated income statement of the Group, are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Gross scheme contributions	**22,615**	11,906

39 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the subsidiaries, associated companies and joint ventures of the Group as at 31 December 2013 and 2012 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 2013	2012	Principal activities
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 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 ("Software Valley Mingfa") (note (b))	21 June 2005	Sino-foreign joint venture	US$60,000,000	US$60,000,000	**51%**	51%	Development of logistic centre
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$108,980,000	US$108,980,000	**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

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 2013	2012	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

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 2013	2012	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

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 2013	2012	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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$1,000,000	**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

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 2013	2012	Principal activities
Subsidiaries — established in the PRC (continued)							
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. 惠州富之頁工貿實業發展有限公司	31 October 2011	Foreign investment enterprise	US$11,200,000	US$11,200,000	**80%**	80%	Property development
Huizhou Fuzhiye Industrial and Trading Co. Ltd. 惠州富之頁工貿實業有限公司	31 October 2011	Foreign investment enterprise	US$23,500,000	US$16,346,373	**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$49,500,000	US$49,500,000	**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
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

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 2013	2012	Principal activities
Subsidiaries — established in the PRC (continued)							
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 (note (c))	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	12 July 2012	Sino-foreign joint venture	US$20,000,000	US$20,000,000	**90%**	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$36,001,682	**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	RMB40,000,000	**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%**	—	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 2013	2012	Principal activities
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%**	—	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%**	—	Property development
Changsha Mingfa City Construction Development Co., Ltd. 長沙明發城市建設開發有限公司	15 March 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	**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%**	—	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%**	—	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 (e))	08 July 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	**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%**	—	Property development
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司（台灣）	01 April 2013	Foreign investment enterprise	TWD10,000,000	TWD10,000,000	**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%**	—	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團（馬鞍山）實業有限公司	20 November 2013	Foreign investment enterprise	US$20,000,000	—	**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%**	—	Property development
Xia Men Hai Yi Education Development Co., Ltd 廈門海誼教育發展有限公司 (note (f))	18 November 2013	Domestic enterprise	RMB1,050,000	RMB1,050,000	**100%**	—	Education
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%**	—	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%**	—	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 2013	2012	Principal activities
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Co., Ltd. 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
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%**	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 2013	2012	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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
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

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 2013	2012	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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
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
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%**	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

* 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 2013	2012	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
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
Associated companies — established in the PRC							
Changchun Shimao Ke Rui Real Estate Company Limited 長春世茂科瑞置業有限公司 (note (d))	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	**25%**	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%**	—	Property development

* 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 2013	2012	Principal activities
Associated company — 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
Joint ventures — 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

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) 49% equity interest was disposed by the Group on 31 December 2012.

(c) 51% equity interest was obtained by the Group on 25 July 2012.

(d) 25% equity interest was obtained by the Group on 21 March 2012.

(e) 60% equity interest was obtained by the Group on 08 July 2013.

(f) 100% equity interest was obtained by the Group on 18 November 2013.

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 2013.

		As at 31 December	
		2013	2012
	Note	**RMB'000**	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**4,147,595**	3,080,495

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	
	2013	2012
	RMB'000	RMB'000
Authorised but not contracted for	**285,771**	371,733
Contracted but not provided for		
— Properties being developed by the Group for sale	**581,288**	544,741
— Land use rights	**4,868,403**	3,715,809
	5,449,691	4,260,550

41 COMMITMENTS (continued)

(b) Commitments for equity investments

	As at 31 December	
	2013	2012
	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	
	2013	2012
	RMB'000	RMB'000
Within one year	**45,788**	36,768
Between two to five years	**104,870**	67,114
After five years	**47,236**	—
	197,894	103,882

(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	
	2013	2012
	RMB'000	RMB'000
Within one year	**310,025**	212,734
Between two to five years	**1,145,281**	790,092
After five years	**1,919,675**	1,666,462
	3,374,981	2,669,288

42 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

* 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.

(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	
	2013	2012
	RMB'000	RMB'000
Continuing transactions		
— Purchase of construction materials from Nanjing Qianqiuye	**7,900**	7,752

42 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	**4,819**	4,307
Retirement scheme contributions	**78**	299
	4,897	4,606

43 SUBSEQUENT EVENTS

As disclosed in Note 24(b) and Note 24(c), subsequent to 31 December 2013, the Company redeemed all of the 2015 Bonds with principal amount of HK$1,551,580,000 upon the request of the bondholder, and redeemed all of the remaining 2016 Bonds with principal amount of HK$11,000,000.

44 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 24 March 2014.

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

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,269,093**	3,741,096	2,978,828	3,007,872	3,681,027
Profit before tax	**2,302,942**	2,545,769	2,535,757	1,713,259	1,865,612
Income tax	**(926,628)**	(786,481)	(930,102)	(548,834)	(881,346)
Profit for the year	**1,376,314**	1,759,288	1,605,655	1,164,425	984,266
Attributable to:					
Equity holders of the Company	**1,399,229**	1,764,745	1,596,967	1,167,848	987,461
Non-controlling interests	**(22,915)**	(5,457)	8,688	(3,423)	(3,195)
	1,376,314	1,759,288	1,605,655	1,164,425	984,266

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**35,371,471**	32,314,091	26,862,787	18,210,217	12,895,854
Total liabilities	**(24,128,713)**	(22,473,146)	(19,592,958)	(12,582,877)	(8,199,977)
Non-controlling interests in equity	**(988,671)**	(972,158)	(264,106)	(89,867)	(63,272)
	10,254,087	8,868,787	7,005,723	5,537,473	4,632,605

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.

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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

	Note	As at 31 December 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.

	Note	As at 31 December 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	2013
	RMB'000	RMB'000
Profit for the year	**1,056,160**	1,376,314
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**	—
Item that may be reclassified subsequently to profit or loss		
— 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			
	Share capital RMB'000 (Note 21)	**Reserves** RMB'000 (Note 22)	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2014	**536,281**	**9,717,806**	**988,671**	**11,242,758**
Comprehensive income				
Profit for the 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			
	Share capital RMB'000 (Note 21)	Reserves RMB'000 (Note 22)	Non-controlling interests RMB'000	Total RMB'000
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.

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 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.

		As at 31 December	
		2014	2013
Counter party	**Rating** *(note)*	**RMB'000**	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	2013
	RMB'000	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	2013
	RMB'000	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 RMB'000	2013 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

	As at 31 December 2014			As at 31 December 2013		
Liabilities as per balance sheet	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	—	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 Financial liabilities at fair value RMB'000	As at 31 December 2014 Other financial liabilities at amortised cost RMB'000	As at 31 December 2014 Total RMB'000	As at 31 December 2013 Financial liabilities at fair value RMB'000	As at 31 December 2013 Other financial liabilities at amortised cost RMB'000	As at 31 December 2013 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	2013
	RMB'000	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 (Level 1) RMB'000	Significant Other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) 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 (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) 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	2013
	RMB'000	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 31 December**	**As at 31 December**
	2014	2013	**2014**	2013	**2014**	2013	**2014**	**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 Year ended 31 December		Shimao Mingfa Year ended 31 December		Mingfa Tongxin Year ended 31 December		Software Valley Mingfa Year ended 31 December	Speedy Gains Year ended 31 December
	2014	2013	**2014**	2013	**2014**	2013	**2014**	**2014**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
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 As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December	Speedy Gains As at 31 December
	2014	2013	**2014**	2013	**2014**	2013	**2014**	**2014**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
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	2013
	RMB'000	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	2013
	RMB'000	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 31 December
	2014	2013	**2014**	2013	**2014**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**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 31 December		Year ended 31 December		Year ended 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 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

16 AMOUNTS DUE FROM RELATED PARTIES (continued)

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Amounts due from related parties:		
Denominated in RMB	**374,273**	43,812
Denominated in HK$	**371,574**	3,970
Denominated in US$	**12,544**	6,097
	758,391	53,879

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	**1**	1

As at 31 December 2014, except for an amount of RMB2,692,000 due from Nanjing Qianqiuye (2013: RMB667,000), which was trade in nature, and an amount of RMB220,886,000 due from Powerland (2013: Nil), which carries interest at 2.2% per annum and will not be demanded for repayment during the next 12 months, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms. The fair value of the non-current loan to Powerland is based on cash flows discounted using a market rate which are within Level 2 of the fair value hierarchy.

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

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Amounts due from former non-controlling interests:		
Nanjing Software Valley (南京軟件谷發展有限公司)	**—**	742,600
Amounts due from non-controlling interests:		
Nanjing Dingshan City Industrial Park Investment Development Co., Ltd. (南京頂山都市產業園投資發展有限公司)	**3,710**	3,710
Nanjing Jiangbei New City Co., Ltd. (南京江北新城投資發展有限公司)	**16,718**	15,310
	20,428	761,620
Less: Non-current portion of amounts due from Nanjing Software Valley	**—**	(265,000)
Current portion	**20,428**	496,620
Amounts due to non-controlling interests:		
Tai San Trading Company (泰山貿易公司)	**16,211**	16,211
Netnice Company Limited (美而實有限公司)	**62,747**	62,547
Gansu Zhongke Industry Co., Ltd. (甘肅中科實業有限公司)	**85,673**	37,580
Fuli (H.K.) International Group Investment Limited (富麗(香港)國際集團投資有限公司)	**19,696**	1,100
Xiamen Dingsheng Weiye Energy Investment Co. Ltd. (廈門鼎盛偉業能源投資有限公司)	**46,126**	43,126
	230,453	160,564

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Amounts due from non-controlling interests:		
Denominated in RMB	**20,428**	761,620
Amounts due to non-controlling interests:		
Denominated in RMB	**167,706**	98,017
Denominated in HK$	**62,747**	62,547
	230,453	160,564

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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	**Number of ordinary shares**	**Nominal value of ordinary shares**	**Equivalent**
	HK$		HK$	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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	**6–12 months**	**1–5 years**	**Total**
	RMB'000	RMB'000	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	**(1,207,147)**	**(100,270)**	**(391,526)**	**(352,425)**	**(2,051,368)**
(Charged)/Credited to the consolidated income statement	**(308,528)**	—	**52,936**	**(23,515)**	**(279,107)**
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property	—	**(1,747)**	—	—	**(1,747)**
Disposal of a subsidiary which became an associated company (Note 42(b))	**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	(1,141,302)	(100,270)	(226,009)	(298,095)	(1,765,676)
Charged to the consolidated income statement	(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 RMB'000	2013 RMB'000
Other payables	**32,689**	614

28 AMOUNTS DUE TO RELATED PARTIES

	As at 31 December 2014 RMB'000	2013 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 RMB'000	2013 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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	Salaries	Employer's contribution to retirement scheme	Bonuses	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	46	—	—	—	46
Mr. Huang Li Shui	—	434	—	—	—	434
Independent non-executive directors						
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	Salaries	Employer's contribution to retirement scheme	Bonuses	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Wong Wun Ming	—	120	12	—	—	132
Mr. Huang Qingzhu	—	120	12	—	—	132
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao (resigned effective 18 November 2013)	—	—	—	—	—	—
Independent non-executive directors						
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	2013
	RMB'000	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:

	Number of individuals	
	2014	2013
Emolument bands		
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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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	2013
	RMB'000	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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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. 惠州富之頁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.) 惠州富之頁房地產開發有限公司 (原名：惠州富之頁工貿實業有限公司) *(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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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 2014	2013	Principal activities
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.

		As at 31 December	
		2014	2013
	Note	**RMB'000**	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

* 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	2013
	RMB'000	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	2013
	RMB'000	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

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	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

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

		Year ended 31 December	
		2015	**2014**
	Note	*RMB'000*	*RMB'000*
Revenues	*3*	2,246,332	3,792,610
Cost of sales	*5*	(1,970,069)	(2,806,662)
Gross profit		276,263	985,948
Fair value gains on investment properties		537,243	1,203,202
Fair value gains on derivative financial instruments		2,432	6,318
Other gains	*4*	86,294	147,273
Selling and marketing costs	*5*	(163,159)	(148,947)
Administrative expenses	*5*	(426,764)	(370,283)
Other operating expenses	*5*	(290,313)	(71,972)
Operating profit		21,996	1,751,539
Finance income	*6*	72,214	36,867
Finance costs	*6*	—	(43,792)
Finance income/(costs) — net	*6*	72,214	(6,925)
Share of results of			
— Associated companies		39,787	(4,803)
— Joint ventures		(1,142)	(2,879)
		38,645	(7,682)
Profit before income tax		132,855	1,736,932
Income tax expense	*7*	(126,237)	(680,772)
Profit for the year		6,618	1,056,160
Attributable to:			
Equity holders of the Company		26,094	829,310
Non-controlling interests		(19,476)	226,850
		6,618	1,056,160
Earnings per share for profit attributable to equity holders of the Company *(RMB cents)*			
— Basic	*8*	0.4	13.6
— Diluted	*8*	0.4	13.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Profit for the year	6,618	1,056,160
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
Item that may be reclassified to profit or loss		
— Currency translation differences	10,687	(5,269)
Other comprehensive income/(loss) for the year, net of tax	10,687	(27)
Total comprehensive income for the year	17,305	1,056,133
Attributable to:		
Equity holders of the Company	36,781	829,283
Non-controlling interests	(19,476)	226,850
	17,305	1,056,133

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

		As at 31 December	
		2015	**2014**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		1,381,426	1,475,041
Investment properties		8,406,161	7,393,525
Land use rights		155,927	160,119
Intangible assets		7,169	7,172
Associated companies		1,271,763	1,158,636
Joint ventures		1,451,101	262,017
Deferred income tax assets		418,335	366,238
Available-for-sale financial assets		20,000	20,000
Amount due from a related party		246,275	220,886
Other receivables	*10*	14,851	14,396
Other non-current assets		2,916,367	4,043,057
		16,289,375	15,121,087
Current assets			
Land use rights		10,399,374	7,300,146
Properties under development		10,222,631	5,871,966
Completed properties held for sale		6,639,110	6,607,124
Inventories		15,069	9,731
Trade and other receivables and prepayments	*10*	2,464,587	1,670,821
Prepaid income taxes		194,219	118,498
Amounts due from related parties		322,793	537,505
Amounts due from non-controlling interests		274,838	20,428
Available-for-sale financial assets		256,720	117,000
Restricted cash		3,076,314	2,464,240
Cash and cash equivalents		1,915,148	732,142
		35,780,803	25,449,601
Total assets		52,070,178	40,570,688

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	*11*	536,281	536,281
Reserves		10,585,105	10,547,089
		11,121,386	11,083,370
Non-controlling interests in equity		1,103,242	625,822
Total equity		12,224,628	11,709,192
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,450,553	1,459,979
Borrowings	*12*	5,488,507	3,984,346
Deferred income tax liabilities		1,729,230	1,612,630
Other payables	*13*	150,000	—
		8,818,290	7,056,955
Current liabilities			
Trade and other payables	*13*	9,589,762	7,909,370
Advanced proceeds received from customers		6,719,306	2,902,624
Amounts due to related parties		2,278,611	356,700
Amounts due to non-controlling interests		554,479	230,453
Income tax payable		2,159,863	2,175,776
Borrowings	*12*	9,659,442	8,217,892
Derivative financial instruments	*14*	—	2,432
Provision for other liabilities and charges		65,797	9,294
		31,027,260	21,804,541
Total liabilities		39,845,550	28,861,496
Total equity and liabilities		52,070,178	40,570,688

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION:

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 information is presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial information is extracted from the Company's consolidated financial statements which have been prepared in accordance with all applicable 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 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.

(i) Amendments of HKFRSs adopted by the Group in 2015

The following amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2015 and are relevant to the Group's operations.

- Amendments from annual improvements 2010–2012 cycle, affecting the following 4 standards: HKFRS 8"Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets".

- Amendments from annual improvements 2011–2013 cycle, affecting the following 3 standards: HKFRS 3 "Business Combinations", HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property".

The adoption of the above amendments to existing standards in 2015 did not have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2015.

(ii) New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The Group has not early adopted any new standards and amendments of HKFRSs that have been issued but are not effective in 2015. The Group is in the process of making an assessment on the impact of these new 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" (effective for annual periods beginning on or after 1 January 2018) which the Group is not yet in a position to conclude.

3 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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 since 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.

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, derivative financial instruments.

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December 2015	2014
	RMB'000	*RMB'000*
Sale of properties		
— commercial	229,435	624,849
— residential	1,224,723	2,271,055
	1,454,158	2,895,904
Hotel operating income	155,105	118,241
Rental income		
— from investment properties	214,216	234,219
— others	8,865	12,512
Property management fee income	39,256	32,334
Property construction income	374,732	499,400
	2,246,332	3,792,610

(b) Segment information

The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Property development — commercial	Property development — residential	Hotel	Property investment and management	Property construction	All other segments	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenues	229,435	1,224,723	157,853	262,337	374,732	—	—	2,249,080
Inter-segment revenues	—	—	(2,748)	—	—	—	—	(2,748)
Revenues	229,435	1,224,723	155,105	262,337	374,732	—	—	2,246,332
Operating profit/(loss)	18,307	(317,098)	(41,028)	614,972	13,082	(266,239)	—	21,996
Finance income — net								72,214
Share of results of associated companies	(4,135)	(2,624)	—	46,546	—	—	—	39,787
Share of results of joint ventures	(270)	(871)	—	—	—	(1)	—	(1,142)
Profit before income tax								132,885
Income tax expense								(126,237)
Profit for the year								6,618
Other segment information								
Capital and property development expenditure	2,046,489	4,984,124	17,339	350,722	—	—	—	7,398,674
Depreciation	15,099	19,912	33,015	2,119	—	935	—	71,080
Amortisation of land use rights as expenses	3,115	3,503	—	—	—	—	—	6,618
Fair value gains on investment properties	—	—	—	537,243	—	—	—	537,243
Fair value gains on derivative financial instruments	—	—	—	—	—	2,432	—	2,432
Impairment of goodwill recognised as expenses	—	3	—	—	—	—	—	3

The segment assets and liabilities as at 31 December 2015 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	16,350,782	43,799,070	2,206,109	9,569,589	874,132	9,733,522	(34,075,164)	48,458,040
Associated companies	262,485	49,901	—	959,377	—	—	—	1,271,763
Joint ventures	1,451,101	—	—	—	—	—	—	1,451,101
	18,064,368	43,848,971	2,206,109	10,528,966	874,132	9,733,522	(34,075,164)	51,180,904
Unallocated:								
Deferred income tax assets								418,335
Prepaid income taxes								194,219
Available-for-sale financial assets								276,720
Total assets								52,070,178
Segment liabilities	10,136,261	31,196,496	271,112	603,958	843,618	11,832,227	(34,075,164)	20,808,508
Unallocated:								
Deferred income tax liabilities								1,729,230
Borrowings								15,147,949
Income tax payable								2,159,863
Total liabilities								39,845,550

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

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

4 OTHER GAINS

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Government grants *(note (a))*	2,248	544
Net gain arising from disposal of equity interests in subsidiaries	50,399	27,180
Net gain arising from disposal of a subsidiary	7,456	—
Net gain arising from acquisition of additional interest in joint venture which become a wholly owned subsidiary	7,744	—
Compensation income *(note (b))*	13,538	51,187
Net gain from redemption of 2015 and 2016 Bonds	—	23,988
Net gain from disposal of property, plant and equipment	—	42,650
Miscellaneous	4,909	1,724
	86,294	147,273

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 2015, the Group received total compensation of RMB13,538,000 from the seller representing overdue interest for late transfer of the project company as agreed in the sales and purchase contract in connection with the Group's acquisition of its 100% equity interest in January 2010.

In 2014, the Group received total compensation of RMB51,187,000 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.

5 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 2015 *RMB'000*	2014 *RMB'000*
Staff costs — including directors' emoluments *(note (a))*	232,754	231,147
Auditor's remuneration		
— annual audit and interim review	4,250	4,250
Depreciation	71,080	50,607
Amortisation of land use rights	6,618	6,945
Advertising, promotion and commission costs	87,519	92,070
Cost of properties sold	1,174,816	1,862,660
Cost of property construction	340,665	454,000
Business tax and other levies on sales and construction of properties *(note (b))*	105,279	190,100
Direct outgoings arising from investment properties that generate rental income	72,218	84,261
Operating lease expenses on land and buildings	55,855	47,594
Hotel operating expenses	136,278	98,633
Charitable donations	10,873	2,021
Office expenses	104,944	92,547
Professional fees	31,710	10,753
Provision for impairment of receivables	7,024	3,031
Impairment of goodwill	3	5
Provision for delay in delivering properties	60,877	18,355
Net exchange loss	208,631	23,398
Miscellaneous	138,911	125,487
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	2,850,305	3,397,864

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December 2015 *RMB'000*	2014 *RMB'000*
Wages and salaries	190,858	189,540
Pension costs — defined contribution plans	23,275	23,115
Other allowances and benefits	18,621	18,492
	232,754	231,147

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

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

6 FINANCE INCOME AND COSTS

	Year ended 31 December 2015 *RMB'000*	2014 *RMB'000*
Finance income		
— interest income on bank deposits and loan to a related party	72,214	36,867
Interest expenses on bank borrowings	(734,758)	(498,167)
Interest expenses on other borrowings and advances from third parties	(257,571)	(175,220)
Interest expenses on convertible bonds and senior notes	(87,546)	(92,305)
Less: Interest capitalised	1,079,875	721,900
Finance costs	—	(43,792)
Net finance income/(costs)	72,214	(6,925)

7 INCOME TAX EXPENSE

	Year ended 31 December 2015 *RMB'000*	2014 *RMB'000*
Current income tax		
— PRC enterprise income tax	42,512	297,520
— PRC land appreciation tax	33,409	175,901
	75,921	473,421
Deferred income tax		
— PRC enterprise income tax	45,965	183,836
— PRC withholding income tax	4,351	23,515
	50,316	207,351
	126,237	680,772

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2015 (2014: Nil).

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2014: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

(c) PRC land appreciation tax

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

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

(d) PRC withholding income tax

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

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2015 and 2014 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	
	2015	**2014**
Profit attributable to equity holders of the Company *(RMB'000)*	26,094	829,310
Weighted average number of ordinary shares in issue *(thousands)*	6,093,451	6,093,451
Basic earnings per share *(RMB cents)*	0.4	13.6

(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. All the remaining convertible bonds have been redeemed by the Group in year 2014. 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. On 3 December 2015, the subscription period of the warrants has expired and no warrant has been exercised during the subscription period.

For the years ended 31 December 2015 and 2014, 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	
	2015	**2014**
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	26,094	829,310
Interest expenses on convertible bonds (net of tax)	—	564
Exchange losses on convertible bonds		
— liability component	—	890
Changes in fair value of convertible bonds		
— embedded derivatives	—	(6,619)
Net gain from repurchase and redemption of 2015 and 2016 Bonds	—	(23,988)
Profit used to determine diluted earnings per share	26,094	800,157
Weighted average number of ordinary shares in issue *(thousands)*	6,093,451	6,093,451
Adjustment for conversion of convertible bonds *(thousands)*	—	22,784
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	6,093,451	6,116,235
Diluted earnings per share *(RMB cents)*	0.4	13.1

9 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2015 (2014: Nil).

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	653,114	623,043
Less: Provision for impairment of trade receivables *(note (d))*	(50,684)	(50,737)
Trade receivables — net	602,430	572,306
Deposits for resettlement costs	2,538	2,538
Deposits for land purchases	18,050	18,050
Advances to third parties *(note (c))*	615,766	176,073
Receivable in connection with the disposal of a joint venture *(note (e))*	204,479	204,479
Other receivables	332,974	326,961
Prepayments for commission fees	109,595	—
Prepayments for construction costs	158,276	210,256
Prepaid business tax and other levies on pre-sale proceeds	435,330	174,554
	2,479,438	1,685,217
Less: Non-current portion of other receivables *(note (b))*	(14,851)	(14,396)
Current portion	2,464,587	1,670,821

As at 31 December 2015 and 2014, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to third parties, receivable in connection with a disposal of equity interest and other receivables approximate their carrying amounts.

Notes:

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

The ageing analysis of trade receivables is as follows:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Within 90 days	363,030	336,023
Over 90 days and within 1 year	86,997	96,314
Over 1 year and within 2 years	124,227	121,437
Over 2 years	78,860	69,269
	653,114	623,043

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

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Within 90 days	4,874	8,715
Over 90 days and within 1 year	10,259	8,115
	15,133	16,830

As at 31 December 2015, trade receivables of RMB15,133,000 (2014: RMB16,830,000) which were past due but not impaired had been received subsequent to the year end.

As at 31 December 2015, trade receivables of RMB50,684,000 (2014: RMB50,737,000) were considered impaired.

(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) Advances to third parties comprise:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Fujian Feitu Construction Co., Ltd. (福建省飛圖建設工程有限公司) ("Feitu Construction")	274,428	—
Xiamen Gongsheng Decoration Design Engineering Co., Ltd. (廈門功盛裝修設計工程有限公司) ("Gongsheng Decoration")	79,265	—
Jiangsu Taida Electromechanical Equipment Co., Ltd. (江蘇泰達機電設備有限責任公司)	10,000	—
Wuxi Sanyang Yinhui Real Estate Development Co., Ltd. (無錫三陽銀輝房地產開發有限公司)	15,000	—
Nanjing Zhongshan Garden Gurui Construction Co., Ltd. (南京中山園林古瑞建設有限責任公司)	51,000	—
Mr. Qin Jiumu	10,000	—
Miscellaneous	176,073	176,073
	615,766	176,073

Advances to Feitu Construction and Gongsheng Decoration bear interests and have no repayment terms. The advances to other third parties are unsecured, interest-free and have no repayment terms.

(d) Movements on provision for impairment of trade receivables are as follows:

	Year ended 31 December 2015 *RMB'000*	2014 *RMB'000*
Opening balance	50,737	49,136
Provision for receivable impairment	7,024	3,031
Receivables written off during the year as uncollectible	(7,077)	(1,430)
Ending balance	50,684	50,737

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

11 SHARE CAPITAL

	Par value *HK$*	Number of ordinary shares	Nominal value of ordinary shares *HK$*	Equivalent *RMB*
Authorised:				
At 1 January 2014, 31 December 2014 and at 31 December 2015	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2014, 31 December 2014 and at 31 December 2015	0.1	6,093,451,026	609,345,103	536,280,877

12 BORROWINGS

	As at 31 December 2015 *RMB'000*	2014 *RMB'000*
Borrowings included in non-current liabilities		
Bank borrowings — secured	8,509,368	7,326,844
Senior notes *(note)*	674,539	631,725
Other borrowings — secured	2,805,360	566,000
	11,989,267	8,524,569
Less: Amounts due within one year	(6,500,760)	(4,540,223)
	5,488,507	3,984,346
Borrowings included in current liabilities		
Bank borrowings — secured	2,858,682	2,165,529
Other borrowings — guaranteed and secured	200,000	742,140
Other borrowings — unsecured	100,000	770,000
Current portion of long-term borrowings	6,500,760	4,540,223
	9,659,442	8,217,892

Note:

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

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

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

Period	**Redemption price**
2016	106.6250%
2017 and thereafter	103.3125%

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

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 2014 and 31 December 2015, and is therefore not recognised.

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Trade payables *(note (a))*	6,585,225	5,024,787
Other payables *(note (b))*	2,854,335	2,698,466
Other taxes payable	300,202	186,117
	9,739,762	7,909,370
Less: Non-current portion of other payables *(note (b)(ii))*	(150,000)	—
Current portion	9,589,762	7,909,370

Notes:

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

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Within 90 days	6,138,410	4,710,953
Over 90 days and within 1 year	446,815	313,834
	6,585,225	5,024,787

(b) Other payables comprise:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Deposits and advances from constructors	129,188	4,121
Deposits received from tenants and customers *(note (i))*	401,437	190,357
Advances from third parties *(note (ii))*	1,826,615	2,059,013
Consideration payable on acquisition of a joint venture	50,000	50,000
Consideration payable on acquisition of subsidiaries	101,768	96,442
Payable to a joint operation partner Baolong	43,960	32,912
Miscellaneous	301,367	265,621
	2,854,335	2,698,466

Notes:

(i) Deposits received from tenants and customers comprise:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Deposits received from tenants	153,123	38,783
Advances from Xiamen Shengjiexing Trading Co., Ltd (廈門盛杰興貿易有限公司) ("Shengjiexing Trading") for purchase of properties on behalf of controlling shareholders	92,120	—
Advances from controlling shareholders for purchase of properties	96,880	96,880
Deposits received from other customers for purchase of properties	59,314	54,694
	401,437	190,357

(ii) Advances from third parties comprise:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Anhui Sanjian Engineering Co., Ltd. (安徽三建工程有限公司) (a)	231,000	—
Feitu Construction (a)	—	144,700
Shengjiexing Trading (a)	55,063	15,000
Fujian Shanghong Construction Engineering Co., Ltd. (福建省尚鴻建設工程有限公司) (a)	155,789	28,800
Gongsheng Decoration (a)	—	30,615
Mr. Wong Wai Choi (b)	—	32,689
Nanjing Weida Building Decoration Co., Ltd. (南京偉達建築裝飾有限公司) (b)	480,000	—
Borrowings from third parties (c)	464,166	858,293
Advances from non-controlling interests for capital injection	—	501,800
Miscellaneous	440,597	447,115
	1,826,615	2,059,013

(a) The advances to Feitu Construction, Shengjiexing Trading, Fujian Shanghong Construction Engineering Co., Ltd. and Gongsheng Decoration bear interests and have no repayment terms. The advances to Anhui Sanjian Engineering Co., Ltd. is unsecured, interest-free and have no repayment terms.

(b) On 20 December 2014, the Group entered into an equity sales agreement (the "Equity Sales Agreement") with Mr. Wong Wai Choi (the "Buyer") to sell its 51% of equity interests in one of its subsidiary in Tianjin (the "Tianjin Project") which owns a project under development, at a consideration of RMB663,000,000 and the Tianjin Project will become an joint venture after the transaction.

As at 31 December 2014, HK$41,437,500 (equivalent to RMB32,689,000) was received from a related party which paid the partial consideration on behalf of the Buyer, and the balance was returned to the ultimate controlling shareholder of the Group who would arrange for further settlement with the payer. As at 31 December 2015, a total of RMB480,000,000 was received from Nanjing Weida Building Decoration Co., Ltd., a company owned by the Buyer as partial payment of the consideration.

(c) As at 31 December 2015, the advances totalling RMB417,000,000 of principal (31 December 2014: RMB54,000,000) borrowed from third parties bear interests ranging from 5.4% to 12% per annum. Included in balances as at 31 December 2014, the amount of HK$254,000,000 (equivalent to RMB200,373,000) borrowed from Mr. Zeng Huansha which bear interest at 15.5% per annum has been fully repaid in March 2015. Included in balances as at 31 December 2015, the amount of RMB150,000,000 will become due in year 2017.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Warrants *(note)*	—	2,432

Note: The warrants are issued together with the convertible bonds issued on 10 December 2010, which are valued at HK$3,083,000 (equivalent to RMB2,432,000) at 31 December 2014 by DTZ Debenham Tie Leung Limited. On 3 December 2015, the subscription period of warrants expired without exercise of the warrants. The fair value change is made through profit and loss.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Basis for Disclaimer of Opinion

Sale of equity interests in a subsidiary

On 20 December 2014, the Group entered into an equity sales agreement (the "Equity Sales Agreement") with a third party individual (the "Buyer") to sell its 51% equity interests in one of its subsidiaries in Tianjin (the "Tianjin Project") at a consideration of RMB663,000,000 (the "Consideration"), and the Tianjin Project will become a joint venture after the transaction. The carrying amount of the Tianjin Project as at 31 December 2015 was approximately RMB169,000,000. Up to 31 December 2014, a partial payment for the consideration amounted to RMB32,689,000 was received from a related party entity in which certain senior executives of the Group hold directorship and senior positions. Approximately RMB367,590,000 in total were paid during the period from March to August 2015 by the said related party entity and certain companies majority-owned by an alleged third party individual (the "Alleged Third Party Individual") who is also a remunerated executive of one of the Group's subsidiaries. Management initially explained that all these payments were made by these payers on behalf of the Buyer as partial settlement of the Consideration. Management subsequently explained that out of the total proceeds of RMB400,279,000 received up to August 2015, RMB342,279,000 should be returned to the ultimate controlling shareholders of the Group who would arrange for settlements with the respective payers, and the remaining RMB58,000,000 should be refunded to one of the payer entities owned by the Alleged Third Party Individual.

On 30 and 31 December 2015, a series of payments totaled RMB480,000,000 were further received from a company owned by the Buyer, which management explained were for partial settlement of the Consideration. Meanwhile, during the course of our audit we have independently identified a series of payments on 30 and 31 December 2015 totaled RMB580,000,000 made by the Group to two entities majority-owned by the Alleged Third Party Individual (see also the section headed "Unexplained cash payments and receipts" below).

The Equity Sales Agreement stipulates that the legal ownership of the 51% equity interest in the Tianjin Project should have been transferred to the Buyer upon receipt of the first installment of payment of RMB33,150,000. However, up to the date of this report, the legal ownership of the subject equity interest has yet to be transferred, nor has the Buyer appointed any director into the board of the Tianjin Project. Management eventually did not recognise the gain arising from this sales of equity interests in the Group's consolidated financial statements for the year ended 31 December 2015, despite they originally planned to do so. As at 31 December 2015, all these cash receipts were recorded in "trade and other payables" and "amounts due to related parties".

Most of the payers involved are related parties of either the Group itself or a remunerated executive of the Group. Management was unable to provide us with adequate documentary evidences to support the nature and source of these receipts from various parties, nor was it able to provide satisfactory and consistent explanations about the commercial substance of these transactions. We were also not able to obtain independent confirmations or other corroborative evidences from these payers about the nature of these payments and their outstanding balances. Given the above, together with our concerns on those transactions described in the sections headed "Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members", "Sales of use rights of certain properties to a subcontractor" and "Unexplained cash payments and receipts" below, we have requested the board of directors of the Company to form an independent committee to commission an independent investigation on the authenticity and commercial substance of these transactions (the "Proposed Investigation"). However, up to the date of the report, the Proposed Investigation has yet to commence. Because of these reasons, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the occurrence, accuracy, nature and commercial substance of these receipts during the year together with the related balances at 31 December 2015; and

(ii) whether these receipts represented settlements of the Consideration, and whether the Tianjin Project should be de-consolidated and the related gain on sale be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to the ultimate controlling shareholders and their close family members

The Group entered into certain agreements to sell the use rights (i.e., right to use without transfer of ownership title) of eight units of properties developed by one of its subsidiaries to its ultimate controlling shareholders and their close family members at an aggregate consideration of RMB189,000,000. The carrying amounts of these units of properties totaled RMB46,000,000, among which RMB42,500,000 were included in "completed properties held for sale" and RMB3,500,000 were included in "land use rights" in current assets as at 31 December 2015. Deposits of RMB96,880,000 were received in advance in 2014 from these buyers, while the remaining consideration of RMB92,120,000 were paid on 31 December 2015 by a company majority-owned by the Alleged Third Party Individual (which is also one of the payers of the Consideration described in the section headed "Sale of equity interests in a subsidiary") on behalf of these buyers. Meanwhile, during the course of our audit we have independently identified a series of payments made by the Group on 30 and 31 December 2015 to the above company owned by the Alleged Third Party Individual, which was included in the amount of RMB580,000,000 described in the section headed "Sale of equity interests in a subsidiary" (see also the section headed "Unexplained cash payments and receipts" below).

Despite these units of properties have been delivered to the buyers on 27 December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite they originally planned to do so. Up to the date of our report, no tax invoices were issued nor the related tax filings were made in respect of these sales. As at 31 December 2015, these cash receipts totaled RMB189,000,000 were recorded in "trade and other payables".

Management was not able to provide us with satisfactory explanations as to the commercial substance of these transactions, and provide us with adequate documentary evidences to support the nature and source of these receipts from and payments to the above company owned by the Alleged Third Party Individual. We were also not able to obtain independent confirmations or other corroborative evidences from that party to substantiate the nature of these transactions. As a result, and because the Proposed Investigation has yet to commence, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the nature and commercial substance of these receipts together with the related balances at 31 December 2015; and

(ii) the occurrence of the sales of the use rights of these properties and whether the related gains on sales should be recognized during the year ended 31 December 2015.

Sales of use rights of certain properties to a subcontractor

On 18 November 2015, the Group entered into certain agreements (the "November 2015 Agreements") with a subcontractor (the "Subcontractor") in which the Subcontractor agrees to settle, on behalf of the Group, certain of the Group's outstanding payables to two main contractors (the "Main Contractors") amounted to RMB644,000,000 in total. In return, the Group agrees to deliver to the Subcontractor the use rights of 42 units of properties developed by one of the Group's subsidiaries. Pursuant to the November 2015 Agreements, the Subcontractor designated two individuals, namely the Buyer and the Alleged Third Party Individual mentioned in the section headed "Sale of equity interests in a subsidiary" above, to take over these 42 units of properties. On 10 December 2015, the Buyer and the Alleged Third Party Individual entered into certain property use right sales agreements with the Group in which the Group agrees to sell the use rights of these 42 units of properties at a total consideration of RMB644,000,000. Management explained to us that these latter sales agreements were executed on behalf of the Subcontractor in connection with the November 2015 Agreements. The carrying amounts of these 42 units of properties totaled RMB137,305,000, among which RMB126,581,000 were included in "completed properties held for sale" and RMB10,724,000 were included in "land use rights" in current assets as at 31 December 2015.

Despite these 42 units of properties have been delivered to the buyers at the end of December 2015, management eventually did not recognise these sales in the Group's consolidated financial statements for the year ended 31 December 2015, despite they originally planned to do so. Up to the date of our report, no tax invoices were issued nor the related tax filings were made in respect of these sales. We also noted that all these 42 units of properties were still available for sale in the market in March 2016.

We were initially not provided with any substantive evidences that indicated acknowledgement by the two Main Contractors of these payables settlement arrangements, until mid-March 2016 when management provided us with certain tripartite agreements, dated 18 November 2015, executed among one of the two Main Contractors, two subsidiaries of the Group and the Subcontractor which formalises these payables settlement arrangements. No similar tripartite agreement executed by the other Main Contractor was provided to us up to the date of this report. We were also not able to obtain all the necessary independent confirmations or other corroborative evidences from the Subcontractor and the two Main Contractors to substantiate the nature of these arrangements and transactions. As a result, and because the Proposed Investigation has yet to commence, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the nature and commercial substance of these arrangements and transactions;

(ii) the occurrence of the sales of the use rights of these properties;

(iii) the rights and obligations of the payables to the two Main Contractors totaled RMB644,000,000, which were included in "trade and other payables" at 31 December 2015;

(iv) the existence of undisclosed terms in these sales arrangements, if any, that could have implications on revenue recognition; and

(v) whether the related gains on sales should be recognized during the year ended 31 December 2015.

Unexplained cash payments and receipts

During the course of our 2015 audit, we have independently identified significant amounts of payments to and receipts from (including the payments and receipts described in the above sections) a number of companies majority-owned by the Alleged Third Party Individual and a company in which the Alleged Third Party Individual holds a managerial position (the "Fujian Entity"). Such payments and receipts were not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB904,220,000 and RMB542,265,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB353,693,000 and RMB210,852,000 respectively.

In March 2016, management provided to us two framework agreements (the "Framework Agreements"), dated 5 January 2013, entered into between a subsidiary of the Group, and the Alleged Third Party Individual and the Fujian Entity. The "Framework Agreements" stipulate, among other things, (i) the general terms upon which funds can be borrowed and lent between entities within the Group on the one hand, and the Fujian Entity and other companies controlled by the Alleged Third Party Individual on the other hand; and (ii) the basis upon which interests are charged on funds borrowed and lent. We were also provided with a number of supplementary documents (the "Supplementary Documents") that allegedly supported some of these fund transfer transactions executed between 2013 and 2015. However, none of these documents were previously provided to us prior to March 2016. No interests on the said receivables and payables have ever been paid, received or accrued in the Group's consolidated financial statements, nor did management provide to us a breakdown or estimate of the impact of these interest income/expenses up to 31 December 2015.

In addition, other payments to and receipts from certain alleged third parties were independently identified by us during the course of our 2015 audit, which were also not supported by legitimate documentary evidence. These gross payments and receipts made during the year ended 31 December 2015 amounted to approximately RMB164,000,000 and RMB309,000,000 respectively, and the corresponding balances as at 31 December 2015 that were recorded in "trade and other receivables and prepayments" and "trade and other payables" amounted to approximately RMB86,000,000 and RMB231,000,000 respectively.

Management was not able to provide us with satisfactory explanations as to why the Framework Agreements and the Supplementary Documents were not provided to us prior to March 2016, nor was it able to provide satisfactory explanations or adequate evidence as to the identify of these parties and their relationship with the Group, if any, together with the commercial substance and rationale of these payments and receipts. As a result, and because the Proposed Investigation has yet to commence, we were not able to verify the occurrence, accuracy and completeness of these payments and receipts and the substance of their nature, nor the existence, accuracy, valuation and completeness of the related receivables and payables balances. We are also not able to ascertain the amount of interest income and expenses that should have been accrued by the Group, if any. There were no other alternative audit procedures that we could perform to satisfy ourselves as to whether these transactions and balances were free of material misstatements and were properly accounted for and disclosed in the consolidated financial statements in accordance with their substance, and whether and how these transactions would affect other reported balances and amounts in these financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an audit opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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