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Mingfa Group (International) Company Limited
明發集團（國際）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 846)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

PERFORMANCE HIGHLIGHTS

The audited consolidated revenue of the Group for 2015 was approximately RMB2,246.3 million, representing a decrease of 40.8% as compared to 2014.

The audited consolidated profit attributable to equity holders of the Company was approximately RMB26.1 million for 2015, representing a decline of 96.9% as compared to 2014.

The basic and diluted earnings per share was RMB0.4 cents and RMB0.4 cents respectively for 2015, representing a decrease of 97.1% and 96.9% respectively as compared to 2014.

The Board does not recommend payment of final dividend for the year ended 31 December 2015.

The board (the “**Board**”) of directors (the “**Directors**”) of Mingfa Group (International) Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2015 together with comparative figures for the year ended 31 December 2014. The consolidated annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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):		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	—	5,242
<i>Item that may be reclassified to profit or loss</i>		
— 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
		<u>16,289,375</u>	<u>15,121,087</u>
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
		<u>35,780,803</u>	<u>25,449,601</u>
Total assets		<u><u>52,070,178</u></u>	<u><u>40,570,688</u></u>

		As at 31 December	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	11	536,281	536,281
Reserves		<u>10,585,105</u>	<u>10,547,089</u>
		11,121,386	11,083,370
Non-controlling interests in equity		<u>1,103,242</u>	<u>625,822</u>
Total equity		<u>12,224,628</u>	<u>11,709,192</u>
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	<u>150,000</u>	<u>—</u>
		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		<u>65,797</u>	<u>9,294</u>
		31,027,260	21,804,541
Total liabilities		<u>39,845,550</u>	<u>28,861,496</u>
Total equity and liabilities		<u>52,070,178</u>	<u>40,570,688</u>

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
	<u>1,454,158</u>	<u>2,895,904</u>
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
	<u>2,246,332</u>	<u>3,792,610</u>

(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	<u>229,435</u>	<u>1,224,723</u>	<u>155,105</u>	<u>262,337</u>	<u>374,732</u>	<u>—</u>	<u>—</u>	<u>2,246,332</u>
Operating profit/(loss)	<u>18,307</u>	<u>(317,098)</u>	<u>(41,028)</u>	<u>614,972</u>	<u>13,082</u>	<u>(266,239)</u>	<u>—</u>	<u>21,996</u>
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								<u>6,618</u>
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
	<u>18,064,368</u>	<u>43,848,971</u>	<u>2,206,109</u>	<u>10,528,966</u>	<u>874,132</u>	<u>9,733,522</u>	<u>(34,075,164)</u>	<u>51,180,904</u>
Unallocated:								
Deferred income tax assets								418,335
Prepaid income taxes								194,219
Available-for-sale financial assets								276,720
Total assets								<u>52,070,178</u>
Segment liabilities	<u>10,136,261</u>	<u>31,196,496</u>	<u>271,112</u>	<u>603,958</u>	<u>843,618</u>	<u>11,832,227</u>	<u>(34,075,164)</u>	<u>20,808,508</u>
Unallocated:								
Deferred income tax liabilities								1,729,230
Borrowings								15,147,949
Income tax payable								2,159,863
Total liabilities								<u>39,845,550</u>

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	<u>624,849</u>	<u>2,271,055</u>	<u>118,241</u>	<u>279,065</u>	<u>499,400</u>	<u>—</u>	<u>—</u>	<u>3,792,610</u>
Operating profit/(loss)	<u>106,781</u>	<u>267,378</u>	<u>(31,993)</u>	<u>1,363,038</u>	<u>17,433</u>	<u>28,902</u>	<u>—</u>	<u>1,751,539</u>
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								<u>1,056,160</u>
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 <i>RMB'000</i>	Property development — residential <i>RMB'000</i>	Hotel <i>RMB'000</i>	Property investment and management <i>RMB'000</i>	Property construction <i>RMB'000</i>	All other segments <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>20,429,585</u>	<u>28,871,110</u>	<u>2,295,698</u>	<u>8,988,488</u>	<u>499,400</u>	<u>8,512,244</u>	<u>(29,647,573)</u>	<u>39,948,952</u>
Unallocated:								
Deferred income tax assets								366,238
Prepaid income taxes								118,498
Available-for-sale financial assets								137,000
Total assets								<u>40,570,688</u>
Segment liabilities	<u>11,397,165</u>	<u>20,306,309</u>	<u>241,989</u>	<u>305,088</u>	<u>217,419</u>	<u>10,048,023</u>	<u>(29,647,573)</u>	<u>12,868,420</u>
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								<u>28,861,496</u>

4 OTHER GAINS

	Year ended 31 December	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Government grants (<i>note (a)</i>)	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 (<i>note (b)</i>)	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
	<u>86,294</u>	<u>147,273</u>

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 <i>RMB'000</i>	2014 <i>RMB'000</i>
Staff costs — including directors' emoluments (<i>note (a)</i>)	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 (<i>note (b)</i>)	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
	<hr/>	<hr/>
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	2014
	RMB'000	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
	<u>232,754</u>	<u>231,147</u>

(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	2014
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits and loan to a related party	<u>72,214</u>	<u>36,867</u>
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	<u>1,079,875</u>	<u>721,900</u>
Finance costs	—	(43,792)
Net finance income/(costs)	<u>72,214</u>	<u>(6,925)</u>

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	42,512	297,520
— PRC land appreciation tax	33,409	175,901
	<u>75,921</u>	<u>473,421</u>
Deferred income tax		
— PRC enterprise income tax	45,965	183,836
— PRC withholding income tax	4,351	23,515
	<u>50,316</u>	<u>207,351</u>
	<u><u>126,237</u></u>	<u><u>680,772</u></u>

(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 (<i>RMB'000</i>)	<u>26,094</u>	<u>829,310</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>6,093,451</u>	<u>6,093,451</u>
Basic earnings per share (<i>RMB cents</i>)	<u>0.4</u>	<u>13.6</u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>26,094</u>	<u>800,157</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	6,093,451	6,093,451
Adjustment for conversion of convertible bonds (<i>thousands</i>)	—	22,784
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>6,093,451</u>	<u>6,116,235</u>
Diluted earnings per share (<i>RMB cents</i>)	<u>0.4</u>	<u>13.1</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>note (a)</i>)	653,114	623,043
Less: Provision for impairment of trade receivables (<i>note (d)</i>)	<u>(50,684)</u>	<u>(50,737)</u>
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 (<i>note (c)</i>)	615,766	176,073
Receivable in connection with the disposal of a joint venture (<i>note (e)</i>)	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	<u>435,330</u>	<u>174,554</u>
	2,479,438	1,685,217
Less: Non-current portion of other receivables (<i>note (b)</i>)	<u>(14,851)</u>	<u>(14,396)</u>
Current portion	<u><u>2,464,587</u></u>	<u><u>1,670,821</u></u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>78,860</u>	<u>69,269</u>
	<u><u>653,114</u></u>	<u><u>623,043</u></u>

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
	<u>15,133</u>	<u>16,830</u>

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
	<u>615,766</u>	<u>176,073</u>

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	2014
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>50,684</u>	<u>50,737</u>
Ending balance	<u>50,684</u>	<u>50,737</u>

(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	Number of	Nominal value	Equivalent
	<i>HK\$</i>	ordinary shares	of ordinary shares	<i>RMB</i>
			<i>HK\$</i>	
Authorised:				
At 1 January 2014, 31 December 2014 and at 31 December 2015	0.1	<u>12,000,000,000</u>	<u>1,200,000,000</u>	
Issued and fully paid:				
At 1 January 2014, 31 December 2014 and at 31 December 2015	0.1	<u>6,093,451,026</u>	<u>609,345,103</u>	<u>536,280,877</u>

12 BORROWINGS

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings included in non-current liabilities		
Bank borrowings — secured	8,509,368	7,326,844
Senior notes (<i>note</i>)	674,539	631,725
Other borrowings — secured	2,805,360	566,000
	<u>11,989,267</u>	<u>8,524,569</u>
Less: Amounts due within one year	(6,500,760)	(4,540,223)
	<u>5,488,507</u>	<u>3,984,346</u>
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
	<u>9,659,442</u>	<u>8,217,892</u>

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	<u>103.3125%</u>

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
	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables (<i>note (a)</i>)	6,585,225	5,024,787
Other payables (<i>note (b)</i>)	2,854,335	2,698,466
Other taxes payable	300,202	186,117
	<u>9,739,762</u>	<u>7,909,370</u>
Less: Non-current portion of other payables (<i>note (b)(ii)</i>)	<u>(150,000)</u>	—
Current portion	<u>9,589,762</u>	<u>7,909,370</u>

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
	<u>6,585,225</u>	<u>5,024,787</u>

(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 (<i>note (i)</i>)	401,437	190,357
Advances from third parties (<i>note (ii)</i>)	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
	<u>2,854,335</u>	<u>2,698,466</u>

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
	<u>401,437</u>	<u>190,357</u>

(ii) Advances from third parties comprise:

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>1,826,615</u>	<u>2,059,013</u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>
Warrants (<i>note</i>)	—	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.

RESULTS

The audited consolidated 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 audited consolidated profit for the year and profit attributable to equity holders of the Company were approximately RMB6.6 million and RMB26.1 million respectively for 2015 (2014: approximately RMB1,056.2 million and RMB829.3 million respectively), representing a decline of 99.4% and 96.9% respectively as compared to 2014. The basic and diluted earnings per share were RMB0.4 cents and RMB0.4 cents respectively for 2015 (2014: RMB13.6 cents and RMB13.1 cents respectively), representing a decrease of 97.1% and 96.9% respectively as compared to 2014.

The Board does not recommend payment of final dividend for the year ended 31 December 2015.

INDUSTRY REVIEW

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 People's Bank of China 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 have 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 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.

BUSINESS REVIEW

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 under review, 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 under review, 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).

The GFA of the properties delivered by the Group in 2015 and the ASP per sq.m. were as follows:

	Sales Revenue		GFA Delivered		Average Selling Price	
	<i>(RMB '000)</i>		<i>(sq.m.)</i>		<i>(RMB per sq.m.)</i>	
	2015	2014	2015	2014	2015	2014
Hefei Mingfa Shopping Mall	34,293.2	150,027.6	5,588.6	22,165.8	6,136.3	6,768.4
Honglai Mingfa Commercial Centre	18,448.3	12,535.3	4,187.0	2,908.5	4,406.1	4,309.9
Huai'an Mingfa Shopping Mall	33,422.5	114,737.0	9,797.1	33,907.0	3,411.5	3,383.9
Nanjing Mingfa City Square	77,023.4	247,984.3	7,280.2	22,150.5	10,579.9	11,195.4
Nanjing Mingfa Riverside New Town	112,738.7	410,247.7	10,331.6	47,689.7	10,912.0	8,602.4
Nanjing Mingfa Pearl Spring Resort	57,978.2	1,396.7	2,951.4	80.8	19,644.0	17,285.9
Shenyang Mingfa Jinxiuhua City	63,113.9	299,284.4	14,588.9	66,894.7	4,326.2	4,474.0
Taizhou Mingfa City Complex	344,847.6	12,988.3	89,947.2	3,208.0	3,833.9	4,048.7
Wuxi Mingfa International New Town	363,528.8	341,353.4	64,118.0	59,569.0	5,669.7	5,730.4
Xiamen Mingfa Shopping Mall	19,858.7	36,249.4	657.0	1,154.0	30,226.3	31,412.1
Xiamen Mingfa Harbour Resort	33,002.0	24,177.3	1,856.2	1,436.7	17,779.3	16,828.4
Xiamen Mingfa Xiangwan Peninsula	63,216.3	525,013.1	5,424.7	51,372.3	11,653.5	10,219.8
Yangzhou Mingfa Jiangwan City	111,053.4	411,018.8	17,415.3	59,187.6	6,376.8	6,944.3
Yangzhou Mingfa Shopping Mall	471.2	2,168.3	42.8	264.5	11,009.3	8,197.7
Zhangzhou Mingfa Shopping Mall	27,103.0	180,456.1	4,239.2	26,711.3	6,393.4	6,755.8
Zhenjiang Mingfa Jinxiu Yinshan	87,871.8	59,726.2	23,538.1	14,955.3	3,733.2	3,993.6
Others	6,187.0	66,540.0	942.5	7,008.1	6,564.5	9,494.7
	<u>1,454,158.0</u>	<u>2,895,903.9</u>	<u>262,905.8</u>	<u>420,663.8</u>	<u>5,531.1</u>	<u>6,884.1</u>

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. (2014: 410,673 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

SUMMARY OF LAND BANK

As at 31 December 2015, land bank attributable to the Group increased by 20.5% to approximately 15.3 million sq.m. (2014: approximately 12.7 million sq.m.), consisting of 63 projects (2014: 55 projects) in total.

	Number of Projects	Attributable GFA <i>(million sq.m.)</i>
Completed Projects	19	1.6
Projects under Development	24	7.1
Projects for Future Development	20	6.6
Total	63	15.3

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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Completed properties (held for sale/leasing) (Note 1)								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming District, Xiamen, Fujian Province	Dec-2004	Residential/ Commercial/ Office	Completed	18,247	450	100%	450
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli District, Xiamen, Fujian Province	Dec-2004	Residential/ Commercial/ Office	Completed	5,529	1,672	100%	1,672
Xiamen Mingfa Garden	Located at Huanhuli South, Lvling Road, Siming District, Xiamen, Fujian Province	Apr-2005	Residential/ Commercial	Completed	18,697	14,146	100%	14,146
Xiamen Jianqun Elegant Garden	Located at the north of Qianpu Lianqian East Road, Huli District, Xiamen, Fujian Province	Apr-2005	Residential/ Office	Completed	10,257	1,418	100%	1,418
Xiamen Mingfa International New Town	Located at the south of Qianpu Lianqian Road, Siming District, Xiamen, Fujian Province	Feb-2002	Residential/ Commercial/ Office	Completed	26,016	8,367	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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
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
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 Xinpū 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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties 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 sqm in December 2015. The remaining GFA of 252,969 sqm 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 sqm in December 2015. The remaining GFA of 26,070 sqm 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 sqm in December 2015. The remaining GFA of 217,499 sqm will be completed in December 2016	258,297	251,075	100%	251,075
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 sqm in December 2015. The remaining GFA of 62,954 sqm 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 sqm in December 2015. The remaining GFA of 539,778 sqm 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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
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-2016	Residential/ Commercial	Approximately 30% 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
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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
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					<u>3,408,638</u>	<u>7,721,135</u>		<u>7,109,367</u>
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 (Blok 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					<u>1,931,950</u>	<u>2,845,596</u>		<u>2,130,480</u>

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (sq.m.) (Note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties with 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
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.

SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT

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

Property Name	Location	Existing Usage	Attributable GFA (<i>sq.m.</i>)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Commercial	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%

Property Name	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
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		

Properties to be Completed in 2016

Set out below are the properties expected to be completed by the Group in 2016. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 1,685,029 sq.m. including those already pre-sold as at 31 December 2015.

Property Name	Expected Completion Date	Usage	GFA Available for Sales/Leasing (sq.m)	Percentage of Interest in the Property Attributable to the Group
Zhenjiang Jinxiu Yinshan	Dec-2016	Residential/ Commercial/ Hotel	292,787	100%
Shenyang Mingfa Jinxiuhua City	Dec-2016	Residential/ Commercial	224,626	100%
Wuxi Mingfa International New Town	Dec-2016	Residential/ Commercial	251,075	100%
Yangzhou Mingfa Jiangwan City	Dec-2016	Residential/ Commercial	143,667	100%
Beijing Mingfa Mall	Dec-2016	Residential/ Commercial	127,159	100%
Nanjing Mingfa New City Finance Building	Dec-2016	Residential/ Commercial	401,297	64%
Nanjing Mingfa Cloud Mansion	Dec-2016	Residential/ Commercial	59,016	40%
Nanjing Mingfa Xiang Hill Garden	Dec-2016	Residential	185,402	100%
			1,685,029	

ACQUISITION FRAMEWORK AGREEMENTS

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 are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

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

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	<i>Note</i>
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)
Jinzhai Mingfa City Square (金寨明發城市廣場)	Jinzhai City, Anhui Province	17-Dec-14	666,670	1,333,340	(8)
Total			<u>9,686,178</u>	<u>23,979,610</u>	

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.
- (8) The Group had acquired 10 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 482,936.7 sq.m. and approximately 1,063,578.6 sq.m. respectively.

PROSPECTS

In the wake of the reviving property market, the Group's contracted sales recorded an increase in both sales volume and ASP as compared to the corresponding period of 2014. Steadfastly adhering to a prudent and diversified approach, the Group is continuing its strategy of a balanced product mix and an optimized geographical location of properties.

Remaining as a core practice, the Group will continue to maintain an average weighted proportion of each property type, in order to minimize external volatility and enhance mixed land use. The proportion of residential and commercial properties in the Group's portfolio accounted for 58.2% and 32.1% of the land bank respectively as at 31 December 2015. Meanwhile, the Group had income of RMB262.3 million during 2015 generated from the property investment, which assured a steady income stream for the Group. The property construction business, which was a new business segment beginning from 2014, generated an income of approximately RMB374.7 million during 2015 to further diversify the income base of the Group.

The Group intends to continue to implement a coherent and prudent land acquisition strategy for further replenishment of selected quality land parcels in 2016. The land reserves of the Group had increased by 20.5% to a GFA of 15.3 million sq.m. from 2014 to 2015, which is expected to be sufficient for projected growth over five to six years. In particular, the Group's performance has been highlighted in Nanjing where the property market in 2015 enjoyed its most prosperous year ever resulting from the "Great Jiangbei" strategy. The Group has 12 projects in this district, which is expected to generate promising revenue in the future. Looking ahead, the Group remains focused on capturing the opportunities presented by market trends and government policies to optimize the regional layout of property projects.

The Group also plans to consistently maintain its prudent financial strategies and various financing channels. The Group has successfully entered into a capital increase agreement and a facility agreement, with Nanjing Yangzi State Assets Investments Group and China Huarong International Holdings Limited respectively. Looking ahead, the Group continues to broaden its financial channels for retaining a strong capital structure and diversifying risks.

The supportive national monetary policy, interest-rate cuts, and reductions of the reserve ratio required by the People's Bank of China as well as the booming onshore bonds issuance have to a certain extent alleviated the pressure of the high cost of financing. By taking advantage of the relaxed policies, the Group's financial status is expected to remain healthy in 2016, driven by the more dynamic financing channels and improvement in its debt structure.

Looking ahead to 2016, China's property market is expected to face both challenges and opportunities. Throughout the world, risks to the global outlook remain tilted to the downside and relate to ongoing adjustments, in particular, the gradual exit from the extraordinarily accommodative monetary conditions in the United States after the initial raising of interest rates by the US Federal Reserve. In the emerging market economies, forecasts of a gradual improvement of growth rates are supported by generally less restrictive fiscal and still accommodative monetary stances. As for the domestic property market, the Chinese government is expected to continue to ease regulatory measures and monetary policies to maintain stability. Hence, the Group is cautiously optimistic about the market outlook in 2016.

FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2015, revenue generated by the Group was approximately RMB2,246.3 million (2014: approximately RMB3,792.6 million), representing a decrease of 40.8% as compared to 2014. The decrease in revenue generated from properties sector in 2015 was mainly due to decrease in GFA delivered from 420,664 sq.m. in 2014 to 262,906 sq.m. in 2015. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Commercial Properties (RMB' million)	Residential Properties (RMB' million)	Properties Investment and Management (RMB' million)		Hotel (RMB' million)	Property Construction (RMB' million)	Total (RMB' million)	Percentage of (Decrease)/ Increase
2015	229.4	1,224.8	262.3		155.1	374.7	2,246.3	(40.8%)
2014	624.8	2,271.1	279.1		118.2	499.4	3,792.6	(39.5%)

Revenue from the properties sector contributed 64.7% in total to the Group's revenue. Revenue from the commercial properties sector decreased by 63.3% which was primarily due to less commercial properties in Nanjing Mingfa City Square, Hefei Mingfa Shopping Mall and Zhangzhou Mingfa Shopping Mall had been delivered in 2015. Revenue generated from the residential properties dropped 46.1% in 2015 as compared to 2014 as less properties in Nanjing Mingfa Riverside New Town, Xiamen Mingfa Xiangwan Peninsula and Yangzhou Mingfa Jiangwan City had been delivered in 2015.

Revenue from the properties investment and management sector decreased by 6.0%, which was mainly due to the disposal of certain investment properties during 2014.

Income generated from hotel operations increased by 31.2% from RMB118.2 million for 2014 to RMB155.1 million for 2015. It was mainly due to the increase in revenue generated from the new hotels in Hefei and Yangzhou.

Revenue generated from property construction business decreased by 25% from RMB499.4 million in 2014 to RMB374.7 million in 2015. It was mainly due to the project named TongDa was nearly completed in 2015 so less construction work was incurred.

The gross profit of the Group decreased generally in line with revenue and amounted to approximately RMB276.3 million for 2015, representing a decrease of approximately 72.0% as compared to 2014 (2014: approximately RMB985.9 million).

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 profit attributable to the equity holders of the Company was approximately RMB26.1 million for 2015, representing a decrease of approximately 96.9% from 2014 (2014: approximately RMB829.3 million). It was mainly due to the decrease in the recognised revenue for 2015 arisen from the decrease in GFA delivered from 420,664 sq.m. in 2014 to 262,906 sq.m. in 2015.

The cost of sales of the Group was RMB1,970.1 million for 2015, representing a decrease of approximately 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 RMB4,926.9 per sq.m. for 2015, had immaterial changes over 2014 (2014: average cost of properties included in cost of sales was RMB4,925.7 per sq.m.).

Fair value gains on investment properties and derivative financial instruments decreased by 55.3% and decreased by 61.5% respectively to RMB537.2 million and RMB2.4 million respectively (2014: RMB1,203.2 million and RMB6.3 million respectively). Decrease in fair value gains on investment properties was mainly due to the decrease in GFA of investment properties which had been disposed in 2014.

Other gains decreased by 41.4% from RMB147.3 million in 2014 to RMB86.3 million in 2015. The decrease in other gains was due to no gain on fixed assets disposal had been incurred in 2015 (2014: gain on disposal of fixed assets accounted for RMB42.7 million).

Selling, general and administrative expenses and other operating expenses of the Group were RMB880.2 million in 2015, representing an increase of approximately 48.9% over 2014 (2014: approximately RMB591.2 million). The increase was mainly due to exchange loss arisen from the offshore loans.

All financing cost had been capitalized in 2015.

CAPITAL STRUCTURE

As at 31 December 2015, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB1,915.1 million (31 December 2014: approximately RMB732.1 million). Restricted cash of the Group was approximately RMB3,076.3 million (31 December 2014: approximately RMB2,464.2 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB9,659.4 million and RMB5,488.5 million respectively (31 December 2014: approximately RMB8,217.9 million and RMB3,984.3 million respectively). The cash and cash equivalents of the Group were mainly denominated in Renminbi as at 31 December 2015.

Total interest expenses including the capitalised finance costs amounted to approximately RMB1,079.9 million (31 December 2014: approximately RMB765.7 million) in total. In addition, interests with an amount of approximately RMB1,079.9 million (31 December 2014: approximately RMB721.9 million) were capitalised in 2015.

Set out below are the major ratios of the Group:

	As at and for the year ended 31 December	
	2015	2014
Gross profit margin	12.3%	26.0%
Operating profit margin	1.0%	46.2%
Net profit margin	0.3%	27.8%
Current ratio	1.15	1.17
Total liabilities to total assets	76.5%	71.1%
Bank loans and other borrowings to shareholders' funds	136.2%	110.1%
Non-current bank loans and other borrowings to total assets	10.5%	9.8%
Gearing ratio*	45.4%	43.5%

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

PLEDGES OF ASSETS

As at 31 December 2015, investment properties of the Group with net book value of approximately RMB5,176.6 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), other non-current assets of approximately RMB268.7 million (31 December 2014: approximately 268.7 million) available-for-sale financial assets of approximately RMB100.0 million (31 December 2014: 50.0) and restricted bank deposits of approximately RMB3,076.3 million (31 December 2014: approximately RMB2,458.6 million) were pledged to secure the banking facilities of the Group. As at 31 December 2015, there were no cash deposits (31 December 2014: approximately RMB5.69 million) were restricted and deposited in certain banks as security for project construction.

CAPITAL COMMITMENTS

As at 31 December 2015, the contracted capital commitments of the Group were approximately RMB5,598.7 million (31 December 2014: approximately RMB6,083.0 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from internally generated funds and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2015, the contingent liabilities of the Group was 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.

FOREIGN EXCHANGE RISK

As at 31 December 2015, 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 91.3%, 0.4% and 8.3% (31 December 2014: Renminbi, Hong Kong dollars and US dollars accounted for 92.0%, 1.2% and 6.8% 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 61.6%, 9.4%, 28.5% and 0.5% (31 December 2014: Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars accounted for 63.1%, 19.0%, 17.2% and 0.7% 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 2015 were made mainly in Renminbi and Hong Kong dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi or Hong Kong dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2015 as the hedging cost was comparable to the corresponding risk.

INTEREST RATE RISK

As at 31 December 2015, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

FUNDING AND TREASURY POLICY

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

CREDIT POLICIES

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

HUMAN RESOURCES

As at 31 December 2015, the Group employed 2,361 staff (31 December 2014: 2,412 staff). There were no material changes in the number of staff. For 2015, the staff costs of the Group including Directors' emoluments were approximately RMB232.8 million (2014: approximately RMB231.1 million), representing immaterial changes. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan.

The Company values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provides various training opportunities to employees, including training from PRC Financial Centre for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustment whenever necessary so as to maintain its competitiveness in the employment market.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2015, 南京明發科技商務城建設發展有限公司 (Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd.*) (“**Project Company**”), Ming Fat Holdings (Hong Kong) Limited (明發集團 (香港) 有限公司) and Mingfa Group Investments Company Limited (明發集團投資有限公司), all of which are direct or indirect wholly-owned subsidiaries of the Company, entered into a capital increase agreement (“**Agreement**”) with 南京揚子

國資投資集團有限責任公司 (Nanjing Yangzi State Assets Investments Group Co. Ltd.*) (“**Yangzi Guotou**”). Pursuant to the Agreement, Yangzi Guotou or its designated party shall make a capital contribution to the Project Company. As at 31 December 2015, the designated party had made a capital contribution of RMB1,500,000,000 to the Project Company. Upon completion of such capital increase, the total equity interest of the Group in the Project Company would decrease from 100% to 51%, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

Save for the abovementioned, the Group had no material acquisition or disposal of subsidiaries during the year ended 31 December 2015.

AUDITOR’S DISCLAIMER OF OPINION AND INVESTIGATIONS

As disclosed in sections headed “Basis for Disclaimer of Opinion” and “Disclaimer of Opinion” in extract of independent auditor’s report contained on pages 22 to 26 of this announcement, the auditor of the Company (the “**Auditor**”) did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2015 as a result of certain matters, including: (1) the proposed sale of equity interest in Mingfa Group (Tianjin Binhai New District) Real Estate Development Co. Ltd. (明發集團(天津濱海新區)房地產開發有限公司), a subsidiary of the Company; (2) certain property sales transactions; and (3) certain cash payments and receipts of the Group without supporting documents, which may involve related parties or independent third parties.

The audit committee of the Company, comprising all the independent non-executive Directors, has appointed an independent professional advisor to investigate into the matters raised by the auditor of the Company (the “**Investigations**”). Further announcement(s) will be made by the Company in respect of material development of the Investigations.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. During the year ended 31 December 2015, all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) were fulfilled by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors’ securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding the Directors’ securities transactions for the year ended 31 December 2015.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee comprises of all independent non-executive directors of the Company, namely, Mr. Qu Wenzhou, Mr. Dai Yiyi and Mr. Lau Kin Hon. The 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 and reviewing corporate governance practices of the Company. The Audit Committee had reviewed the annual results and consolidated financial statements of the Group for the year ended 31 December 2015.

PUBLICATION OF ANNUAL REPORT

The 2015 annual report of the Company will be despatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ming-fa.com>) in due course.

By order of the Board of
MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
WONG WUN MING
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises:

Executive Directors:

*Mr. Wong Wun Ming, Mr. Huang Qingzhu,
Mr. Huang Lianchun and Mr. Huang Li Shui*

Independent Non-Executive Directors:

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

* *for identification purpose only*