# SHANGHAI ZENDAI PROPERTY LIMITED

# 上海証大房地產有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 755)**

## RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2013

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2013*

| | *Notes* | **2013** ***HK$'000*** | 2012 *HK$'000* |
|---|---|---|---|
| Turnover | *4* | **2,227,663** | 1,122,891 |
| Cost of sales | | **(1,585,956)** | (682,200) |
| Gross profit | | **641,707** | 440,691 |
| Other income and gains | | **124,541** | 1,216,742 |
| Distribution costs | | **(102,332)** | (118,150) |
| Administrative expenses | | **(400,697)** | (318,932) |
| Change in fair value of investment properties | | **140,962** | (42,748) |
| Impairment loss on goodwill | | **(65,417)** | – |
| Share of results of associates | | **(103,264)** | (159,189) |
| Share of results of joint ventures | | **(28,189)** | (9,580) |
| Finance costs | *7* | **(278,557)** | (136,227) |
| (Loss)/profit before tax credit/(expenses) | | **(71,246)** | 872,607 |
| Tax credit/(expenses) | *8* | **151,153** | (316,843) |
| Profit for the year | | **79,907** | 555,764 |
| Profit for the year attributable to: | | | |
| – Owners of the Company | | **79,347** | 554,702 |
| – Non-controlling interests | | **560** | 1,062 |
| | | **79,907** | 555,764 |
| **Earnings per share** | *10* | | |
| – Basic | | **HK0.59 Cents** | HK4.5 Cents |
| – Diluted | | **HK0.59 Cents** | HK4.5 Cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 DECEMBER 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **393,259** | 385,910 |
| Investment properties | | **2,723,188** | 2,575,421 |
| Payment for leasehold land held for own use under operating leases | | **617,316** | 619,904 |
| Goodwill | | **37,600** | 101,975 |
| Interests in associates | | **410,983** | 545,918 |
| Interests in joint ventures | | **1,386,006** | 43,389 |
| Available-for-sale investments | | **67,712** | 30,906 |
| Total non-current assets | | **5,636,064** | 4,303,423 |
| **Current assets** | | | |
| Properties under development and for sales | | **6,794,008** | 5,877,086 |
| Inventories | | **1,982** | 2,000 |
| Trade and other receivables | *11* | **470,523** | 624,666 |
| Deposits for property development | | **295,939** | 441,838 |
| Amounts due from associates | | **1,075,479** | 798,782 |
| Amounts due from joint ventures | | **685,509** | 813,599 |
| Available-for-sale investments | | **2,665** | 2,584 |
| Amounts due from related companies | | **16,256** | 15,080 |
| Amounts due from minority owners of subsidiaries | | **36,379** | – |
| Pledged bank deposits | *12* | **1,571,342** | 1,317,421 |
| Tax prepayments | | **135,328** | 44,872 |
| Entrusted loan receivables | | **126,919** | 110,728 |
| Cash and cash equivalents | | **942,721** | 1,508,600 |
| Total current assets | | **12,155,050** | 11,557,256 |
| **Total assets** | | **17,791,114** | 15,860,679 |
| **Current liabilities** | | | |
| Trade, notes and other payables | *13* | **1,319,155** | 1,278,137 |
| Receipts in advance from customers | | **1,235,512** | 1,706,919 |
| Amount due to a joint venture | | **635,867** | – |
| Amounts due to related companies | | **41,752** | – |
| Amounts due to minority owners of subsidiaries | | **56,319** | 42,714 |
| Bank loans | *16* | **3,459,042** | 1,325,085 |
| Tax payables | *14* | **992,203** | 1,261,738 |
| Total current liabilities | | **7,739,850** | 5,614,593 |
| **Net current assets** | | **4,415,200** | 5,942,663 |
| **Total assets less current liabilities** | | **10,051,264** | 10,246,086 |

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | *16* | **2,685,637** | 3,631,598 |
| Deferred tax liabilities | | **581,069** | 642,773 |
| Other payables | | **153,598** | 171,880 |
| Total non-current liabilities | | **3,420,304** | 4,446,251 |
| **Total liabilities** | | **11,160,154** | 10,060,844 |
| **TOTAL NET ASSETS** | | **6,630,960** | 5,799,835 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | | **297,587** | 248,747 |
| Reserves | | **5,928,562** | 5,346,924 |
| Equity attributable to owners of the Company | | **6,226,149** | 5,595,671 |
| **Non-controlling interests** | | **404,811** | 204,164 |
| **TOTAL EQUITY** | | **6,630,960** | 5,799,835 |

# NOTES TO THE FINANCIAL STATEMENTS

*31 DECEMBER 2013*

## 1. BASIS OF PREPARATION

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

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

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

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

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

***HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle***

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

***HKFRS 10 – Consolidated Financial Statements***

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in the existing HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption of the standard does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

***HKFRS 11 – Joint Arrangements***

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

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

***HKFRS 13 – Fair Value Measurement***

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

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

***Amendments to HKAS 36 – Recoverable Amount Disclosures***

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

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

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

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

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

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

## 3. SEGMENT REPORTING

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

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

Segment information is presented below:

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

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

*Note:*

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

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

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

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

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

**(c) Geographical information**

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

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

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

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

## 4. TURNOVER

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

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

## 5. OTHER INCOME AND GAINS

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

*Note:*

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

## 6. (LOSS)/PROFIT BEFORE TAX CREDIT/(EXPENSES)

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

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

## 7. FINANCE COSTS

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

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

## 8. TAX (CREDIT)/EXPENSES

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

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

*Note:*

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

**Hong Kong Profits Tax**

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

**PRC Enterprise Income Tax**

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

**LAT**

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

## 9. DIVIDENDS

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

## 10. EARNINGS PER SHARE

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

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

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

## 11. TRADE AND OTHER RECEIVABLES

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

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

*Notes:*

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

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

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

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

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

## 12. PLEDGED BANK DEPOSITS

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

## 13. TRADE, NOTES AND OTHER PAYABLES

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

*Notes:*

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

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

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

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

## 14. TAX PREPAYMENTS/PAYABLES

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

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

*Note:*

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

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

## 15. LITIGATION

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

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

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

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

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

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

## 16. BANK LOANS

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

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

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

## 17. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

### 18. CLOSURE OF REGISTER OF MEMBERS

As no final dividend will be proposed for the year, it was not necessary to close the register of members of the Company.

## CHAIRMAN'S STATEMENT

### Financial Results

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

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

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

- Delivery of residential properties in Qingdao Zendai Thumb Plaza
- Delivery of residential properties in Xizhen, Changchun, Jilin and Haimen
- Delivery of commercial space at Zendai Xizhen Thumb Plaza

- Delivery of “Mandarin Palace” villas
- Reversal of over provision for land appreciation tax and dividend tax in the previous year

**Business Review**

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

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

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

## Commercial Property Projects in China

### *Shanghai*

*Shanghai Zendai Thumb Plaza*

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

*Radisson Hotel Pudong*

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

*Himalayas Center*

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

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a total gross floor area of 60,452 square metres, providing 401 guest rooms. Enjoying a favourable location, the hotel is adjacent to Shanghai New International Expo Center which connects No. 7 metro line and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 73%, generating a total income of approximately RMB168,165,000 (equivalent to HK$210,707,000), approximating to the income of the same period last year. In November 2012, the Jumeirah Himalayas Hotel Shanghai was named the International Hotel of the Year in the European Hospitality Awards 2012, listed as one of the Top 100 Hotels in China by "Travel & Leisure" magazine and was voted the 2012 Best in Design Hotel by "City Traveler" magazine. Besides, the hotel was also named as the best MICE hotel in 2013 by "City Tour" magazine and "Shanghai Talk" magazine, and named as the Best Buffet Restaurant in 2013 by "TimeOut" magazine.

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

*Parcel of Land in Qingpu District*

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

Phase I with a gross floor area of approximately 98,479 square metres will be developed into residential properties (40,946 square metres) and commercial areas (57,533 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to high-end restaurants and supermarkets. During the year under review, total residential and commercial saleable areas of 8,244 square metres and 6,051 square meters were sold respectively, generating a total contract value of RMB161,458,000 (equivalent to HK$202,303,000) and RMB185,208,000 (equivalent to HK$232,061,000) respectively. As at 31 December 2013, total residential and commercial saleable areas of 13,724 square metres and 9,357 square metres had been sold respectively, generating a total contract value of RMB266,383,000 (equivalent to HK$333,771,000) and RMB272,592,000 (equivalent to HK$341,551,000) respectively. Residential and commercial areas of 5,160 square metres and 5,152 square metres were delivered respectively during the period, and a total contract value of RMB99,080,000 (equivalent to HK$124,145,000) and RMB145,878,000 (equivalent to HK$182,782,000) was recognised as turnover respectively.

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

***Other Cities***

*Nanjing South Train Station Thumb Plaza*

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

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

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

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

*Qingdao Zendai Thumb Plaza*

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

During the year under review, a total saleable area of service apartments of 13,898 square metres was sold, generating a total contract value of RMB182,858,000 (equivalent to HK$229,117,000). As at 31 December 2013, a total saleable area of 40,924 square metres had been sold, generating a contract value of RMB627,832,000 (equivalent to HK$786,658,000) for the Group. During the year, 31,814 square metres were delivered and the contract value of RMB491,595,000 (equivalent to HK$615,957,000) was recognized as turnover. Retail shops and car-parks, which have been retained for leasing, commenced operation in May 2012. As at 31 December 2013, more than 89% of the commercial space was leased, generating a rental income of RMB23,800,000 (equivalent to HK$29,821,000) during the year. Meanwhile, construction of the hotel is now underway and is expected to be completed in February 2014 and trial operation will commence in March 2014.

*Zendai Nantong Yicheng Thumb Plaza*

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

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

*Qingdao Shangshi International Plaza*

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

*Yangzhou Commercial Project*

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

*Project in Chenmai County, Hainan Province*

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

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

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

**Residential Projects in China**

***Shanghai***

*Mandarin Palace*

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

***Other Cities***

*"Zendai Garden-Riverside Town" in Haimen*

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

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

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

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

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

The Phase II, Shui Qing Mu Hua Garden, with a site area of 148,059 square metres, is to be developed into small high-rise residential properties in two phases with a saleable area of 244,787 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2013, a cumulative area of 32,221 square metres had been sold, generating a total contract value of RMB147,686,000 (equivalent to HK$185,047,000). During the year, an area of 26,825 square metres was sold, generating a total contract value of RMB124,252,000 (equivalent to HK$155,685,000), of which an area of 17,886 square metres involving a contract value of RMB82,588,000 (equivalent to HK$103,481,000) was delivered. Other aspects of the development are still under planning.

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

*Land Parcels in Inner Mongolia Autonomous Region*

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

*Parcel of land at Changpu Road, Langfang, Hebei Province*

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

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

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

*Parcel of Land in Yantai Development Zone*

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

**Overseas Project**

*Residential project in New Zealand*

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

*Project in Johannesburg, South Africa*

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

## PROSPECTS

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

At the Tenth Collaborative Learning Session of the Political Bureau of the CPC Central Committee, our state leader attached great importance to accelerating the construction of affordable housing and improving the supply system as well as increasing the housing supply. The Group believes that, in the future, the PRC government will proactively release the land supply and adopt measures such as the policy on affordable housing, regulations on the registration of real estates and the imposition of real estate taxes so as to alleviate the problem of lack of supply. In response to market changes, we will seize the market opportunities and leverage our extensive experience in the industry to launch our projects, both existing and under planning, in a timely manner. The Group will further expand the development of "Thumb" commercial complex and residential projects, in order to consolidate its position as a diversified property development company integrating commercial and service businesses. The Group will continue to identify potential investment opportunities in the mainland and expand its land reserves in a moderately and orderly manner so as to add momentum to the Group's business development.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

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

### Liquidity, Financial Resources, Capital Structure and Gearing

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

### Segment Information

#### *Sales of properties*

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

*Travel and related business*

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

*Property rental, management and agency services*

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

*Hotel Operations*

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

**Foreign Currency Exposures**

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

**Employees**

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

## CHARGE OF ASSETS

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

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

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

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

## MAJOR ACQUISITION OF ASSETS

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

## MAJOR DISPOSAL OF ASSETS

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

## CONTINGENT LIABILITIES

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

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

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

## CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year. The Company's annual results for the year ended 31 December 2013 has been reviewed by the audit committee of the Company.

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

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

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

On behalf of the board of
**Shanghai Zendai Property Limited**
**Dai Zhikang**
*Chairman*

Hong Kong, 28 March 2014

*As at the date of this announcement, the executive Directors are Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zuo Xingping and Mr. Tang Jian. The non-executive Directors are Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang and Mr. Gong Ping. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Li Man Wai and Mr. Cai Gaosheng.*

* *for identification purpose only*