The following is the text of a report on Wuzhou International Holdings Limited*, prepared for the purpose of incorporation in this prospectus received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.*

Ernst & Young
安永

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

May 31, 2013

The Directors
Wuzhou International Holdings Limited
BOCOM International (Asia) Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information of Wuzhou International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2010, 2011 and 2012 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2010, 2011 and 2012, together with the notes thereto (the "Financial Information"), prepared on the basis set out in note 2.1 of Section II, "Basis of Presentation" below for inclusion in the prospectus of the Company dated May 31, 2013 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 22, 2010. Pursuant to a group Reorganization (the "Reorganization"), as described in the section headed "History and Reorganization" in the Prospectus, which was completed on June 5, 2012, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, no statutory financial statements have been prepared by the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. The statutory financial statements of the subsidiary incorporated in the British Virgin Islands were not prepared as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The statutory financial statements of the companies established or incorporated in Mainland China and Hong Kong were prepared in accordance with the relevant accounting principles applicable to these companies in the jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2010, 2011, and 2012 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and of the Company as at December 31, 2010, 2011 and 2012 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I FINANCIAL INFORMATION

The following is the financial information of the Group for the Relevant Periods prepared on the basis set out in note 2 of Section II:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
		2010	2011	2012
	Section II Notes	RMB'000	RMB'000	RMB'000
REVENUE	6	875,794	1,515,769	2,253,240
Cost of sales		(485,769)	(776,287)	(1,052,374)
GROSS PROFIT		390,025	739,482	1,200,866
Other income and gains	6	110,879	7,514	25,309
Selling and distribution costs		(161,986)	(155,285)	(232,545)
Administrative expenses		(55,392)	(155,907)	(271,725)
Other expenses		(15,677)	(7,161)	(16,797)
Fair value gain upon transfer to investment properties	14	17,731	112,564	392,105
Change in fair value of investment properties	14	20,000	120,654	185,346
Finance costs	7	(177)	(12,132)	(25,071)
Share of profits and losses of associates	20(b)	109,230	(2,353)	5,016
PROFIT BEFORE TAX	8	414,633	647,376	1,262,504
Income tax expense	10	(124,908)	(274,108)	(508,620)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		289,725	373,268	753,884
Attributable to:				
Owners of the parent	12	284,837	313,412	699,711
Non-controlling interests		4,888	59,856	54,173
		289,725	373,268	753,884
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	11	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	December 31, 2010 RMB'000	December 31, 2011 RMB'000	December 31, 2012 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	75,044	204,157	257,098
Investment properties	14	652,500	1,248,300	2,572,100
Prepaid land lease payments	15	198,827	215,082	80,783
Intangible assets	18	1,147	3,516	4,487
Long-term deferred expense	19	1,220	3,561	3,019
Investments in associates	20	39,121	36,768	41,784
Available-for-sale investment	21	10,000	10,000	10,000
Deferred tax assets	22	23,750	93,753	224,426
Total non-current assets		1,001,609	1,815,137	3,193,697
CURRENT ASSETS				
Inventories		—	2,397	1,251
Properties under development	16	1,555,133	3,098,829	4,307,812
Completed properties held for sale	17	439,485	462,745	532,425
Equity investments at fair value through profit or loss	23	11,156	—	—
Trade and bills receivables	24	23,538	56,554	18,106
Due from related companies	34	89,023	53,211	94,710
Due from a related party	34	32,956	7,974	—
Prepaid land lease payments	15	223,633	127,575	600,441
Prepayments, deposits and other receivables	25	398,573	685,527	696,453
Tax recoverable		58,679	103,282	79,668
Loans receivables	26	200,413	310,576	—
Restricted cash	27	1,900	42,011	26,971
Pledged deposits	27	36,225	48,917	126,800
Cash and cash equivalents	27	174,963	515,781	755,451
Total current assets		3,245,677	5,515,379	7,240,088

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Section II Notes	December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000
CURRENT LIABILITIES				
Trade and bills payables	28	531,362	981,253	1,932,687
Other payables, deposits received and accruals	29	241,820	470,639	677,394
Advances from customers	30	1,971,779	2,434,284	2,737,177
Due to related companies	34	—	324,292	213,980
Due to a related party	34	—	5,000	—
Due to shareholders	34	102,705	247,215	18,136
Interest-bearing bank loans and other borrowings	31	174,400	371,400	772,480
Tax payable	10	73,181	200,518	465,811
Total current liabilities		3,095,247	5,034,601	6,817,665
NET CURRENT ASSETS		**150,430**	**480,778**	**422,423**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,152,039**	**2,295,915**	**3,616,120**
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings	31	147,600	851,940	1,627,080
Deferred tax liabilities	22	133,326	192,053	343,925
Total non-current liabilities		280,926	1,043,993	1,971,005
NET ASSETS		**871,113**	**1,251,922**	**1,645,115**
EQUITY				
Equity attributable to owners of the parent				
Share capital	32(a)	—	—	216,659
Reserves	32	591,672	822,588	1,103,034
		591,672	**822,588**	**1,319,693**
Non-controlling interests		**279,441**	**429,334**	**325,422**
TOTAL EQUITY		**871,113**	**1,251,922**	**1,645,115**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory surplus reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	RMB'000 Note 32(a)	RMB'000 Note 32(b)	RMB'000 Note 32(c)	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2010	—	363,344	3,644	(77,539)	289,449	(11,214)	278,235
Capital contribution by the then equity holder of a subsidiary	—	17,386	—	—	17,386	—	17,386
Contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	68,800	68,800
Non-controlling interests arising from business combination	—	—	—	—	—	216,967	216,967
Total comprehensive income for the year	—	—	—	284,837	284,837	4,888	289,725
Appropriations to statutory surplus reserve	—	—	17,739	(17,739)	—	—	—
As at December 31, 2010 and January 1, 2011	—	380,730	21,383	189,559	591,672	279,441	871,113
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries	—	(75,490)	—	—	(75,490)	—	(75,490)
Acquisition of non-controlling interests	—	(7,006)	—	—	(7,006)	7,006	—
Contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	83,900	83,900
Total comprehensive income for the year	—	—	—	313,412	313,412	59,856	373,268
Dividends paid to non-controlling shareholders	—	—	—	—	—	(869)	(869)
Appropriations to statutory surplus reserve	—	—	34,195	(34,195)	—	—	—
As at December 31, 2011 and January 1, 2012	—	298,234	55,578	468,776	822,588	429,334	1,251,922
Issue of new shares	216,659	—	—	—	216,659	—	216,659
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries	—	(299,214)	—	—	(299,214)	—	(299,214)
Acquisition of non-controlling interests	—	52,054	—	—	52,054	(61,194)	(9,140)
Contribution from non-controlling shareholder of subsidiaries	—	—	—	—	—	9,352	9,352
Disposal of a subsidiary	—	—	—	—	—	(62,965)	(62,965)
Liquidation of a subsidiary	—	—	—	—	—	(11,067)	(11,067)
Total comprehensive income for the year	—	—	—	699,711	699,711	54,173	753,884
Dividends paid to the then equity holder of subsidiaries	—	—	—	(172,105)	(172,105)	—	(172,105)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(32,211)	(32,211)
Appropriations to statutory surplus reserve	—	—	87,726	(87,726)	—	—	—
As at December 31, 2012	216,659	51,074	143,304	908,656	1,319,693	325,422	1,645,115

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2010 RMB'000	2011 RMB'000	2012 RMB'000
		Year ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		414,633	647,376	1,262,504
Adjustments for:				
Depreciation of items of property, plant and equipment	8,13	4,851	10,058	23,874
Amortization of intangible assets	8,18	34	467	914
Amortization of long-term deferred expenses	8,19	133	738	1,281
Impairment allowance on loans receivables	26	1,978	1,128	20
Loss/(gain) on disposal of items of property, plant and equipment	8	99	—	(47)
Gain on acquisition of a subsidiary	35	(75,042)	—	—
Loss on disposal of a subsidiary	36	—	—	6,918
Loss on disposal of an equity investment		—	61	—
Dividends received	6	—	—	(692)
Fair value gain upon transfer to investment properties	14	(17,731)	(112,564)	(392,105)
Change in fair value of investment properties	14	(20,000)	(120,654)	(185,346)
Finance costs	7	177	12,132	25,071
Interest income	6	(2,238)	(4,825)	(5,572)
Share of profits and losses of associates	20(b)	(109,230)	2,353	(5,016)
Gain on re-measurement of previously held equity interests in the acquiree at acquisition date		(32,599)	—	—
		165,065	436,270	731,804
(Increase)/decrease in inventories		—	(2,397)	1,146
Increase in properties for development and for sale		(526,359)	(1,207,332)	(1,328,294)
Additions of long-term deferred expense	19	(1,353)	(3,079)	(739)
(Increase)/decrease in trade receivables		(10,252)	(33,016)	38,448
(Increase)/decrease in prepayments, deposits and other receivables		147,237	(286,000)	(16,286)
(Increase)/decrease in prepaid land lease payments	15	(156,216)	79,803	(346,460)
Increase in loans receivables	26	(202,391)	(111,291)	—
Increase in trade and bills payables		182,923	199,400	796,524
(Increase)/decrease in restricted cash		(900)	(40,111)	15,040
(Increase)/decrease in pledged deposits		3,054	(12,692)	11,218
Increase/(decrease) in other payables, deposits received and accruals		(292,773)	62,893	209,839
Increase in advances from customers		470,249	462,508	302,889
Cash generated from/(used in) operations		**(221,716)**	**(455,044)**	**415,129**
Interest received	6	2,238	4,825	5,572
Interest paid		(13,043)	(81,314)	(169,848)
Tax paid		(85,734)	(202,650)	(197,982)
Net cash flows from/(used in) operating activities		**(318,255)**	**(734,183)**	**52,871**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(10,916)	(64,001)	(31,113)
Purchases of intangible assets		(705)	(2,841)	(1,885)
Proceeds from disposal of items of property, plant and equipment		244	21	77
Proceeds from disposal of intangible assets		—	5	—
Proceeds from disposal of equity investments at fair value through profit and loss		—	11,095	—

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended December 31, 2010 RMB'000	2011 RMB'000	2012 RMB'000
Increase in investment properties		(107,498)	(91,424)	(434,882)
Acquisition of subsidiaries		3,307	(21,115)	—
Disposal of a subsidiary	36	—	—	137,101
Liquidation of a subsidiary		—	—	(11,067)
Acquisition of associates		(31,000)	—	—
Acquisition of an available-for-sale investment		(10,000)	—	—
Dividends and interests received		—	—	11,424
Advances to shareholders		(198)	—	(37,525)
Recovery of advances to shareholders		23,249	—	40,575
Advances to a related party		(23,510)	—	—
Recovery of advances to a related party		—	24,982	7,974
Advances to related companies		(183,849)	(409,082)	(695,764)
Recovery of advances to related companies		440,845	260,549	580,666
Net cash flows (used in)/from investing activities		**99,969**	**(291,811)**	**(434,419)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution by the then equity holder of subsidiaries		17,386	—	—
Capital contribution form non-controlling interests		66,800	83,900	9,352
Acquisition of subsidiaries by the Group from the then equity holder of the subsidiaries		—	(75,490)	(299,214)
Distribution to an equity holder		—	—	(172,105)
Distribution to a non-controlling shareholder		—	—	(27,611)
Acquisition of non-controlling interests		—	—	(9,140)
Advances from shareholders		93,678	144,510	230,155
Repayment of advances from shareholders		—	—	(462,284)
Advances from a related party		—	5,000	—
Repayment of advances from a related party		—	—	(5,000)
Advances from related companies		249,334	874,065	2,292,147
Repayment of advances from related companies		(252,000)	(566,513)	(2,112,201)
Increase in pledged deposits	27	(2,400)	—	(89,101)
Proceeds from interest-bearing bank loans and other borrowings		40,000	1,088,000	1,719,220
Repayment of interest-bearing bank loans and other borrowings		—	(186,660)	(453,000)
Net cash flows from financing activities		**212,798**	**1,366,812**	**621,218**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,488)**	**340,818**	**239,670**
Cash and cash equivalents at beginning of year		180,451	174,963	515,781
CASH AND CASH EQUIVALENTS AT END OF YEAR		**174,963**	**515,781**	**755,451**
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	27	213,088	606,709	909,222
Less: Restricted cash	27	1,900	42,011	26,971
Pledged deposits	27	36,225	48,917	126,800
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		**174,963**	**515,781**	**755,451**

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	December 31, 2010 RMB'000	December 31, 2011 RMB'000	December 31, 2012 RMB'000
CURRENT ASSETS				
Due from subsidiaries	34(4)	—	—	216,659
Total current assets		**—**	**—**	**216,659**
NET ASSETS		**—**	**—**	**216,659**
Share capital	32(a)	—	—	216,659
TOTAL EQUITY		**—**	**—**	**216,659**

II NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI— 1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in property development, property investment and the provision of property management services. The ultimate holding company of the Company is Boom Win Holding Limited. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan ("The Shu Brothers", or "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the section headed "History and Reorganization" in the Prospectus.

At the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:					
Wuzhou International Investment Limited		British Virgin Islands/ April 27, 2010	US$50,000	100%	Investment holding
Indirectly held:					
Hong Kong Wuzhou International Group Limited ("Hong Kong Wuzhou")	(1)	Hong Kong/ May 6, 2010	HK$10,000	100%	Investment holding
無錫五洲國際裝飾城有限公司 ("Wuxi Wuzhou Ornament City")	(2)	PRC/February 1, 2005	RMB100,000,000	100%	Property development and property investment
杭州龍安置業有限公司 ("Hangzhou Longan")	(3)	PRC/November 23, 2009	US$37,500,000	100%	Property development
無錫中南置業投資有限公司 ("Wuxi Zhongnan")	(4)	PRC/December 24, 2004	RMB36,614,000	100%	Property development
無錫市崇安新城龍安置業有限公司 ("Wuxi Longan")	(5)	PRC/March 6, 2007	RMB60,000,000	64.3%	Property development
無錫市崇安新城龍安商業物業經營管理有限公司 ("Longan Management")	(6)	PRC/October 24, 2008	RMB1,000,000	64.3%	Property management

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
無錫市龍祥投資有限公司 ("Wuxi Longxiang")	(7)	PRC/April 30, 2009	RMB20,000,000	51%	Property development
無錫五洲商業管理有限公司 ("Wuxi Business Management")	(8)	PRC/January 5, 2006	RMB5,000,000	100%	Property management
無錫五洲國際商業運營有限公司 ("Wuzhou Business Operation")	(9)	PRC/July 18, 2008	RMB50,000,000	100%	Property management
無錫五洲國際置業有限公司 ("Wuxi International Property")	(10)	PRC/March 31, 2010	RMB50,000,000	90%	Property development
無錫五洲商業投資有限公司 ("Wuxi Property Investment")	(11)	PRC/March 3, 2011	RMB20,000,000	100%	Property development
無錫五洲龍盛商業有限公司 ("Wuxi Longsheng")	(12)	PRC/April 19, 2011	RMB20,000,000	100%	Property development
無錫市龍騰商業投資發展有限公司 ("Wuxi Longteng")	(13)	PRC/December 22, 2010	RMB50,000,000	59%	Property development
南通五洲國際投資有限公司 ("Nantong Wuzhou")	(14)	PRC/January 21, 2010	RMB80,000,000	51%	Property development
鹽城五洲置業有限公司 ("Yancheng Wuzhou")	(15)	PRC/December 30, 2009	RMB20,000,000	100%	Property development
盱眙五洲國際置業有限公司 ("Xuyi Wuzhou")	(16)	PRC/April 19, 2010	RMB50,000,000	100%	Property development
榮昌縣五洲五金裝飾城有限公司 ("Rongchang Wuzhou")	(17)	PRC/September 20, 2010	RMB60,000,000	94%	Property development
大理五洲國際商貿城有限公司 ("Dali Wuzhou")	(18)	PRC/August 27, 2010	RMB20,000,000	100%	Property development
無錫市惠山區五洲農村小額貸款有限公司 ("Wuxi Small Credit")	(19)	PRC/June 23, 2010	RMB200,000,000	70%	Loan lending
無錫五洲國際商業地產策劃有限公司 ("International Marketing Development")	(20)	PRC/September 10, 2009	RMB500,000	51%	Marketing and planning of property development
山東五洲國際家居博覽城有限公司 ("Leling Wuzhou")	(21)	PRC/March 28, 2011	RMB20,000,000	51%	Property development
建湖五洲國際置業有限公司 ("Jianhu Wuzhou")	(22)	PRC/August 31, 2011	RMB20,000,000	100%	Property development

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued registered share capital	Percentage of equity interests attributable to the Company	Principal activities
煙台五洲國際商品博覽城有限公司 ("Yantai Wuzhou")	(23)	PRC/May 5, 2011	RMB10,000,000	95%	Property development
襄陽五洲國際商貿城有限公司 ("Xiangyang Wuzhou")	(24)	PRC/September 13, 2011	RMB100,000,000	100%	Property development
無錫萬翔商業物業運營有限公司 ("Wanxiang Marketing Development")	(25)	PRC/August 25, 2011	RMB500,000	100%	Property management
龍口五洲國際商貿城有限公司 ("Longkou Wuzhou")	(26)	PRC/November 10, 2011	RMB20,000,000	95%	Property development
瀋陽五洲國際工業博覽城置業有限公司 ("Shenyang Wuzhou")	(27)	PRC/October 13, 2011	RMB100,000,000	100%	Property development
大理五洲國際商業地產策劃有限公司 ("Dali Marketing Development")	(28)	PRC/July 18, 2011	RMB100,000	100%	Marketing and planning of property development
宜興五洲置業有限公司 ("Yixing Wuzhou")	(29)	PRC/January 17, 2012	RMB20,000,000	100%	Property development
射陽五洲國際置業有限公司 ("Sheyang Wuzhou")	(30)	PRC/May 9, 2012	RMB20,000,000	100%	Property development
江陰五洲置業有限公司 ("Jiangyin Wuzhou")	(31)	PRC/January 17, 2012	RMB20,000,000	90%	Property development
山東五洲國際置業有限公司 ("Zibo Wuzhou")	(32)	PRC/January 16, 2012	RMB20,000,000	100%	Property development
建湖五洲國際商業運營有限公司 ("Jianhu Marketing Development")	(33)	PRC/January 13, 2012	RMB1,000,000	100%	Property management
無錫市新龍騰經營管理有限公司 ("Longteng Marketing Development")	(34)	PRC/February 14, 2012	RMB1,000,000	100%	Property management
無錫六龍城商業管理有限公司 ("Longshen Marketing Development")	(35)	PRC/January 10, 2012	RMB1,000,000	100%	Property management
盱眙五洲國際商業物業服務有限公司 ("Xuyi Marketing Development")	(36)	PRC/June 1, 2012	RMB1,000,000	100%	Property management
無錫市龍乾物業管理有限公司 ("Longqian Marketing Development")	(37)	PRC/February 24, 2012	RMB1,000,000	100%	Property management

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued registered share capital	Percentage of equity interests attributable to the Company	Principal activities
無錫五洲國際企業管理有限公司 ("Wuxi Corporation Management")	(38)	PRC/March 21, 2012	RMB4,800,000	51%	Property management
吉林市五洲國際商貿城有限公司 ("Jilin Wuzhou")	(39)	PRC/August 10, 2012	RMB20,000,000	100%	Property development
江蘇五洲國際商業發展有限公司 ("Jiangsu Wuzhou")	(40)	PRC/July 11, 2012	RMB20,000,000	100%	Property development
黑龍江五洲國際商貿博覽城有限公司 ("Heilongjiang Wuzhou")	(41)	PRC/July 23, 2012	RMB100,000,000	100%	Property development
煙台五洲置業有限公司 ("Yantai Wuzhou Property")	(42)	PRC/July 24, 2012	RMB20,000,000	95%	Property development
五洲哥倫布（射陽）置業有限公司 ("Wuzhou Columbia Sheyang")	(43)	PRC/August 7, 2012	RMB157,282,500	100%	Property development
大理五洲國際物業管理有限公司 ("Dali Wuzhou Property Management")	(44)	PRC/June 19, 2012	RMB1,000,000	100%	Property management
啓東五洲置業有限公司 ("Qidong Wuzhou")	(45)	PRC/August 15, 2012	RMB20,000,000	100%	Property development
鹽城五洲商業運營管理有限公司 ("Yancheng Marketing Development")	(46)	PRC/May 29, 2012	RMB1,000,000	100%	Property management
上海五策房地產諮詢有限公司 ("Shanghai Wuce")	(47)	PRC/November 26, 2012	RMB1,000,000	100%	Marketing and planning of property development
襄陽五洲國際商業物業管理有限公司 ("Xiangyang Property Management")	(48)	PRC/September 27, 2012	RMB1,000,000	100%	Property management
榮昌縣五洲物業管理有限公司 ("Rongchang Wuzhou Property Management")	(49)	PRC/July 02, 2012	RMB1,000,000	100%	Property management
煙台五洲國際商業運營有限公司 ("Yantai Business Operation")	(50)	PRC/December 20, 2012	RMB1,000,000	100%	Property management
無錫梅村五洲國際商業物業管理有限公司 ("Meicun Marketing Development")	(51)	PRC/June 4, 2012	RMB1,000,000	100%	Property management
保山五洲國際廣場有限公司 ("Baoshan Wuzhou")	(51)	PRC/9 January 2013	RMB20,000,000	80%	Property development

Subsidiaries		Place and date of incorporation/ establishment	Nominal value of issued registered share capital	Percentage of equity interests attributable to the Company	Principal activities
無錫五洲地產有限公司 ("Wuxi Property")	(51)	PRC/January 9, 2013	RMB20,000,000	80%	Property development
南通五洲商業投資有限公司 ("Nantong Commercial Investment")	(51)	PRC/January 10, 2013	RMB20,000,000	100%	Property development
洛陽五洲國際工業博覽城有限公司 ("Luoyang Wuzhou")	(51)	PRC/January 31, 2013	RMB20,000,000	51%	Property development
長春市五洲房地產開發有限公司 ("Changchun Wuzhou")	(51)	PRC/February 22, 2013	RMB50,000,000	100%	Property development
龍口市五洲國際物業管理有限公司 ("Longkou Property Management")	(51)	PRC/January 10, 2013	RMB1,000,000	100%	Property management
南通五洲國際商業運營管理有限公司 ("Nantong Commercial Operation")	(51)	PRC/January 16, 2013	RMB3,100,000	100%	Property management
樂陵五洲國際商業物業管理有限公司 ("Leling Commercial Property")	(51)	PRC/January 22, 2013	RMB1,000,000	100%	Property management
射陽五洲國際商業廣場管理有限公司 ("Shenyang Commercial Plaza")	(51)	PRC/January 24, 2013	RMB1,000,000	100%	Property management
吉林市五洲國際房地產開發有限公司 ("Jilin Wuzhou Development")	(51)	PRC/May 8, 2013	RMB20,000,000	100%	Property development

The English name of certain group companies registered in the PRC ("People's Republic of China") represent the best efforts made by management of the Company to translate their Chinese names as they do not have an official English name.

Notes:

(1) The statutory financial statements of Hongkong Wuzhou from May 6, 2010 (date of incorporation) to December 31, 2010 and for the years ended December 31, 2011 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance have been audited by Ernst & Young.

(2) The statutory financial statements of Wuxi Wuzhou Ornament City for the years ended December 31, 2010 and 2011 in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd. The statutory financial statements of Wuxi Wuzhou Ornament City for the year ended December 31, 2012 in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd.

(3) The statutory financial statements of Hangzhou Longan for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Zhengxin Associates Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(4) The statutory financial statements of Wuxi Zhongnan for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng, Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(5) The statutory financial statements of Wuxi Longan for the years ended December 31, 2010 and 2011 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd. The statutory financial statements of Wuxi Longan for the year ended December 31, 2012 in accordance with PRC accounting principles and regulations have been audited by Wuxi Dafang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(6) The statutory financial statements of Longan Management for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(7) The statutory financial statements of Wuxi Longxiang for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(8) The statutory financial statements of Wuxi Business Management for the years end December 31, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(9) The statutory financial statements of Wuzhou Business Operation for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(10) The statutory financial statements of Wuxi International Property for the period from March 31, 2010 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accounts Co., Ltd., a certified public accounting firms registered in the PRC.

(11) The statutory financial statements of Wuxi Property Investment for the period from March 3, 2011 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Liangxi Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(12) The statutory financial statements of Wuxi Longsheng for the period from April 19, 2011 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Liangxi Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(13) The statutory financial statements of Wuxi Longteng from December 22, 2010 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd, a certified public accounting firm registered in the PRC.

(14) The statutory financial statements of Nantong Wuzhou from January 21, 2010 (date of establishment) to December 31, 2010 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd, which is a certified public accounting firm registered in the PRC. The statutory financial statements of Nantong Wuzhou for the years ended December 31, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Nantong Xinjianghai Associates Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(15) The statutory financial statements of Yancheng Wuzhou for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yancheng Zhongbohua Union Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(16) The statutory financial statements of Xuyi Wuzhou from April 19, 2010 (date of establishment) to December 31, 2010 prepared in accordance with PRC accounting principles and regulations have been audited by Jiangsu Zongheng Certified Public Accountants Co., Ltd., which is a certified public accounting firm registered in the PRC. The statutory financial statements of Xuyi Wuzhou for the years ended December 31, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Jiangsu Zhongxing Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(17) The statutory financial statements of Rongchang Wuzhou from September 20, 2010 (date of establishment) to December 31, 2010 prepared in accordance with PRC accounting principles and regulations have been audited by Chongqing Hongling Certified Public Accountants Co., Ltd., which is a certified public accounting firm registered in the PRC. The statutory financial statements of Rongchang Wuzhou for the year ended December 31, 2011 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Liangxi Certified Public Accountants Co., Ltd. The statutory financial statements of Rongchang Wuzhou for the year ended December 31, 2012 in

accordance with PRC accounting principles and regulations have been audited by Chongqing Yuantai Certified Public Accountants Co., Ltd.

(18) The statutory financial statements of Dali Wuzhou from August 27, 2010 (date of establishment) to December 31, 2010 and for the years ended December 31, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yunnan Guangda Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(19) The statutory financial statements of Wuxi Small Credit from June 23, 2010 (date of establishment) to December 31, 2010 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Fangsheng Certified Public Accountants Co., Ltd. The statutory financial statements of Wuxi Small Credit for the years ended December 31, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd. Both auditors are certified public accounting firms registered in the PRC. The Group disposed its 70% equity of interest in Wuxi Small Credit in March 2012, please refer to note 36 for details.

(20) The statutory financial statements of International Marketing Development for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(21) The statutory financial statements of Leling Wuzhou from March 28, 2011 (date of establishment) to December 31, 2011 prepared in accordance with PRC accounting principles and regulations have been audited by Dezhou Yingcheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Leling Wuzhou for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Dahua Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(22) The statutory financial statements of Jianhu Wuzhou from August 31, 2011 (date of establishment) to December 31, 2011 and for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Jianhu Susheng Union Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(23) The statutory financial statements of Yantai Wuzhou from May 5, 2011 (date of establishment) to December 31, 2011 prepared in accordance with PRC accounting principles and regulations have been audited by Yantai Guanda Union Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Yantai Wuzhou for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Huada Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(24) The statutory financial statements of Xiangyang Wuzhou for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Hubei Zhongxinzhicheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(25) The statutory financial statements of Wanxiang Marketing Development for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Liangxi Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(26) The statutory financial statements of Longkou Wuzhou for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yantai Yinji Union Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(27) The statutory financial statements of Shenyang Wuzhou for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Liaoning Dongquan Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(28) The statutory financial statements of Dali Marketing Development for the year ended December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yunnan Guangda Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(29) The statutory financial statements of Yixing Wuzhou from January 9, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(30) The statutory financial statements of Sheyang Wuzhou from May 8, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yancheng Sheyang Xingyang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(31) The statutory financial statements of Jiangyin Wuzhou from January 11, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(32) The statutory financial statements of Zibo Wuzhou from January 13, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Zibo Bocheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(33) The statutory financial statements of Jianhu Marketing Development from January 13, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Susheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(34) The statutory financial statements of Longteng Marketing Development from February 7, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(35) The statutory financial statements of Longshen Marketing Development from January 13, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Liangxi Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(36) The statutory financial statements of Xuyi Marketing Development from June 1, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Jiangsu Zhongxing Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(37) The statutory financial statements of Longqian Marketing Development from February 2, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Donglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(38) The statutory financial statements of Wuxi Corporation Management from March 6, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(39) The statutory financial statements of Jilin Wuzhou from August 10, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Jilin Yinglin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(40) The statutory financial statements of Jiangsu Wuzhou from July 10, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Sheyang Xingyang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(41) The statutory financial statements of Heilongjiang Wuzhou from July 23, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Jinyuda Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(42) The statutory financial statements of Yantai Wuzhou Property from July 19, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Huada Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(43) The statutory financial statements of Wuzhou Columbus Sheyang from August 7, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Sheyang Xingyang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(44) The statutory financial statements of Dali Wuzhou Property Management from June 19, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yunnan Guangda Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(45) The statutory financial statements of Qidong Wuzhou from August 15, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Natong Aidexin Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(46) The statutory financial statements of Yancheng Marketing Development from May 29, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Yancheng Anshun Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(47) The statutory financial statements of Shanghai Wuce from November 26, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Shanghai Heyi Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(48) The statutory financial statements of Xiangyang Property Management from September 27, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Hubei Zhongxinzhicheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(49) The statutory financial statements of Rongchang Wuzhou Property Management from July 2, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Chongqing Yuantai Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(50) The statutory financial statements of Yantai Business Operation from November 20, 2012 (date of establishment) to December 31, 2012 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Huada Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(51) No audited financial statements have been prepared and issued for these entities since the dates of their respective incorporation as these companies are domestic companies and not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation or establishment or have not commenced business.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Reorganization" in the section headed "History and Reorganization" to the Prospectus, the Company became the holding company of the companies now comprising the Group on June 5, 2012. The companies now comprising the Group were under the common control of the Controlling Shareholders, The Shu Brothers before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2010, 2011 and 2012 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the Shu brothers, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information have been prepared in accordance with IFRSs which include all standards and interpretations approved by the IASB, and International Accounting Standards (the "IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting periods commencing from January 1, 2012 have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for investment properties and equity investments at fair value through profit or loss, which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	*Amendments to IAS 1 Presentation of Financial Statement—Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	*Amendments to IAS 19 Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investment in Associate and Joint Ventures*[2]
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities*[3]
IFRS 1 Amendments	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards—Government Loans*[2]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)—Investment Entities[3]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Annual Improvement Projects	Annual Improvements to IFRSs 2009-2011 Cycles[2]

1 Effective for annual periods beginning on or after July 1, 2012

2 Effective for annual periods beginning on or after January 1, 2013

3 Effective for annual periods beginning on or after January 1, 2014

4 Effective for annual periods beginning on or after January 1, 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination and business combinations

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the Relevant Periods is accounted for using the acquisition method.

The merger method of accounting involves incorporating the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, this includes the separation of embedded derivatives in host contracts by the acquirer.

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

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination/consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in these circumstance is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statements of comprehensive income and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, inventories, and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated comprehensive income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	40 years	2.38%
Plant and machinery	10 years	9.50%
Motor vehicles	4 - 5 years	19.00% to 23.75%
Office equipment	3 - 5 years	19.00% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the profit or loss.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value.

Properties under development are classified as current assets unless those will not be realized in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

Transfer from inventory to investment property

The Company transfers a property from inventory to investment property when, and only when, there is a change in use. The Company provides following assessments to support the change of intention: (a) prepare a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) The Company can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) The change in use is legally permissible; (d) If the property must be further developed for the change in use, development has commenced and (e) Change in use is approved by board resolution.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance cost in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, Such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the profit or loss. The loss arising from impairment is recognized in the profit or loss in finance cost for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial Reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the impairment loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement — is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realizable value. The cost of merchandise is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from the sale of properties in the ordinary course of business is recognized when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is recognized upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under current liabilities.

Rental income is recognized on a time proportion basis over the lease terms.

Interest income is recognized, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Commissions from concessionaire sales are recognized upon the sale of goods by the relevant stores.

Service income from commercial management services and other activities are recognized when the services are rendered and the inflow of economic benefit is probable.

Share awards to employees

The fair value of services received determined by reference to the fair value of shares granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognized in profit or loss, with a corresponding adjustment to reserve.

Other employee retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salary and charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China ("PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the statement of comprehensive income in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The preparation of the Group's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and completed properties held for sale

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Transfer to or from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realize.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realize.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Estimate of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at December 31, 2010, 2011 and 2012 were RMB652,500,000, RMB1,248,300,000 and RMB2,572,100,000 respectively.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses at December 31, 2010, 2011 and 2012 were RMB4,921,000, RMB12,744,000 and RMB40,223,000 respectively. Further details are contained in note 22 to the financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties.

(b) the property management segment engages in the management of the Group's developed and entrusted operating properties and invests in properties for their rental income potential and/or for capital appreciation.

(c) the other segment engages in lending to customers and operating department store.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in the Mainland China and no non-current assets of the Group are located outside the Mainland China.

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the years ended December 31, 2010, 2011 and 2012.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods:

Year ended December 31, 2010	Property development	Property management and investment	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue					
Sales to external customers	815,605	77,814	5,716	(23,341)	875,794
Segment results	228,905	50,060	3,274	23,341	305,580
Reconciliation:					
Finance costs					(177)
Share of profits of associates					109,230
Profit before tax					414,633
Segment assets	3,045,564	909,453	243,148	—	4,198,165
Reconciliation:					
Available-for-sale investment					10,000
Investments in associates					39,121
Total assets					4,247,286
Segment liabilities	3,250,418	125,402	353	—	3,376,173
Total liabilities					3,376,173
Other segment information					
Depreciation and amortization	(5,009)	(9)	—	—	(5,018)
Fair value gain upon transfer to investment properties	—	17,731	—	—	17,731
Change in fair value of investment properties	—	20,000	—	—	20,000

Year ended December 31, 2011	Property development	Property management and investment	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue					
Sales to external customers	1,380,087	127,631	32,012	(23,961)	1,515,769
Segment results	343,541	271,195	23,164	23,961	661,861
Reconciliation:					
Finance costs					(12,132)
Share of losses of associates					(2,353)
Profit before tax					647,376
Segment assets	5,369,510	1,484,231	430,007	—	7,283,748
Reconciliation:					
Available-for-sale investment					10,000
Investments in associates					36,768
Total assets					7,330,516
Segment liabilities	5,794,032	192,534	92,028	—	6,078,594
Total liabilities					6,078,594
Other segment information					
Depreciation and amortization	(10,498)	(764)	(1)	—	(11,263)
Fair value gain upon transfer to investment properties	—	112,564	—	—	112,564
Change in fair value of investment properties	—	120,654	—	—	120,654

Year ended December 31, 2012	Property development	Property management and investment	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue					
Sales to external customers	2,126,322	109,782	47,099	(29,963)	2,253,240
Segment results	662,691	589,878	27	29,963	1,282,559
Reconciliation:					
Finance costs					(25,071)
Share of losses of associates					5,016
Profit before tax					1,262,504
Segment assets	7,329,550	2,929,750	122,701	—	10,382,001
Reconciliation:					
Available-for-sale investment					10,000
Investments in associates					41,784
Total assets					10,433,785
Segment liabilities	8,421,936	366,734	—	—	8,788,670
Total liabilities					8,788,670
Other segment information					
Depreciation and amortization	(24,755)	(1,314)	—	—	(26,069)
Fair value gain upon transfer to investment properties	—	392,105	—	—	392,105
Change in fair value of investment properties	—	185,346	—	—	185,346

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties, rental income, commercial management service income, property management service income and commissions from concessionaire sales during the Relevant Periods, after deduction of allowances for returns and trade discounts.

An analysis of revenue and other income and gains is as follows:

		Year ended December 31,		
		2010	2011	2012
	Note	RMB'000	RMB'000	RMB'000
Revenue				
Sale of properties		815,605	1,380,087	2,126,322
Rental income		12,168	24,277	30,749
Commercial management service income		39,673	71,487	68,290
Property management income		2,632	7,906	10,743
Commissions from concessionaire sales		—	1,207	6,035
Others		5,716	30,805	11,101
		875,794	1,515,769	2,253,240

		Year ended December 31,		
		2010	2011	2012
		RMB'000	RMB'000	RMB'000
Other income and gains, net				
Subsidy income		800	1,437	13,322
Interest income		2,238	4,825	5,572
Gain on acquisition of a subsidiary	35	75,042	—	—
Remeasure of a previously held equity interest in the acquiree at acquisition date		32,599	—	—
Gain on disposal of items of property, plant and equipment		—	5	55
Dividends received		—	—	692
Compensation from government		—	—	4,411
Others		200	1,247	1,257
		110,879	7,514	25,309

7. FINANCE COSTS

An analysis of finance costs is as follow:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest on bank loans and other borrowings	13,043	81,314	169,848
Less: Interest capitalized	(12,866)	(69,182)	(144,777)
	177	12,132	25,071

8. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging:

		Year ended December 31,		
		2010	2011	2012
	Notes	RMB'000	RMB'000	RMB'000
Cost of properties sold	17	466,486	734,675	994,181
Depreciation of item of property, plant and equipment	13	4,851	10,058	23,874
Amortization of intangible assets	18	34	467	914
Amortization of long-term deferred expenses	19	133	738	1,281
Impairment allowance on loans receivables	26	1,978	1,128	20
Provision for loan receivables		50	652	208
Loss on disposal of PUD		10,884	—	—
Loss on disposal of a subsidiary	36	—	—	6,918
Cost of property management service provided		7,329	13,982	9,664
Direct operating expenses arising from rental earning properties and commercial management service provided		11,954	21,030	37,920
Auditors' remuneration		1,105	2,155	3,385
Foreign exchange differences, net		238	—	1,115
Employee benefit expense (including directors' remuneration) (note 9):				
Wages and salaries		15,607	39,417	89,505
Pension scheme and social welfare		5,171	12,239	19,909

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	905	1,533	2,093
Performance related bonuses	94	896	960
Pension scheme contributions and social welfare	62	108	156
	1,061	2,537	3,209

(a) Independent non-executive directors

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended December 31, 2010

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Shu Cecheng	—	424	—	19	443
— Mr. Shu Cewan	—	229	—	15	244
— Mr. Shu Ceyuan	—	72	54	14	140
— Ms. Wu Xiaowu	—	180	40	14	234
	—	905	94	62	1,061

Year ended December 31, 2011

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Shu Cecheng	—	424	—	19	443
— Mr. Shu Cewan	—	229	—	15	244
— Mr. Shu Ceyuan	—	600	283	32	915
— Ms. Wu Xiaowu	—	204	192	32	428
— Mr. Zhao Lidong	—	76	421	10	507
	—	1,533	896	108	2,537

Year ended December 31, 2012

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Shu Cecheng	—	424	—	19	443
— Mr. Shu Cewan	—	229	—	15	244
— Mr. Shu Ceyuan	—	600	400	32	1,032
— Ms. Wu Xiaowu	—	240	160	32	432
— Mr. Zhao Lidong	—	600	400	58	1,058
	—	2,093	960	156	3,209

(c) Five highest paid employees

The five highest paid individuals for the years ended December 31, 2010, 2011, and 2012 included three directors, details of whose remuneration are set out in notes 9(a) and (b) above. Details of the remuneration of the remaining two non-directors, highest paid employees for the years ended December 31, 2010, 2011 and 2012, respectively are as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	840	715	730
Performance related bonuses	15	425	460
Pension scheme contributions and social welfare	20	54	65
	875	1,194	1,255

Details of the remuneration of the directors are set out above.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Nil to HK$1,000,000	2	2	2
HK$1,000,001 to HK$1,500,000	—	—	—
	2	2	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong during the Relevant Periods.

Except for Wuxi Small Credit, other subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25%.

Wuxi Small Credit is engaged in the rural financing business. According to "蘇政辦發2009年第32號文件", it was entitled to a preferential corporate income tax rate of 12.5%.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

In addition, Wuxi Wuzhou Ornament City, Wuxi Zhongnan, Wuxi Longan, and Dali Wuzhou were subject to LAT which is calculated based on 3% to 8.34% of their revenue in accordance with "錫地稅函2009年第46號文件" and "大理州地稅局2010年第1號文件".

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current tax:			
PRC corporate income tax	29,207	161,716	290,549
LAT	36,575	123,668	196,872
Deferred tax (note 22)	59,126	(11,276)	21,199
Total tax charge for the year	124,908	274,108	508,620

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before tax	414,633	647,376	1,262,504
At the statutory income tax rates	103,658	161,844	315,626
Expenses not deductible for tax	1,878	9,153	14,350
Tax at lower tax rate	(303)	(2,612)	(688)
Profits and losses attributable to associates	(27,307)	588	(1,254)
Withholding taxes on undistributed profits of the subsidiaries in the PRC	19,551	12,385	30,432
Adjustments to current tax of previous years	—	—	943
Non-taxable income	—	—	(173)
Disposal of a subsidiary	—	—	1,730
Provision for LAT	36,575	123,668	196,872
Tax effect on LAT	(9,144)	(30,918)	(49,218)
Tax charge for the year	124,908	274,108	508,620

Tax payable in the consolidated statements of financial position represents:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Tax payable			
PRC corporate income tax	62,061	144,421	325,262
PRC LAT	11,120	56,097	140,549
	73,181	200,518	465,811

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Relevant Periods as disclosed in note 2.1 above.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Of the Group's profit attributable to owners of the parent of RMB284,837,000, RMB313,412,000 and RMB699,711,000 for the years 2010, 2011 and 2012, respectively, no profit has been dealt with in the financial statements of the Company.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2012						
At December 31, 2011 and January 1, 2012:						
Cost	132,590	153	44,734	14,440	33,715	225,632
Accumulated depreciation	(2,280)	(24)	(13,564)	(5,607)	—	(21,475)
Net carrying amount	130,310	129	31,170	8,833	33,715	204,157
At January 1, 2012, net of accumulated depreciation	130,310	129	31,170	8,833	33,715	204,157
Additions	19,216	103	21,262	8,419	27,855	76,855
Disposals	—	—	(21)	(19)	—	(40)
Depreciation provided during the year	(7,095)	(25)	(12,372)	(4,382)	—	(23,874)
At December 31, 2012, net of accumulated depreciation	142,431	207	40,039	12,851	61,570	257,098
At December 31, 2012:						
Cost	151,806	256	65,736	22,698	61,570	302,066
Accumulated depreciation	(9,375)	(49)	(25,697)	(9,847)	—	(44,968)
Net carrying amount	142,431	207	40,039	12,851	61,570	257,098
December 31, 2011						
At December 31, 2010 and January 1, 2011:						
Cost	16,964	61	21,439	7,469	40,656	86,589
Accumulated depreciation	(1,442)	(9)	(6,987)	(3,107)	—	(11,545)
Net carrying amount	15,522	52	14,452	4,362	40,656	75,044
At January 1, 2011, net of accumulated depreciation	15,522	52	14,452	4,362	40,656	75,044
Additions	—	92	23,428	6,987	108,685	139,192
Transfers	115,626	—	—	—	(115,626)	—
Disposals	—	—	(20)	(1)	—	(21)
Depreciation provided during the year	(838)	(15)	(6,690)	(2,515)	—	(10,058)
At December 31, 2011, net of accumulated depreciation	130,310	129	31,170	8,833	33,715	204,157
At December 31, 2011:						
Cost	132,590	153	44,734	14,440	33,715	225,632
Accumulated depreciation	(2,280)	(24)	(13,564)	(5,607)	—	(21,475)
Net carrying amount	130,310	129	31,170	8,833	33,715	204,157

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2010						
At January 1, 2010:						
Cost	6,299	61	12,328	3,567	—	22,255
Accumulated depreciation	(898)	(3)	(3,154)	(1,191)	—	(5,246)
Net carrying amount	5,401	58	9,174	2,376	—	17,009
At January 1, 2010, net of accumulated depreciation	5,401	58	9,174	2,376	—	17,009
Additions due to acquisition of a new subsidiary (note 35)	10,420	—	140	1,008	40,656	52,224
Additions	—	—	8,618	2,387	—	11,005
Disposals	—	—		(343)	—	(343)
Depreciation provided during the year	(299)	(6)	(3,480)	(1,066)	—	(4,851)
At December 31, 2010, net of accumulated depreciation	15,522	52	14,452	4,362	40,656	75,044
At December 31, 2010:						
Cost	16,964	61	21,439	7,469	40,656	86,589
Accumulated depreciation	(1,442)	(9)	(6,987)	(3,107)	—	(11,545)
Net carrying amount	15,522	52	14,452	4,362	40,656	75,044

Certain of the Group's property, plant and equipment with aggregate carrying amounts of approximately RMB5,102,000, RMB98,563,000 and RMB128,315,000 as at December 31, 2010, 2011 and 2012, respectively, have been pledged to secure bank loans granted to the Group (note 31).

14. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2010	227,000	—	227,000
Additions due to acquisition of a new subsidiary (note 35)	330,000	15,500	345,500
Transferred from properties under development (note 16)	42,269	—	42,269
Fair value gain upon transfer	17,731	—	17,731
Change in fair value of investment properties	20,000	—	20,000
At December 31, 2010 and January 1, 2011	637,000	15,500	652,500
Additions	4,952	71,194	76,146
Transferred from properties under development (note 16)	—	286,436	286,436
Fair value gain upon transfer	—	112,564	112,564
Change in fair value of investment properties	100,048	20,606	120,654
At December 31, 2011 and January 1, 2012	742,000	506,300	1,248,300
Additions	—	303,754	303,754
Transferred from investment properties under construction	181,714	(181,714)	—
Transferred from properties held for sale (note 17)	316,253	—	316,253
Transferred from properties under development (note 16)	—	126,342	126,342
Fair value gain upon transfer	185,747	206,358	392,105
Change in fair value of investment properties	78,886	106,460	185,346
At December 31, 2012	1,504,600	1,067,500	2,572,100

	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount at December 31,	652,500	1,248,300	2,572,100
Investment properties:			
At fair value	652,500	1,248,300	2,572,100

The Group's investment properties are situated in Mainland China and are held under medium term leases.

General information of the Group's principal investment properties is as follows:

Property	Gross floor area (sq.m.)	Actual/expected completion date	Existing use
Wuxi Wuzhou International Ornamental City Phases I to III	37,400	December 2011	Specialized wholesale market
Wuxi Wuzhou International Ornamental City Phase IV	25,030	December 2013	Specialized wholesale market
Wuxi Wuzhou International Industrial Exhibition City Phase I	27,562	December 2012	Specialized wholesale market
Wuxi Wuzhou International Industrial Exhibition City Phase II	21,279	April 2014	Specialized wholesale market
Wuxi Wuzhou International Columbus Plaza Phase I	28,182	April 2010	Multi-functional commercial complexes
Wuxi Wuzhou International Columbus Plaza Phase II	13,992	April 2012	Multi-functional commercial complexes
Wuxi Wuzhou International Chinese Food Culture Exposition City Phases I to II	9,512	September 2011	Multi-functional commercial complexes
Wuxi Wuzhou International Chinese Food Culture Exposition City Phase III	14,038	December 2013	Multi-functional commercial complexes
Meicun Wuzhou International Plaza	23,281	October 2012	Multi-functional commercial complexes
Yangjian Wuzhou International Plaza	10,645	March 2013	Multi-functional commercial complexes
Luoshe Wuzhou Columbus Plaza	12,730	March 2014	Multi-functional commercial complexes
Hangzhou Wuzhou International Plaza	17,778	December 2013	Multi-functional commercial complexes
Wuxi New District Columbus Plaza	4,360	June 2013	Multi-functional commercial complexes
Yancheng Wuzhou International Plaza	16,493	June 2013	Multi-functional commercial complexes
Huaian Wuzhou International Plaza Phase I	27,716	December 2013	Multi-functional commercial complexes
Dali Wuzhou International Trade City	61,898	December 2013	Specialized wholesale market
Nantong Wuzhou International Plaza	6,038	January 2014	Multi-functional commercial complexes

The Group's investment properties were revalued on December 31, 2010, 2011 and 2012 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market value, based on either capitalization of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties, or by making reference to comparable market transactions. The investment properties are leased to third parties under operating leases, further details of which are included in note 37.

As at December 31, 2010, 2011 and 2012, the Group's investment properties with values of RMB562,132,000, RMB615,764,000, and RMB1,039,978,000 were pledged to secure general banking facilities granted to the Group (note 31) as at December 31, 2010, 2011 and 2012.

15. PREPAID LAND LEASE PAYMENTS

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	266,244	422,460	342,657
Addition during the year	194,906	143,830	389,620
Transferred to PUD during the year	(38,690)	(223,633)	(51,053)
Carrying amount at year end	422,460	342,657	681,224
Less: Current portion	223,633	127,575	600,441
Non-current portion	198,827	215,082	80,783

Certain of the Group's prepaid land lease payments with aggregate carrying amounts of approximately RMB11,716,000 and RMB173,655,000 as at December 31, 2011, and 2012, respectively, have been pledged to secure bank loans granted to the Group (note 31).

16. PROPERTIES UNDER DEVELOPMENT

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1,	472,036	1,555,133	3,098,829
Additions due to acquisition of a new subsidiary (note 35)	248,387	—	—
Additions	1,196,212	2,588,067	2,721,089
Transferred to completed properties held for sale (note 17)	(227,068)	(757,935)	(1,385,764)
Transferred to investment properties (note 14)	(42,269)	(286,436)	(126,342)
Disposal	(92,165)	—	—
Carrying amount at December 31,	1,555,133	3,098,829	4,307,812

The carrying values of properties under development situated on leasehold land in Mainland China are as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Medium term leases	1,555,133	3,098,829	4,307,812

The general information of the properties as at December 31, 2012 is as follows:

Property	Gross floor area	Expected completion date	Percentage of completion	Existing use
	(sq.m.)		(%)	
Wuxi Wuzhou International Chinese Food Culture Exposition City III	100,383	December 2013	75	Multi-functional commercial complexes
Wuxi Wuzhou International Chinese Food Culture Exposition City Integrated Building	15,339	January 2013	99	Multi-functional commercial complexes
Hangzhou Wuzhou International Plaza	41,863	December 2013	75	Multi-functional commercial complexes
Yancheng Wuzhou International Plaza	40,084	June 2013	79	Multi-functional commercial complexes
Wuxi New District Columbus Plaza	66,354	June 2013	89	Multi-functional commercial complexes
Huaian Wuzhou International Plaza Phase I	95,214	December 2013	68	Multi-functional commercial complexes
Yangjian Wuzhou International Plaza	88,180	March 2013	87	Multi-functional commercial complexes
Rongchang Wuzhou Hardware Ornamental City Phase I	258,678	February 2013	78	Specialized wholesale market
Dali Wuzhou International Trade City Phase I	26,528	December 2013	35	Specialized wholesale market
Dali Wuzhou International Trade City Phase II	33,238	December 2013	37	Specialized wholesale market
Nantong Wuzhou International Plaza	280,943	May 2014	59	Multi-functional commercial complexes
Wuxi Wuzhou International Ornamental City Phase IV	56,088	December 2013	50	Specialized wholesale market
Wuxi Wuzhou International Industrial Exhibition City Phase II	48,120	April 2014	39	Specialized wholesale market
Luoshe Wuzhou Columbus Plaza	25,515	March 2014	58	Multi-functional commercial complexes
Leling Wuzhou International Ornamental City Phase I	37,705	June 2013	41	Specialized wholesale market
Jianhu Wuzhou International Trade City	111,138	March 2013	99	Specialized wholesale market
Xiangyang Wuzhou International Industrial Exhibition City	205,266	September 2013	43	Specialized wholesale market
Yantai Wuzhou International Industrial Exhibition City (Fushan)	55,766	December 2013	67	Specialized wholesale market

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB172,076,000, RMB1,444,122,000 and RMB2,491,862,000 as at December 31, 2010, 2011, and 2012, respectively, have been pledged to secure bank loans granted to the Group (note 31).

17. COMPLETED PROPERTIES HELD FOR SALE

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1,	640,855	439,485	462,745
Additions due to acquisition of a new subsidiary (note 35)	38,048	—	—
Transferred from properties under development (note 16)	227,068	757,935	1,385,764
Transferred to investment properties (note 14)	—	—	(316,253)
Transferred to property, plant and equipment	—	—	(5,650)
Transferred to cost of properties sold (note 8)	(466,486)	(734,675)	(994,181)
Carrying amount at December 31,	439,485	462,745	532,425

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB49,200,000 and RMB209,796,000 as at December 31, 2011 and 2012, respectively, have been pledged to secure bank loans granted to the Group (note 31).

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB100,125,000 have been delivered to buyers in 2007 under sales contracts with a return clause stipulating that the buyer has the option of selling back the property to the Group at a fixed price during the option exercise period which is within one month after five years from the date of delivery of certain property; and the Group has unconditional responsibility to repurchase the property upon request. Considering that the risks and rewards of ownership had not been transferred to the purchasers at the point of delivery of these properties in 2007, the Group had deferred all revenue from sales of these properties with return clause. The right of return clause lapsed during the year ended December 31, 2012 and revenue was then recognized when all the risks and rewards of ownership have been transferred to the purchaser.

18. INTANGIBLE ASSETS

	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Software			
At beginning of the year,			
Cost	121	1,380	4,216
Accumulated amortization	(79)	(233)	(700)
Net carrying amount	42	1,147	3,516
Cost at beginning of the year net of accumulated amortization	42	1,147	3,516
Additions due to acquisition of a new subsidiary (note 35)	428	—	—
Additions	711	2,841	1,885
Disposals	—	(5)	—
Amortization provided during the year	(34)	(467)	(914)
At December 31, net of accumulated amortization	1,147	3,516	4,487
At December 31,			
Cost	1,380	4,216	6,101
Accumulated amortization	(233)	(700)	(1,614)
Net carrying amount	1,147	3,516	4,487

19. LONG-TERM DEFERRED EXPENSES

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year	—	1,220	3,561
Additions	1,353	3,079	739
Amortized during the year	(133)	(738)	(1,281)
Carrying amount at year end	1,220	3,561	3,019

20. INVESTMENTS IN ASSOCIATES

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Share of net assets	39,121	36,768	41,784

The Group's trade receivable and payable balances with the associates are disclosed in note 34 to the financial statements.

(a) Particulars of the associates

Name of Company	Place and year of incorporation /establishment	Paid-in capital	Percentage of equity interests attributable to the Group	Principal activities
		RMB'000		
Wuxi Bonan Property Co., Ltd.	Wuxi, PRC 2009	30,000	20%	Property development
Wuxi Longan Property Co., Ltd.	Wuxi, PRC 2007	60,000	33%	Property development
Wuxi Longhe Property Co., Ltd.	Wuxi, PRC 2009	50,000	25%	Property development

(b) The following table illustrates the summarized financial information of the Group's associates shared by the Group:

Wuxi Bonan Property Co., Ltd.

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current assets	59,987	108,131	50,054
Non-current assets	—	858	25,682
Current liabilities	(19,366)	(60,462)	(19,545)
Non-current liabilities	(14,000)	(24,000)	(25,659)
Net assets	26,621	24,527	30,532
Revenue	—	—	155,652
(Loss)/profit for the year	(379)	(2,095)	6,005

The statutory financial statements of Wuxi Baonan Property Co., Ltd. during the Relevant Periods were audited by Wuxi Jiayu Certified Public Accountants Co., Ltd.

Wuxi Longan

	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current assets	—	—	—
Non-current assets	—	—	—
Current liabilities	—	—	—
Non-current liabilities	—	—	—
Net assets	—	—	—
Revenue	257,746	—	—
Profit for the year	109,609	—	—

Since October 2008, the Group held 33% equity interests in Wuxi Longan. In December 2010, the Group acquired another 19.4% equity interest in Wuxi Longan, and Wuxi Longan became a subsidiary of the Group. The details are set out in note 35 of Section II. As it is a business combination achieved in stages, the Group remeasured the fair value of previously held equity interests in the acquiree at acquisition date and recognized the resulting gain in investment income amounting to RMB 32,599,000.

The statutory financial statements of Wuxi Longan for the years ended December 31, 2010 and 2011 were audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd.

Wuxi Longhe

	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current assets	9,733	106,780	147,526
Non-current assets	94,525	1	23
Current liabilities	(91,758)	(94,540)	(113,797)
Non-current liabilities	—	—	(22,500)
Net assets	12,500	12,241	11,252
Revenue	—	—	—
Loss for the year	—	(258)	(989)

The statutory financial statements of Wuxi Longhe during the Relevant Periods were audited by Wuxi Taihu Certified Public Accountants Co., Ltd.

21. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment as at December 31, 2010, 2011 and 2012 is solely represented by equity investment in Jiujiang Lushan Meijite Small-credit Co., Ltd. ("Meijite", an unlisted company with registered capital of RMB100,000,000), which was designated as an available-for-sale financial asset. The investment was stated at cost because the investment does not have a quoted market price in an active market and, in the opinion of the Directors, the fair value of the investment cannot be measured reliably. The Group does not intend to dispose of it in the near future.

22. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit	Unrealized revenue received in advance	Payroll and welfare accrual	Accrued cost, LAT and expense	Unrealized subsidy income received	Deemed sales	Total
At January 1, 2010	18,396	21,388	484	351	—	17,546	58,165
Deferred tax credited/(charge) to the income statement during the year	(13,475)	7,624	1,896	724	—	—	(3,231)
Deferred tax of a newly acquired subsidiary (Note 35)	—	1,944	146	97	—	—	2,187
At January 1, 2011	4,921	30,956	2,526	1,172	—	17,546	57,121
Deferred tax credited to the income statement during the year	7,823	4,448	2,323	11,813	54,802	—	81,209
At January 1, 2012	12,744	35,404	4,849	12,985	54,802	17,546	138,330
Deferred tax credited/(charge) to the income statement during the year	27,479	11,714	2,666	17,777	106,904	(17,546)	148,994
At December 31, 2012	40,223	47,118	7,515	30,762	161,706	—	287,324

Deferred tax liabilities

	Fair value adjustment arising from investment properties	Fair value adjustment arising from equity investment at fair value through profit and loss	Fair value adjustment on acquisition date of subsidiaries	Gain on business combination	Withholding taxes on undistributed profit of the subsidiaries in the PRC	Total
At January 1, 2010	28,418	—	—	—	2,386	30,804
Deferred tax charge to the income statement during the year	9,434	—	8,150	18,760	19,551	55,895
Deferred tax of a newly acquired subsidiary (Note 35)	45,068	40	34,890	—	—	79,998
At January 1, 2011	82,920	40	43,040	18,760	21,937	166,697
Deferred tax charge/(credited) to the income statement during the year	58,304	(40)	(716)	—	12,385	69,933
At January 1, 2012	141,224	—	42,324	18,760	34,322	236,630
Deferred tax charge/(credited) to the income statement during the year	144,363	—	(4,602)	—	30,432	170,193
At December 31, 2012	285,587	—	37,722	18,760	64,754	406,823

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the combined statements of financial position	23,750	93,753	224,426
Net deferred tax liabilities recognized in the combined statements of financial position	(133,326)	(192,053)	(343,925)
	(109,576)	(98,300)	(119,499)

Pursuant to the CIT law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On February 22, 2008, Caishui (2008) No.1 was promulgated by the tax authorities of the PRC to specify that dividends declared and remitted out of the PRC from the undistributed profits as at December 31, 2007 are exempted from withholding tax. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

No deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings of RMB89,317,000, RMB278,878,000 and RMB 674,275,000 as at December 31, 2010, 2011 and 2012, respectively, that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Listed equity investments in the PRC at fair value	11,156	—	—

The fair values of these listed equity investments are based on their current bid prices in an active market.

24. TRADE AND BILLS RECEIVABLES

Trade and bills receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Less than 3 months	20,108	35,754	13,766
4 to 6 months	3,430	20,700	4,272
7 to 12 months	—	100	68
	23,538	56,554	18,106

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	23,538	56,554	18,106

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Prepayments for construction cost	6,536	26,138	51,310
Prepayments for acquisition of land use rights	129,572	249,075	34,680
Tax recoverable	82,584	104,337	127,582
Deposits	45,520	203,098	391,322
Other receivables, net of provision for impairment	134,361	102,879	91,559
	398,573	685,527	696,453

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

26. LOANS RECEIVABLES

The credit quality analysis of loans receivables is as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Loans and advances to customers	197,750	310,630	—
Accrued interest	4,641	3,052	—
	202,391	313,682	—
Impairment allowance on collective assessment	(1,978)	(3,106)	—
	200,413	310,576	—

Movements in the provision for impairment of loans receivables were as follows:

	RMB'000
At January 1, 2010	—
Charge during the year	1,978
At December 31, 2010 and January 1, 2011	1,978
Charge during the year	1,128
At December 31, 2011 and January 1, 2012	3,106
Charge during the period ended February 29, 2012	20
Disposal of a subsidiary	(3,126)
At December 31, 2012	—

The Group seeks to maintain strict control over its outstanding loans receivable to minimize credit risk. Overdue balances are reviewed regularly by management.

A maturity profile of the loans receivables as at the end of reporting periods, based on the maturity date and net of provision is as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current	200,413	310,576	—

27. CASH AND CASH EQUIVALENTS

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Cash and bank balances	213,088	606,709	909,222
Less: Restricted cash	1,900	42,011	26,971
Pledged deposits	36,225	48,917	126,800
Cash and cash equivalents	174,963	515,781	755,451

Pursuant to relevant regulations in PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at December 31, 2010, 2011 and 2012, such restricted cash amounted to RMB 1,900,000, RMB42,011,000 and RMB26,971,000, respectively.

Bank deposits of RMB36,225,000, RMB48,917,000, and RMB126,800,000, respectively, were pledged as security for bank loans, as guarantee deposits in respect of mortgage facilities granted to purchasers of the Group's properties, or as collateral for issuance of bank acceptance notes as at December 31, 2010, 2011 and 2012.

At December 31, 2010, 2011 and 2012, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Less than 1 year	515,995	926,623	1,666,854
Over 1 year	15,367	54,630	265,833
	531,362	981,253	1,932,687

The trade and bills payables are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Advances from third parties	47,300	84,980	19,500
Advances from non-controlling shareholders of subsidiaries	92,988	199,286	210,459
Advances from government	40,000	11,680	11,680
Deposits related to construction	2,869	60,972	106,728
Rental deposits	18,784	27,426	40,017
Payroll and welfare payable	9,369	22,077	37,122
Accruals	8,774	13,397	29,408
Business tax and surcharges	6,030	18,299	18,322
Deposits related to sales of properties	—	11,103	154,982
Maintenance fund	12,638	14,878	25,445
Others	3,068	6,541	23,731
	241,820	470,639	677,394

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

30. ADVANCES FROM CUSTOMERS

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of each of the Relevant Periods and the commercial management service fee received from lessees.

31. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Bank loans - secured	322,000	829,340	1,638,420
Bank loans - unsecured	—	—	83,500
Other borrowings - secured	—	394,000	677,640
	322,000	**1,223,340**	**2,399,560**
Bank loans and other borrowings			
Repayable within one year	174,400	371,400	772,480
Repayable in the second year	14,400	571,300	1,084,540
Repayable in the third to fifth years	43,200	169,000	331,700
Repayable over five years	90,000	111,640	210,840
Subtotal	147,600	851,940	1,627,080
	322,000	1,223,340	2,399,560

The Group's borrowings are all denominated in RMB.

The effective interest rates of the Group's bank borrowings ranged as follows:

Year ended December 31, 2010	5.67% to 7.04%
Year ended December 31, 2011	6.75% to 16.00%
Year ended December 31, 2012	6.55% to 16.80%

The Group's bank loans are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

		December 31,		
	Notes	2010	2011	2012
		RMB'000	RMB'000	RMB'000
Property, plant and equipment	13	5,102	98,563	128,315
Investment properties	14	562,132	615,764	1,039,978
Prepaid land lease payments	15	—	11,716	173,655
Properties under development	16	172,076	1,444,122	2,491,862
Completed properties held for sale	17	—	49,200	209,796
Pledged deposits		26,500	41,400	83,480

As at December 31, 2012, Wuzhou International Investment Limited granted a share pledge of one share in Hongkong Wuzhou, representing its entire issued share capital, in favor of the Bank of Communications, Hong Kong Branch, to secure its bank loan of RMB81,080,000 .

The fair values of interest-bearing bank borrowings repayable at the end of each of the Relevant Periods approximated to their corresponding carrying amounts as all bank loans and other borrowings carry a floating interest rate that pegged at the benchmark interest rate of the People's Bank of China.

32. ISSUED CAPITAL AND RESERVES

(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 22, 2010 with an initial authorized share capital of US$50,000 divided into 5,000,000 shares of a par value of US$0.01 each. On the date of incorporation, 1 ordinary share of US$0.01 was allotted and issued by the Company to Boom Win Holdings Limited. On August 13, 2012, 3,422,161,913 ordinary shares of US$0.01 each, credited as fully paid, were allotted and issued to Boom Win Holdings Limited.

(b) Capital reserve

The capital reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity.

(c) Statutory reserve

Statutory reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's PRC GAAP statutory accounts) before dividend distribution. Each subsidiary being WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of such fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

Statutory surplus reserve

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilized to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

33. SHARE-BASED PAYMENT TRANSACTION

Pursuant to the board resolution dated September 30, 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, Mr. Shu Brothers, the Controlling Shareholders and directors of the Group, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to 7 employees of the Group. The share transfer was completed on October 12, 2012. The objective of the Share Award Scheme is to recognize the contributions of certain employees of the Group and providing incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employee will vest on each of the five anniversaries of the first vesting date. The first vesting date is January 1 of the year following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The fair value of the Awarded Shares granted under the Share Award Scheme on September 30, 2012 was RMB14,246,971, which was determined by Savills Valuation and Professional Services Limited, an external valuer using the income approach. The significant input into the approach were estimated fair value of shares at the grant date. Fair value of the shares is derived by discounted cash flow method.

The Awarded Shares are contingent at grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on The Stock Exchange of Hong Kong Limited and satisfactory performance of such employee based on his or her annual performance appraisal. No expense in relation to the Awarded Shares granted was recognized in the Relevant Periods because management is not certain whether the vesting condition is able to be fulfilled.

34. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
The Shu Brothers	Ultimate controlling shareholders
Boom Win Holding Limited ("Boom Win")	Ultimate holding company
Wuxi Longan (Note)	Associated company
Wuxi Longhe Property Co., Ltd. ("Wuxi Longhe")	Associated company
Wuxi Bonan Property Co., Ltd. ("Wuxi Bonan")	Associated company
Wuxi Wuzhou Investment Co., Ltd. ("Wuzhou Investment")	Company controlled by The Shu Brothers
Hong Kong Wuzhou International Group Investment Limited ("Wuzhou Int'l Group Investment")	Company controlled by The Shu Brothers
Shenzhen Continent Investment Development Co., Ltd. ("Shenzhen Continent")	Company under significant influence by The Shu Brothers
Ms. Zhu Lijuan	Mr. Shu Cecheng's wife
Ms. Qi Xueqing	Mr. Shu Cewan's wife

Note: Wuxi Longan has became a subsidiary of the Group since December 31, 2010.

(2) Related party transactions

(a) The following transactions were carried out with related parties during the Relevant Periods:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
(i) Advances to shareholders:			
— The Shu Brothers	198	—	37,525
Recovery of advances to shareholders:			
— The Shu Brothers	23,249	—	40,575
Advances from shareholders:			
— The Shu Brothers	93,678	144,510	230,155
Repayment of advances from shareholders:			
— The Shu Brothers	—	—	462,284
(ii) Advances to a related party:			
— Ms. Qi Xueqing	23,510	—	—
Recovery of advances to a related party:			
— Ms. Qi Xueqing	—	24,982	7,974
Advances from a related party:			
— Ms. Zhu Lijuan	—	5,000	—
Repayment of advances from a related party:			
— Ms. Zhu Lijuan	—	—	5,000
(iii) Advances to related companies:			
— Wuzhou Investment	146,000	337,345	513,215
— Wuxi Longhe	37,849	5,900	41,832
— Shenzhen Continent	—	65,837	140,629
Recovery of advances to related companies:			
— Wuzhou Investment	509,665	214,450	449,422
— Wuxi Longhe	—	—	521
— Shenzhen Continent	—	46,099	130,723
Advances from related companies:			
— Wuzhou Investment	249,334	874,065	2,037,069
— Wuzhou Int'l Group Investment	—	—	190,059
— Boom Win	—	—	26,600
— Wuxi Longhe	—	—	400
— Shenzhen Continent	—	—	38,019
Repayment of advances from related companies:			
— Wuzhou Investment	232,000	544,690	1,935,972
— Wuxi Longhe	—	—	500
— Shenzhen Continent	—	21,823	175,729
— Wuzhou Int'l Group Investment	20,000	—	—

(b) Pursuant to the lease agreement and management agreement entered into between Wuxi Longan and Wuxi Wuzhou Ornament City, the Group paid rental fee of RMB101,400 and property management fee of RMB101,400, respectively, to Wuxi Longan in 2010.

(c) Pursuant to the share transfer agreement dated February 17, 2012 entered into between Wuzhou Investment and Wuxi Wuzhou Ornament City, the Group disposed its 40% equity interest in Wuxi Small Credit to Wuzhou Investment for a consideration of RMB80,000,000. The consideration was determined by reference to the corresponding value of the registered capital of the equity interest disposed.

(3) Outstanding balances with related parties

The Group

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Due from related companies:			
Wuxi Longhe	47,311	53,211	94,622
Wuzhou Int'l Group Investment	—	—	88
Wuzhou Investment	30,104	—	—
Shenzhen Continent	11,608	—	—
	89,023	53,211	94,710
Due from a related party:			
Ms. Qi Xueqing	32,956	7,974	—

The Group

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Due to shareholders:			
Mr. Shu Cecheng	90,878	93,442	18,136
Mr. Shu Cewan	11,827	153,773	—
	102,705	247,215	18,136
Due to related companies:			
Wuzhou Investment	—	176,376	213,680
Shenzhen Continent	—	147,916	300
	—	324,292	213,980
Due to a related party:			
Ms. Zhu Lijuan	—	5,000	—

Balances with the related party were unsecured and non-interest-bearing and had no fixed repayment terms.

Compensation of key management personnel of the Group:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Short term employee benefits	1,166	2,239	3,048
Pension scheme contributions and social welfare	56	185	239
Total compensation paid to key management personnel	1,222	2,424	3,287

Further details of directors' emoluments are included in note 9 to the Financial Information.

(4) Outstanding balances with related parties of the Company

The amounts due from subsidiaries as included in the Company's current assets of RMB216,659,000 as at December 31, 2012 is unsecured, interest-free and are repayable on demand or within one year.

35. BUSINESS COMBINATION

The Group owned a 33% equity interest in Wuxi Longan Property Co., Ltd. before December 2010. In December 2010, the Group acquired an additional of 19.4% equity interests in Wuxi Longan from three third parties. Wuxi Longan is engaged in the properties development business. The purchase consideration for the acquisition was RMB13,386,000, which was fully settled on the acquisition date.

The fair values of the identifiable assets and liabilities of Wuxi Longan as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Property, plant and equipment	13	52,224
Investment properties	14	345,500
Intangible assets	18	428
Available-for-sale investment		2,500
Deferred tax assets	22	2,187
Completed properties held for sale	17	38,048
Properties under development	16	248,387
Trade and bills receivables		6,125
Due from related companies		73,670
Due from shareholders		2,799
Equity investment at fair value through profit and loss		11,156
Prepayments, deposit and other receivables		84,639
Cash and cash equivalents		23,204
Advances from customers		(105,834)
Tax payables		(46,680)
Other payables, deposits received and accruals		(21,606)
Due to shareholders		(12,025)
Trade and bills payables		(96,911)
Interest-bearing bank loans and other borrowings		(72,000)
Deferred tax liabilities	22	(79,998)
		455,813
Non-controlling interests		(216,967)
Gain on acquisition	6	(75,042)
Fair value of the 33% equity interest before acquisition		(150,418)
Satisfied by cash		13,386

Had the combination taken place at the beginning of the Relevant Periods, revenue from continuing operations of the Group would have been RMB211,487,000 and RMB1,612,984,000 for 2009 and 2010, respectively, and the profit/loss of the Group would have been a loss of RMB96,641,000 for 2009 and a profit of RMB524,579,000 for 2010, respectively.

36. DISPOSAL OF A SUBSIDIARY

The Group disposed its 70% of equity interests in Wuxi Small Credit to Wuzhou Investment, Wuxi Quanyi Construction Materials Co., Ltd., Wuxi Hongnuo Commerce & Trading Co., Ltd., Ms. Qi Dahua and Ms. Qi Zhuxia in February 2012 an aggregate consideration of RMB140,000,000. The consideration was determined by reference to the corresponding values of the registered capital of the equity interests disposed.

The carrying values of the assets and liabilities of Wuxi Small Credit on the date of disposal were as follows:

	RMB'000
Property, plant and equipment	9
Prepayments, deposits and other receivables	2,047
Loans receivables	313,868
Cash and cash equivalents	2,899
Other payables, deposits received and accruals	(18,407)
Interest-bearing bank loans and other borrowings	(90,000)
Tax payable	(533)
	209,883
Non-controlling interests	(62,965)
Loss on disposal of a subsidiary	(6,918)
Satisfied by cash	140,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	140,000
Cash and cash equivalents disposed of	(2,899)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	137,101

37. OPERATING LEASE COMMITMENTS

As lessor

The Group leases out its investment properties (note 14) under operating lease arrangements with leases negotiated from terms ranging from 1 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within one year	2,922	6,036	60,581
In the second to fifth years, inclusive	32,237	90,056	265,122
After five years	262,314	531,527	821,723
	297,473	627,619	1,147,426

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non- cancellable operating leases falling due as follows:

	December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within one year	810	6,728	4,731
In the second to fifth years, inclusive	—	5,183	5,260
After five years	—	—	180
	810	11,911	10,171

38. COMMITMENTS

In addition to the operating lease commitment as detailed in note 37 above, The Group had the following capital commitments at the end of each reporting period:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
— Acquisition of land use rights	—	41,392	133,880
— Properties under development	545,147	503,513	1,630,025

39. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties(1)	217,906	185,902	518,609
Guarantees given to banks in connection with facilities granted to third parties(2)	50,000	90,000	35,000
Guarantees given to banks in connection with facilities granted to Meijite(3)	—	—	56,000
	267,906	275,902	609,609

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks in connection with banking facilities granted to third parties. The directors consider that no provision is needed in respect of the guarantees.

(3) The Group provided guarantees to banks in connection with banking facilities granted to Meijite. The Group held a 10% equity interest in Meijite during the Relevant Period (note 21).

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

December 31, 2012

Financial assets

	Equity investments and loans and receivables at amortized cost	Total
	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 25)	91,559	91,559
Trade and bills receivables	18,106	18,106
Due from related companies	94,710	94,710
Restricted cash	26,971	26,971
Pledged deposits	126,800	126,800
Cash and cash equivalents	755,451	755,451
	1,113,597	1,113,597

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	1,932,687	1,932,687
Financial liabilities included in other payables, deposits received and accruals (note 29)	195,994	195,994
Interest-bearing bank loans and other borrowings (note 31)	2,399,560	2,399,560
Due to shareholders	18,136	18,136
Due to related companies	213,980	213,980
	4,760,357	4,760,357

December 31, 2011

Financial assets

	Equity Investments and loans and receivables at amortized cost	Total
	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 25)	102,879	102,879
Loans receivables	310,576	310,576
Trade and bills receivables	56,554	56,554
Due from related companies	53,211	53,211
Due from a related party	7,974	7,974
Restricted cash	42,011	42,011
Pledged deposits	48,917	48,917
Cash and cash equivalents	515,781	515,781
	1,137,903	1,137,903

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	981,253	981,253
Financial liabilities included in other payables, deposits received and accruals (note 29)	317,365	317,365
Interest-bearing bank loans and other borrowings (note 31)	1,223,340	1,223,340
Due to shareholders	247,215	247,215
Due to a related party	5,000	5,000
Due to related companies	324,292	324,292
	3,098,465	3,098,465

December 31, 2010

Financial assets

	Loans and receivables at amortized cost	Equity investments at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	—	11,156	11,156
Financial assets included in prepayments, deposits and other receivables (note 25)	134,361	—	134,361
Loans receivables	200,413	—	200,413
Trade and bills receivables	23,538	—	23,538
Due from related companies	89,023	—	89,023
Due from a related party	32,956	—	32,956
Restricted cash	1,900	—	1,900
Pledged deposits	36,225	—	36,225
Cash and cash equivalents	174,963	—	174,963
	693,379	11,156	704,535

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	531,362	531,362
Financial liabilities included in other payables, deposits received and accruals (note 29)	290,815	290,815
Interest-bearing bank loans and other borrowings (note 31)	322,000	322,000
Due to shareholders	102,705	102,705
	1,246,882	1,246,882

41. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments and investment properties:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at December 31, 2010, 2011 and 2012, the Group's equity investments at fair value through profit or loss (Level 1) and investment properties (Level 1 and Level 2) were measured at fair value.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, financial instruments at fair value through profit or loss, trade receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings, amounts with directors, amounts with related companies, amount due to a related party, and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank borrowings set out in note 31. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of variable rate bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ decrease in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in properties under development
		RMB'000	RMB'000
2012			
— RMB denominated loans	+20	(10,374)	23,860
— RMB denominated loans	-20	10,374	(23,860)
2011			
— RMB denominated loans	+20	(4,815)	12,631
— RMB denominated loans	-20	4,815	(12,631)
2010			
— RMB denominated loans	+20	(101)	2,508
— RMB denominated loans	-20	101	(2,508)

It represents the impact on the balance of PUD as at the December 31, 2010, 2011 and 2012 through change in interest rates. The impact will be realized in subsequent years when the properties are sold.

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the United States dollar ("US$") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Rate	Increase/ (decrease) in profit before tax
	%	RMB'000
Year ended December 31, 2012		
If US$ weakens against RMB	-5%	—
If US$ strengthens against RMB	+5%	—
Year ended December 31, 2011		
If US$ weakens against RMB	-5%	—
If US$ strengthens against RMB	+5%	—
Year ended December 31, 2010		
If US$ weakens against RMB	-5%	(5,699)
If US$ strengthens against RMB	+5%	5,699

(c) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debts losses during the Relevant Period.

The credit risk of the Group's other financial assets, which mainly comprise cash and pledged deposits, other receivables, amounts due from directors, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at December 31, 2010 and 2011, all loan receivables were in the credit period.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2012					
Interest-bearing bank loans and other borrowings	—	54,358	889,384	1,793,984	2,737,726
Trade and bills payables	1,915,344	16,343	1,000		1,932,687
Other payables	195,994	—	—	—	195,994
Due to shareholders	18,136	—	—	—	18,136
Due to related companies	213,980	—	—	—	213,980
	2,343,454	70,701	890,384	1,793,984	5,098,523

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2011					
Interest-bearing bank loans and other borrowings	—	13,205	279,352	1,085,995	1,378,552
Trade and bills payables	963,353	17,900	—	—	981,253
Other payables	317,365	—	—	—	317,365
Due to shareholders	247,215	—	—	—	247,215
Due to a related party	5,000	—	—	—	5,000
Due to related companies	324,292	—	—	—	324,292
	1,857,225	31,105	279,352	1,085,995	3,253,677

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2010					
Interest-bearing bank loans and other borrowings	—	—	165,524	236,390	401,914
Trade and bills payables	523,362	8,000	—	—	531,362
Other payables	290,815	—	—	—	290,815
Due to shareholders	102,705	—	—	—	102,705
	916,882	8,000	165,524	236,390	1,326,796

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing loans and borrowings, trade and other payables, advances from customers, an amount due to shareholders and amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of reporting periods were as follows:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Trade and bills payables	531,362	981,253	1,932,687
Other payables, deposits received and accruals	241,820	470,639	677,394
Advances from customers	1,971,779	2,434,284	2,737,177
Interest-bearing bank loans and other borrowings	322,000	1,223,340	2,399,560
Due to shareholders	102,705	247,215	18,136
Due to related companies	—	324,292	213,980
Due to a related party	—	5,000	
Less: Cash and cash equivalents	(174,963)	(515,781)	(755,451)
Net debt	2,994,703	5,170,242	7,223,482
Equity attributable to owners of the parent	591,672	822,588	1,319,693
Total capital and net debt	3,586,375	5,992,830	8,543,175
Gearing ratio	84%	86%	85%

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to December 31, 2012.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong