The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2010, 2011 and 2012, and, in each case, the related notes set out in the Accountants' Report included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analyzes contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

For the years ended December 31, 2010, 2011 and 2012, our revenue was approximately RMB1,547.7 million, RMB3,152.6 million and RMB1,965.2 million, respectively. Our profit before taxation for the corresponding periods was approximately RMB467.3 million, RMB964.7 million and RMB797.8 million, respectively. Our profit attributable to the owners of our Company for the years ended December 31, 2010, 2011 and 2012 was approximately RMB234.8 million, RMB431.6 million and RMB471.5 million, respectively. We expect to record our revenue to be generated by, among others, Wan Guo Cheng MOMA, Shangdi MOMA, Yue MOMA, Phases 3 and 4 of MOMA Forest Forever, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Changsha), Nanchang Mantingchun MOMA, and Modern MOMA for the year ending December 31, 2013.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on June 28, 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group on January 12, 2011 upon completion of the acquisition of the entire equity interest in Modern Green Industrial by Modern Moma Project Management pursuant to an agreement dated January 10, 2011 at a consideration of RMB200 million which was the registered capital of Modern Green Industrial. Mr. Zhang Lei and Mr. Salum Zheng Lee controlled all the companies comprising our Group before and after the Reorganization, accordingly, our Group resulting from the Reorganization is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2010 and 2011 are prepared as if the current group structure had been in existence throughout the relevant periods or since their respective dates of incorporation/establishment where it is a shorter period. The consolidated statements of financial position as of December 31, 2010 and 2011 present the assets and liabilities of the companies now comprising our Group as of the respective dates as if the current group structure had been in existence at those dates.

The financial information is presented in RMB, the currency of the primary economic environment in which the group entities operate (the functional currency of group entities).

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Overall performance of the property markets in Beijing and other cities in and near central China

Our business and results of operations are heavily impacted by the property markets in Beijing and other cities in and near central China where our projects are located. These property markets may be affected by local, national and global factors, including overall economic and financial conditions, demand and supply of properties, interest rates, availability of capital, and availability of alternative investment choices for property buyers. As with other parts of China, long-term growth of these property markets has been driven by economic growth, increasing disposable income and savings, and rapid urbanization.

Property prices and demand in Beijing and the cities in and near central China have fluctuated significantly in recent years. Following rapid growth in transaction volumes and prices for most of the period from 2002 to 2007, overall transaction volumes and property prices in Beijing experienced a decline during 2008, due in part to the global financial crisis and related economic downturn as well as policies implemented by the PRC Government to prevent the overheating of the real estate sector. During 2008, rental rates and occupancy rates were also adversely affected by national and global macro-economic conditions. In 2009 and early 2010, the PRC property market saw a strong sales rebound, but a further set of policies implemented by the PRC Government in April 2010 have had a dampening effect on property market demand. According to the National Bureau of Statistics of the PRC, aggregate sales revenue for commodity properties was approximately RMB5,911.9 billion in 2011, an increase of 12.1% compared to 2010.

Regulatory measures affecting the property market in China

Regulations and policies affecting the real estate industry, including tax policies, land grant policies, pre-sale policies, interest rate policies, consumer credit and mortgage financing policies and other macro-economic policies will continue to have a significant impact on demand for our properties, and thus our business, financial condition and results of operations. From 2005 to early 2008 and in late 2009 and early 2010, the PRC Government implemented measures designed to moderate the rate of growth in the PRC property market by discouraging speculation in residential property and increasing the supply of affordable housing. Please refer to the sections headed "Risk Factors – Risks Relating to the PRC Property Industry" and "Laws and Regulations" in this prospectus.

Project development and delivery schedules

Our financial performance is highly affected by our project development schedule. In accordance with the PRC laws and regulations, we commence construction of our project after obtaining the construction commencement permit, and pre-sell our properties after obtaining the pre-sale permit. Pre-sale of properties sometimes takes place more than one year after commencement of construction. We deliver properties to customers only after passing the inspection and acceptance of the construction work as required by the PRC laws and regulations.

From an accounting perspective, we recognize revenue from sales of properties only upon delivery of such properties to the buyer. As such, our revenue in any given period are significantly affected by the amount of GFA delivered during that period. As a result, for most of our properties that we pre-sell prior to completion of construction, we typically enjoy higher revenue in period in which we complete and deliver the properties, which may not correspond with the period in which the properties are sold. For example, the increase in our revenue for Wan Guo Cheng MOMA amounting to approximately RMB87.9 million in 2011 from approximately RMB34.0 million in 2010 was primarily due to the project completion and delivery schedules for Wan Guo Cheng MOMA. Project development schedules also impact our cash flows as a project may be under construction for more than one year before it generates positive cash flow through pre-sales or sales. Changes in our cash flows during the Track Record Period were significantly affected by the time lag between commencement of construction and cash inflows from pre-sales or rental income relating to our projects. Project development schedules depend on a number of factors, including the performance and efficiency of our independent contractors, our ability to obtain relevant governmental licenses and approvals, and our ability to finance construction with bank and other borrowings and proceeds from pre-sales.

Fair value adjustments of investment properties

Our investment properties include completed investment properties. An investment property is measured initially at cost, including any directly attributable expenditure. After initial recognition, it is measured at fair value, using fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Changes in fair value of our investment properties amounted to approximately RMB46.9 million, RMB7.2 million and RMB37.0 million for the years ended December 31, 2010, 2011 and 2012 respectively. Upward or downward valuation adjustments reflect unrealized capital gains or losses on our investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our Shareholders. Our profit before taxation and total comprehensive income were affected by our fair value gains, in particular fair value gain of completed properties for sale upon transfer to investment properties which amounted to approximately RMB53.3 million, RMB23.9 million and RMB99.2 million for the years ended December 31, 2010, 2011 and 2012, respectively.

The details of our investment properties during the Track Record Period are set out below:

	Year ended/As of December 31,		
Investment Properties	**2010**	**2011**	**2012**
Wan Guo Cheng MOMA			
Rental income *(RMB'000)*	5,141	5,382	4,978
Total GFA *(sq.m.)*	8,167	8,167	8,731
Occupancy rate	100%	100%	100%
Rental yield	2.5%	2.4%	2.1%
Modern MOMA			
Rental income *(RMB'000)*	3,815	5,063	6,335
Total GFA *(sq.m.)*	5,800	6,300	6,787
Occupancy rate	100%	100%	100%
Rental yield	2.2%	2.6%	2.8%
Modern City Garden[(1)]			
Rental income *(RMB'000)*	1,224	738	205
Total GFA *(sq.m.)*	4,748	4,748	4,548
Occupancy rate	92%	57%	0%
Rental yield	1.7%	1.0%	0.3%
iMOMA			
Rental income *(RMB'000)*	–	–	360
Total GFA *(sq.m.)*	–	–	2,141
Occupancy rate	–	–	100%
Rental yield	–	–	1.4%
Phase 1 of MOMA Forest Forever			
Rental income *(RMB'000)*	–	–	47
Total GFA *(sq.m.)*	–	–	782
Occupancy rate	–	–	100%
Rental yield	–	–	1.0%
Nanchang Mantingchun MOMA			
Rental income *(RMB'000)*	–	–	335
Total GFA *(sq.m.)*	–	–	3,038
Occupancy rate	–	–	100%
Rental yield	–	–	1.9%

Investment Properties	Year ended/As of December 31, 2010	2011	2012
Phase 1 of Wan Guo Cheng MOMA (Changsha)			
Rental income *(RMB'000)*	–	–	662
Total GFA *(sq.m.)*	–	–	1,585
Occupancy rate	–	–	100%
Rental yield	–	–	2.8%
Changsha Mantingchun MOMA			
Rental income *(RMB'000)*	–	–	1,808
Total GFA *(sq.m.)*	–	–	14,151
Occupancy rate	–	–	100%
Rental yield	–	–	1.8%

Note: Rental yield of our investment property is calculated by dividing annual rental from the investment property by its book value as at the respective period end date.

Note:

(1) The decrease in the occupancy rate of Modern City Garden to approximately 57% as of December 31, 2011 was due to (i) the termination of the tenancy agreement of a bath center in the clubhouse of approximately 1,170 sq.m; and (ii) the expiry of the tenancy agreements of two retail units of approximately 234 sq.m. and 262 sq.m. respectively in 2011. For the sake of management efficiency, we planned to lease our investment properties in Modern City Garden to one single tenant which will sub-lease the retail units. For this purpose, we had terminated all the tenancy agreements of Modern City Garden during the year ended December 31, 2012 and hence the occupancy rate was nil as of December 31, 2012. In May 2013, we entered into sale and purchase agreements for the sale of retail units of Modern City Garden of an aggregate GFA of approximately 4,626 sq.m. to three independent third parties at a consideration of RMB65.0 million. The sale of the retail units of Modern City Garden is expected to be completed in the third quarter of 2013.

In 2012, we have new addition of investment properties namely certain retail units in all of Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA, the clubhouse of Phase 1 of MOMA Forest Forever, and basement level 1 of iMOMA and the clubhouse of Nanchang Mantingchun MOMA, which have been leased to tenants with rent free periods on average of 160 days depending on the terms of the tenancy.

The appraised value of our properties as contained in the property valuation report prepared by DTZ and Crosson Dannis, Inc. as set out in Appendix IIIA and Appendix IIIB to this prospectus respectively is based on assumptions that include the exercise of professional judgment. In valuing our investment properties, DTZ has adopted the direct comparison approach by making reference to the comparable market transactions as available in the markets and where appropriate on the basis of capitalization of net incomes derived from the investment properties. DTZ has also taken into account the construction costs to be expended to reflect the quality of the completed properties in respect of projects under development. For a summary of the valuation of our properties and the selected key assumptions used in valuation, please refer to "Business – Our Property Projects in the PRC and the U.S. – Valuation of the Properties" in this prospectus.

Land prices and availability of land suitable for development

Our growth depends on our ability to secure quality land at prices that can offer attractive returns. During the Track Record Period, our land reserves were acquired from public tender, auction and listing-for-sale held by relevant local governments and acquisition of project companies from other developers and our Directors confirmed that none of our land reserves were acquired by other means. Our ability to acquire land from other developers may depend on factors such as the overall economy, competition and the effectiveness of our management in identifying and consummating such deals. The availability and price of land sold at auction depends on factors including government land policies and competition. The PRC Government and relevant local authorities control the amount and cost of new land supply and the approved planning and use of such land. Moreover, the rapid development of Beijing, central China and nearby areas in recent years has led to a diminishing supply of undeveloped land in desirable locations.

At the same time, changes in the price of land may significantly affect our results of operations and financial condition. Land premium or acquisition costs have been one of the largest components of our cost of sales. Moreover, we generally incur expenses on land acquisition for a project for more than a year before we begin generating cash from pre-sales of the project's properties. As a result, increases in land acquisition costs may have a significant adverse effect on our cash flows. At the time of acquiring the land, we must estimate what the demand and market prices for the relevant project will be in the future when we commence pre-sales, sales or rental of the properties. Any deviation from the demand and market prices that we estimate will impact our expected gross profit and margin. In recent years, land prices in China have increased significantly. As the PRC economy continues to grow and demand for residential and commercial properties remains strong, we expect that competition among developers to acquire land that is suitable for property development will continue to intensify, which may further drive increases in land prices. In addition, the public tender, auction and listing-for-sale practices in respect of the grant of State-owned land use rights have contributed to increase in competition for land and therefore increase in land prices.

Fluctuations in property development costs

Our results of operations are affected by our property development costs, a significant part of which is our contractual payments to our construction contractors. Our payments to our construction contractors mainly consist of construction material costs and labor costs. Construction material costs have experienced periods of fluctuation in recent years, with prices of many commodity materials, in particular steel and cement, rising significantly in recent years. Similar periods of rapid increases in the future could negatively affect our results of operations. Our construction costs have also been affected by gradually rising labor costs in China in recent years, and we expect labor costs in China to continue to increase in the future.

Access to and cost of financing

As of December 31, 2010, 2011 and 2012, our outstanding bank and other borrowings amounted to approximately RMB1,768.3 million, RMB2,023.4 million and RMB1,109.9 million, respectively. Bank borrowings have been an important source of funding for our property development. The interest rates of our bank borrowings are floating with reference to the benchmark interest rate set by the PBOC, and any increase in this rate will increase the finance costs of our project developments. During 2007 and the first half of 2008, our cost of borrowings increased significantly as the PBOC raised its benchmark interest rates in an effort to prevent overheating of the economy. However, since September 2008, the PBOC has lowered its benchmark interest rate from 7.47% to 5.31% as of December 2008, which remained unchanged until September 2010. The PBOC has raised the benchmark one-year lending rate several times in 2011. The one-year lending rate increased to 5.81% as of December 31, 2010 and to 6.56% in July 2011. In June 2012, the PBOC decreased the benchmark one-year interest rate to 6.31% effective from June 8, 2012 and decreased further to 6.00% effective from July 6, 2012. Due to the difficulty of obtaining bank borrowings as a result of the austerity measures recently imposed on the PRC property market, we enter into other borrowings arrangements with non-bank financial institutions in order to diversify our financing channels to expand our access to funds.

Our access to and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development. To the extent the PRC Government slows the development of the private property sector, either by restricting loans to the sector or increasing lending rates to the sector, our access to capital and cost of financing may be adversely affected and our revenues and net profits may significantly reduce. In addition, although we do not have bank borrowings in foreign currencies, any fluctuations in global credit markets, as were seen during the recent global financial crisis, could adversely affect us insofar as they impact interest rates and the availability of credit in China.

Taxation

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

EIT and withholding income tax

Our EIT has been calculated at the applicable tax rate on our assessable profits for each year during the Track Record Period. The Enterprise Income Tax Law of the PRC (the “EIT Law”) introduced a wide range of changes including, but not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Enterprises previously entitled to certain preferential tax rates will gradually move to the applicable tax rate of 25% within five years from 2008.

Under the EIT Law, a 10% withholding income tax is levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends arising from profits earned after January 1, 2008 subject to certain exceptions. Please also refer to the section headed "Risk Factors – Risks Relating to the PRC – Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the EIT Law" in this prospectus.

LAT

Under PRC tax laws and regulations, our properties in China are subject to LAT on the appreciation value of the land and the improvements on the land upon the sale of such properties. All appreciation from the sale or transfer of land use rights and buildings and their attached facilities in China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as determined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items. Local tax authorities generally require prepayment of a portion of LAT upon receipt of sales and pre-sales proceeds. The rate of such prepaid LAT varies by locality and property type. We are subject to LAT prepayment of between 1% and 3% on our properties in Beijing, Changsha, Nanchang, Taiyuan, Xiantao and Jiujiang.

Upon recognition of revenues from properties sold, we recognize LAT as a tax expense. The LAT levied at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on the proceeds of sales of properties less deductible expenditures including payments and accruals (based on management's best estimation) made for obtaining land use rights, construction and infrastructure costs, related taxes and all other property development related expenditures. We make provisions for LAT based on the appreciation of land value, which is calculated based on the proceeds of sales of properties less deductible expenditures, including land grant premiums, capitalized borrowing costs and certain property development expenditures, which is according to common market practice. As advised by our PRC legal advisor, our basis for calculation of LAT provision is in compliance with the relevant PRC laws and regulations. We estimate our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. The final LAT liabilities of our Group are usually determined by the tax authorities after completion of our property development projects, and could be different from the amounts that we have estimated because of ambiguities relating to regulations or guidelines in this regard and differences between our estimates and those of the tax authorities.

SIGNIFICANT ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are critical to our consolidated financial information. These accounting policies require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. These accounting policies and estimates are discussed in more detail in Notes 3 and 4 to the Accountants' Report as set out in Appendix I to this prospectus. We review our estimates and underlying assumptions on an ongoing basis.

Basis of consolidation

The financial information incorporates the financial statements of our Company and its subsidiaries. Control is achieved where our Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. We consolidate all entities that we control as well as special purpose entities for which we are the primary beneficiary.

Income and expense of subsidiaries acquired or disposed of during the year, are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Total comprehensive income and expense of a subsidiary is attributed to the owners of our Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of our Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from our Group's equity therein.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognized when the respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under respective sales and purchases agreements.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Other service income is recognized when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Where properties held for sale transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in profit or loss.

Properties under development for sale

Properties under development which are intended to be sold in the ordinary course of business upon completion of development are classified as current assets, and carried at the lower of cost and net realizable value. Cost include the related land cost, development expenditure incurred and, where appropriate, borrowing costs capitalized.

Properties under development for sale are transferred to properties held for sale upon completion.

Properties under development for sale are transferred to property, plant and equipment when there is a change of intention to hold the properties under development for own use.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realized value is determined based on prevailing market conditions.

Properties held for sale is transferred to property, plant and equipment when there is a change of intention to hold the properties held for sale for own use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured using the tax rate applicable for recovery through use.

RESULTS OF OPERATIONS

The following table shows selected income statement items for the years ended December 31, 2010, 2011 and 2012 and should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,547,691	3,152,645	1,965,226
Cost of sales	(947,671)	(1,804,888)	(1,092,415)
Gross profit	600,020	1,347,757	872,811
Other income, gain and loss	10,117	11,961	173,622
Change in fair value of held for trading investments	25	414	1,573
Fair value gain of completed properties for sale upon transfer to investment properties	53,253	23,926	99,154
Changes in fair value of investment properties	46,900	7,200	37,000
Selling and distribution expenses	(97,963)	(143,420)	(121,675)
Administrative expenses	(98,576)	(169,182)	(150,106)
Finance costs	(46,494)	(97,560)	(98,089)
Listing expenses	–	(16,361)	(16,518)
Share of results of an associate	(3)	(3)	–
Profit before taxation	467,279	964,732	797,763
Income tax expense	(219,458)	(521,022)	(319,399)
Profit for the year	247,821	443,710	478,364
Other comprehensive income for the year:			
Gain on revaluation of owner-occupied properties upon transfer to investment properties	–	–	1,027
Deferred tax relating to gain on revaluation of owner-occupied properties	–	–	(257)
Exchange differences on translating foreign operations	–	–	252
Other comprehensive income for the year, net of tax	–	–	1,022
Total comprehensive income for the year	247,821	443,710	479,386

	Year ended December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of the Company	234,825	431,597	471,488
Non-controlling interests	12,996	12,113	6,876
	247,821	443,710	478,364
Total comprehensive income attributable to:			
Owners of the Company	234,825	431,597	472,496
Non-controlling interests	12,996	12,113	6,890
	247,821	443,710	479,386
Earnings per share, in RMB cents:			
Basic	19.6	36.0	39.3

Note: Our Group's adjusted profit for the years ended December 31, 2010, 2011 and 2012 after excluding the effect of (i) change in fair value of held for trading investments; (ii) fair value change of investment properties; and (iii) fair value gain of completed properties for sale upon transfer to investment properties, net of tax effect, is as follow:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	247,821	443,710	478,364
Change in fair value of held for trading investments	(25)	(414)	(1,573)
Tax effect on change in fair value of held for trading investment	6	104	393
Fair value gain of completed properties for sale upon transfer to investment properties	(53,253)	(23,926)	(99,154)
Tax effect on fair value gain of completed properties for sale upon transfer to investment properties	13,313	5,982	24,789
Change in fair value of investment properties	(46,900)	(7,200)	(37,000)
Tax effect on change in fair value of investment properties	11,725	1,800	9,250
Profit excluding change in fair value of held for trading investments, fair value gain of completed properties for sale upon transfer to investment properties and change in fair value of investment properties, net of tax effect for the year	172,687	420,056	375,069

Note: For the year ended December 31, 2012, we had designated additional completed properties for sale as investment properties and increased the portfolio of our investment properties that resulted in the fair value gain of our investment properties. Further, the increase in valuation of our investment properties as determined with reference to comparable market transactions and rates, among others, by our PRC property valuer also contributed to the fair value gain of the portfolio of our investment properties. Please refer to "Financial information – fair value adjustments of investment properties" for further details.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenue

An analysis of our turnover by type is as follow:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Sale of properties	1,532,091	3,135,068	1,945,557
Leasing of properties	15,600	17,577	19,669
	1,547,691	3,152,645	1,965,226

Revenue from sale of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the customers. During the Track Record Period, for the purpose of delivery of properties to our customers, we issue notice of receipts to notify our customers to attend our sales offices to complete the necessary procedures to acknowledge receipt of delivery of properties in accordance with the terms under their respective sales and purchase agreements. Revenue was not recognised had customers failed to complete procedures for acknowledge receipt of the delivery of properties.

Revenues from sales of residential properties including carparks have accounted for, and we expect them to continue to account for, the substantial majority of our revenue. According to our PRC legal advisors, carparks in our property projects in Beijing, Changsha, Taiyuan and Jiujiang are sellable while carparks in our property projects in Nanchang and Xiantao are not sellable but available for leasing. Our PRC legal advisors also advise that the carparks planned for civil air defense projects are not sellable but available for leasing. As of December 31, 2012, the construction of carparks in our property project in Nanchang was completed while carparks in our property projects in Xiantao were not completed. Though the carparks are not sellable, we intend to enter into agreements with third parties to transfer the right to use the carparks up to the end of the remaining use term of the land on which the carparks are built. Our Directors consider that in substance, substantially all the risks and rewards incidental to ownership of the car parks are transferred upon signing the agreements. Therefore, the carparks are recognized as "properties under development for sale" or "properties held for sale" in our financial statements for the Track Record Period. For certain portion of the completed carparks in Nanchang, we had entered into agreements with third parties commencing from December 2011 to transfer the right to use the carparks for a period of 70 years, which is equivalent to the land use term on which these carparks are built. As advised by the Company's PRC legal advisors, such leasing agreements do not violate the relevant PRC laws and regulations. We are in the process of seeking interested parties to transfer the right to use of the remaining portion of the completed carparks in Nanchang.

As we recognize revenues from sales of properties after the properties have been delivered, our revenues from sales of properties are significantly affected by the GFA of residential properties delivered in the relevant period. The GFA of properties delivered in any given period is driven primarily by property development schedules and market demand, including market demand in prior periods when we pre-sold the properties. Revenues from sales of residential properties are also affected by average selling prices of properties delivered during the relevant period. Average selling prices are primarily affected by overall market conditions, location and target customers. Average selling prices within a single project can have significant variations due to factors such as proximity to streets and other public areas, scenic views and floor level.

The following table shows the breakdown of our revenue, net of discounts, business tax and other sales related taxes, derived from sale of properties by projects and carparks and the respective GFA and ASP for the periods indicated:

	Year ended December 31,								
	2010			2011			2012		
	Revenue	Total saleable GFA or units delivered	ASP	Revenue	Total saleable GFA or units delivered	ASP	Revenue	Total saleable GFA or units delivered	ASP
	RMB'000		*RMB'000 per sq.m.*	*RMB'000*		*RMB'000 per sq.m.*	*RMB'000*		*RMB'000 per sq.m.*
Wan Guo Cheng MOMA	33,985	1,241 sq.m.	27	87,930	2,849 sq.m.	31	64,120	2,248 sq.m.	29
Modern MOMA	377,579	9,594 sq.m.	39	211,927	4,715 sq.m.	45	346,150	8,296 sq.m.	42
Shangdi MOMA	23,590	1,136 sq.m.	21	–	–	–	8,395	272 sq.m.	31
iMOMA	–	–	–	231,426	19,237 sq.m.	12	11,747	514 sq.m.	23
Yue MOMA	–	–	–	215,683	10,090 sq.m.	21	22,547	1,062 sq.m.	21
Phase 1 of MOMA Forest Forever	302,896	22,820 sq.m.	13	46,806	2,359 sq.m.	20	–	–	–
Phase 2 of MOMA Forest Forever	117,930	8,099 sq.m.	15	9,336	411 sq.m.	23	5,579	523 sq.m.	11
Phase 3 of MOMA Forest Forever	187,633	10,895 sq.m.	17	194,163	9,479 sq.m.	20	10,231	532 sq.m.	19
Phase 4 of MOMA Forest Forever	–	–	–	–	–	–	90,941	3,342 sq.m.	27
Phase 1 of Wan Guo Cheng MOMA (Changsha)	469,665	131,757 sq.m.	4	152,699	30,305 sq.m.	5	73,777	11,516 sq.m.	6
Changsha Mantingchun MOMA	–	–	–	313,485	61,788 sq.m.	5	432,153	84,381 sq.m.	5
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	–	–	–	1,353,301	127,801 sq.m.	11	572,164	53,153 sq.m.	11
Nanchang Mantingchun MOMA	–	–	–	309,099	56,416 sq.m.	5	99,039	16,248 sq.m.	6
Carpark	18,813	84 units	224/unit	9,213	51 units	181/unit	208,714	1,113 units	188/unit
Total	1,532,091			3,135,068			1,945,557		

Most of our revenues from sales of properties in 2010 were derived from sales of Wan Guo Cheng MOMA, Shangdi MOMA, Modern MOMA, Phases 1, 2 and 3 of MOMA Forest Forever and Phase 1 of Wan Guo Cheng MOMA (Changsha), and in 2011 from Wan Guo Cheng MOMA, Modern MOMA, iMOMA, Yue MOMA, Phases 1, 2 and 3 of MOMA Forest Forever, Phase 1 of Wan Guo Cheng MOMA (Changsha), Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan) and Nanchang Mantingchun MOMA and in 2012 from Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA and Modern MOMA.

We recorded revenue generated from iMOMA, Yue MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA and Nanchang Mantingchun MOMA in 2011 as a result of the commencement of delivery of properties of these projects in that year.

In 2012, revenue generated from Wan Guo Cheng MOMA was approximately RMB64.1 million with the delivery of a total saleable GFA of approximately 2,248 sq.m. at the ASP of approximately RMB29,000 per sq.m. Revenue generated from Wan Guo Cheng MOMA was relatively higher in 2011 with the total saleable GFA delivered and the ASP continued to increase from approximately 1,241 sq.m. at approximately RMB27,000 in 2010, to approximately 2,849 sq.m. at approximately RMB31,000 in 2011.

Modern MOMA was completed during the period of June 2008 to November 2010. In 2012, revenue generated from Modern MOMA was approximately RMB346.2 million with the delivery of a total saleable GFA of approximately 8,296 sq.m. at the ASP of approximately RMB42,000 per sq.m. Revenue generated from this project was relatively lower in 2010, with the delivery of a total saleable GFA of approximately 9,594 sq.m. at ASP of approximately RMB39,000 per sq.m. compared to a total saleable GFA of approximately 4,715 sq.m. at ASP of approximately RMB45,000 per sq.m. in 2011.

In 2012, revenue generated from Shangdi MOMA was approximately RMB8.4 million with the delivery of a total saleable GFA of approximately 272 sq.m. at the ASP of approximately RMB31,000 per sq.m. Shangdi MOMA was completed during the period of November 2007 to June 2008. Revenue generated from Shangdi MOMA was approximately RMB23.6 million with the delivery of a total saleable GFA of approximately 1,136 sq.m. at ASP of approximately RMB21,000 per sq.m. in 2010.

Phases 1, 2 and 3 of MOMA Forest Forever were completed during the period of September 2008 to November 2010 while Phase 4 of MOMA Forest Forever was completed in 2012. In 2012, revenue generated from Phase 2 of MOMA Forest Forever was approximately RMB5.6 million with the delivery of a total saleable GFA of approximately 523 sq.m. at the ASP of approximately RMB11,000 per sq.m. While revenue generated from Phase 3 of MOMA Forest Forever was approximately RMB10.2 million with the delivery of a total saleable GFA of approximately 532 sq.m. at the ASP of approximately RMB19,000 per sq.m., and revenue generated from Phase 4 of MOMA Forest Forever was approximately RMB90.9 million with the delivery of a total saleable GFA of approximately 3,342 sq.m. at the ASP of approximately RMB27,000 per sq.m.. Revenue generated from these projects were relatively higher in 2010, with the delivery of a total saleable GFA of approximately 41,814 sq.m. at ASP range of approximately RMB13,000 to RMB17,000 per sq.m.. In 2011, these projects accounted for a total saleable GFA of approximately 12,249 sq.m. at ASP range of approximately RMB20,000 to RMB23,000 per sq.m..

In 2012, revenue generated from Phase 1 of Wan Guo Cheng MOMA (Changsha) was approximately RMB73.8 million with the delivery of a total saleable GFA of approximately 11,516 sq.m. at the ASP of approximately RMB6,000 per sq.m. Revenue generated from Phase 1 of Wan Guo Cheng MOMA (Changsha) was relatively higher in 2010 as the project was completed during the period of August 2009 to August 2011, with the delivery of total saleable GFA of approximately 131,757 sq.m. at ASP of approximately RMB4,000 per sq.m. in 2010 compared to a total saleable GFA of approximately 30,305 sq.m. at ASP of approximately RMB5,000 per sq.m. in 2011.

Phase 1 of Wan Guo Cheng MOMA (Taiyuan) was completed in 2011. Revenue generated from Phase 1 of Wan Guo Cheng MOMA (Taiyuan) was approximately RMB572.2 million with the delivery of a total saleable GFA of approximately 53,153 sq.m. at ASP of approximately RMB11,000 per sq.m. in 2012 while revenue generated was approximately RMB1,353.3 million with the delivery of a total saleable GFA of approximately 127,801 sq.m. at ASP of approximately RMB11,000 per sq.m. in 2011.

Changsha Mantingchun MOMA was completed during 2011 and 2012. Revenue generated from Changsha Mantingchun MOMA was approximately RMB432.2 million with the delivery of a total saleable GFA of approximately 84,381 sq.m. at ASP of approximately RMB5,000 per sq.m. in 2012 while revenue generated was approximately RMB313.5 million with the delivery of a total saleable GFA of approximately 61,788 sq.m. at ASP of approximately RMB5,000 per sq.m. in 2011.

In 2012, revenue generated from sales of carparks mainly from our Wan Guo Cheng MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Modern MOMA and to lesser extent, from our other projects were in aggregate approximately RMB208.7 million. The increase in revenue generated from sales of carparks was mainly the result of our successful marketing strategy focusing on sales of carparks given the demand from purchasers.

We also derive revenue from rental income from commercial properties that we hold as investment properties. Rental income from investment properties is recognized on a straight line basis over the lease term and is primarily affected by the GFA of rented properties, rental rates and occupancy rates. Our rental income during the Track Record Period was derived from rental of the commercial properties of our Modern City Garden, Wan Guo Cheng MOMA and Modern MOMA. In 2012, we have new addition of investment properties namely certain retail units in all of Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA, the clubhouse of Phase 1 of MOMA Forest Forever, and basement level 1 of iMOMA and the clubhouse and level 1 of Nanchang Mantingchun MOMA which have been leased to tenants with rent free periods.

Revenues are net of sales related taxes, which are approximately 5.5% for both our sales of residential properties and rental income.

Cost of sales

Our cost of sales primarily consists of cost of properties sold, which are costs directly associated with revenue from sales of properties recognized during the given period. During the Track Record Period, cost of properties sold included land premium, construction and other development costs, capitalized borrowing costs, etc. We expect that construction and development costs will continue to account for the majority of our future cost of sales as we will continue to focus on the development of our existing projects under development and held for future development. The main factors affecting cost of properties sold in a given period include GFA delivered during that period, the location of the properties and the level and respective interest rates of our borrowings. The following table shows the components of our cost of properties sold for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Land premium	170,782	400,997	184,276
Construction and other development costs	725,628	1,332,642	834,166
Capitalized borrowing costs	48,668	67,346	47,231
Cost of rental income	853	391	365
Cost of property management and related services	1,740	3,512	10,734
Provision for carparks[1]	–	–	15,643
Total cost of sales	947,671	1,804,888	1,092,415

Note:

1. We recorded a provision for carparks in 2012 so as to reflect their net realizable value as a result of the prevailing market price of carparks of Modern City Garden and Phase 1 of Wan Guo Cheng MOMA (Changsha) being lower than their costs.

The following table shows the breakdown of our cost of sales attributable to sales of properties by projects for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Wan Guo Cheng MOMA	15,379	32,553	25,762
Modern MOMA	134,948	66,227	113,117
Shangdi MOMA	7,715	–	1,849
iMOMA	–	182,959	4,762
Yue MOMA	–	83,860	8,495
Phase 1 of MOMA Forest Forever	224,176	23,176	–
Phase 2 of MOMA Forest Forever	86,025	4,368	4,776
Phase 3 of MOMA Forest Forever	114,260	89,480	5,147
Phase 4 of MOMA Forest Forever	–	–	50,169
Phase 1 of Wan Guo Cheng MOMA (Changsha)	348,576	93,765	42,075
Changsha Mantingchun MOMA	–	198,114	271,252
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	–	762,409	315,135
Nanchang Mantingchun MOMA	–	257,766	78,028
Carpark	13,999	6,308	145,106
Cost of rental income	853	391	365
Cost of property management and related services	1,740	3,512	10,734
Provision for carparks(1)	–	–	15,643
Total	947,671	1,804,888	1,092,415

Note:

1. We recorded a provision for carparks in 2012 so as to reflect their net realizable value as a result of the prevailing market price of carparks of Modern City Garden and Phase 1 of Wan Guo Cheng MOMA (Changsha) being lower than their costs.

Land premium. Land premium represents costs relating to the acquisition of the rights to occupy, use and develop land, including land grant premiums, deed taxes, government surcharges and demolition and resettlement costs relating to certain urban redevelopment projects. In addition to general economic and property market conditions in the PRC, our costs of land premium are affected by the locations of the property projects, the timing of acquisitions, the project's plot ratios as well as the method of acquisition.

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

Capitalized borrowing costs. Capitalized borrowing costs represent interest expenses on our bank borrowings that are directly attributable to the construction of projects. Such borrowing costs are included in cost of sales when the related revenue is recognized. Our borrowing costs are affected by the amount of our borrowings as well as the interest rates applied to our borrowings.

Gross profit and gross profit margin

Our gross profit is our revenue less cost of sales. The following table shows the breakdown of our gross profit derived from sale of properties by projects and carparks for the periods indicated.

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Wan Guo Cheng MOMA	18,606	55,377	38,358
Modern MOMA	242,631	145,700	233,033
Shangdi MOMA	15,875	–	6,546
iMOMA	–	48,467	6,985
Yue MOMA	–	131,823	14,052
Phase 1 of MOMA Forest Forever	78,720	23,630	–
Phase 2 of MOMA Forest Forever	31,905	4,968	803
Phase 3 of MOMA Forest Forever	73,373	104,683	5,084
Phase 4 of MOMA Forest Forever	–	–	40,772
Phase 1 of Wan Guo Cheng MOMA (Changsha)	121,089	58,934	31,702
Changsha Mantingchun MOMA	–	115,371	160,901
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	–	590,892	257,029
Nanchang Mantingchun MOMA	–	51,333	21,011
Carpark	4,814	2,905	47,965
Total	587,013	1,334,083	864,241

Our gross profit margin derived from sale of properties by projects and carparks, which is gross profit divided by revenue, was approximately 38.8%, 42.6% and 44.4% for the years ended December 31, 2010, 2011 and 2012, respectively. Our comparatively higher gross profit margin recorded in 2012 was primarily due to the delivery to our customers of the properties in projects which yielded relatively higher gross profit margins such as Wan Guo Cheng MOMA, Modern MOMA, Shangdi MOMA, iMOMA, Yue MOMA and Phase 1 of Wan Guo Cheng MOMA (Taiyuan).

The following table shows the gross profit margin of our completed projects for the periods indicated.

	Year ended December 31,		
	2010	**2011**	**2012**
Wan Guo Cheng MOMA	54.7%	63.0%	59.8%
Modern MOMA	64.3%	68.8%	67.3%
Shangdi MOMA	67.3%	–	78.0%
iMOMA	–	20.9%	59.5%
Yue MOMA	–	61.1%	62.3%
Phase 1 of MOMA Forest Forever	26.0%	50.5%	–
Phase 2 of MOMA Forest Forever	27.1%	53.2%	14.4%
Phase 3 of MOMA Forest Forever	39.1%	53.9%	49.7%
Phase 4 of MOMA Forest Forever	–	–	44.8%
Phase 1 of Wan Guo Cheng MOMA (Changsha)	25.8%	38.6%	43.0%
Changsha Mantingchun MOMA	–	36.8%	37.2%
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	–	43.7%	44.9%
Nanchang Mantingchun MOMA	–	16.6%	21.2%
Carpark	25.6%	31.5%	22.98%

During the Track Record Period, the gross profit margin for our Wan Guo Cheng MOMA ranged between approximately 54.7% and 63.0%, while the gross profit margin for our Shangdi MOMA ranged between approximately 67.3% and 78.0%. The higher gross profit margin of Shangdi MOMA in 2012 was mainly attributable to the relatively higher ASP at which properties were sold and delivered to customers. The gross profit margin for our Modern MOMA ranged between approximately 64.3% and 68.8%. In particular, the gross profit margin increased from approximately 64.3% in 2010 to approximately 68.8% in 2011 as a result of the general improvement in the property prices in Beijing and the increase in ASP of properties sold under the project. The gross profit margin of iMOMA increased from approximately 20.9% in 2011 to approximately 59.5% in 2012 mainly as a result of the relatively higher ASP at which properties were sold and delivered to customers in 2012. The gross profit margin of our Phase 2 of MOMA Forest Forever decreased in 2012 compared to the margin in 2011 on the back of the decrease in ASP of a villa delivered to customers under the project was an unfurnished one pre-sold few years ago. We were able to increase the selling prices for all of our Phases 1, 2 and 3 of MOMA Forest Forever from 2010 to 2011. The ASP range of Phases 1, 2 and 3 of MOMA Forest Forever increased from approximately RMB13,000 to RMB17,000 in 2010 to RMB20,000 to RMB23,000 in 2011, respectively. Nonetheless, the selling prices of our Phase 2 of MOMA Forest Forever decreased from approximately RMB23,000 per sq.m. in 2011 to approximately RMB11,000 per sq.m. in 2012 mainly as a result of the delivery of an unfurnished villa in 2012 that were sold back in previous years at comparatively lower ASP. The gross profit margin for our Phase 1 of Wan Guo Cheng MOMA (Changsha) increased from approximately 25.8% in 2010 to approximately 38.6% in 2011 and further to approximately 43.0% in 2012. The gross profit margin of Nanchang Mantingchun MOMA increased from approximately 16.6% in 2011 to approximately 21.2% in 2012 mainly as a result of the relatively higher ASP at which properties were sold and delivered to customers in 2012. We recorded a comparatively low gross profit margin of car parks in 2012 than in 2011 since we recorded a write down for our car parks as a result of the contracted costs was higher than the then prevailing market price in 2012.

In general, certain of our projects, such as Wan Guo Cheng MOMA, Modern MOMA, Shangdi MOMA and MOMA Forest Forever, which belong to our Wan Guo Cheng MOMA product line and target high-end consumers, have relatively higher profit margins as properties of these projects are usually located in central part of Beijing and/or belong to residential low-density villa community, and adopt higher degree of application of energy-saving technologies and have been allocated higher level of related costs.

Other income, gains and loss

Our other income, gains and loss has principally included (i) government grant, (ii) interest income, (iii) gains on disposal of certain property, plant and equipment and (iv) excess compensation received for Water Metre Plant area project.

The following table shows the principal components of our other income and gains for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	3,311	5,612	4,503
Dividend income from available-for-sale investments	–	650	1,412
Penalty income	36	20	414
Government grant *(Note a)*	2,117	2,638	8,804
Design income	350	–	–
Gain on disposal of property, plant and equipment	539	142	5,323
Gain on disposal of subsidiaries	2,579	2,393	–
Gain on disposal of an associate	–	6	–
Excess compensation received from Water Metre Plant area project *(Note b)*	–	–	146,876
Project management service income *(Note c)*	–	–	6,000
Others	1,185	500	290
	10,117	11,961	173,622

Notes:

(a) Government grants represent incentive subsidies from various PRC governmental authorities. There are no conditions or limitations attached to these subsidies by the respective PRC governmental authorities.

(b) The Group first involved in the resettlement of Water Meter Plant area project in 2002 for the purpose of obtaining the land use right. On May 15, 2012, the Group entered into a compensation agreement for the Water Metre Plant area project with an independent third party, in which the Group would receive an amount of RMB574 million (including refund of prepayment of RMB400.4 million paid by the Group) from the independent third party. In 2012, the Group has received RMB545.2 million, the remaining amount was settled in February 2013. After deducting the business tax, RMB146.9 million was recognised as other income during the year ended December 31, 2012.

(c) Pursuant to our arrangement with an independent third party to manage on its behalf the development of a property project in Yangquan city, Shanxi Province, the PRC, the Group received project management service income of RMB6.0 million as other income in 2012. Please refer to "Business – Property development project in Yangquan city, Shanxi Province, the PRC" for further details.

Selling and distribution costs

Our selling and distribution costs have principally comprised advertising and promotion costs and salaries and commissions to our sales staff and sales agents. Selling and distribution costs are principally affected by our selling and project development schedules for individual projects, with such costs being highest during the pre-sales period and declining as the project nears completion. As a result, most of our selling and distribution costs for a project are incurred and recognized prior to recognition of revenues for the project.

Administrative expenses

Our administrative expenses have primarily consisted of salaries and employee benefits, expenses, professional fees, certain taxes on sales of properties and rental, share-based payment and office expenses. Changes in administrative expenses are generally affected by the size of our operations, including the number and size of our developments.

Fair value gains on investment properties

Our fair value gains on investment properties have represented the fair value changes of our investment properties. For further details regarding the method for determining the fair value of our investment properties, please refer to the section headed "Financial Information – Significant Accounting Policies – Investment Properties" above.

Finance costs

Our finance costs have comprised interest expenses for bank loans less interest capitalized. Interest on borrowings related to project development is capitalized to the extent they are directly used to finance project development. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized.

Income tax

Income tax represents provisions for EIT, LAT and PRC withholding income tax and Hong Kong profits tax and U.S. corporate tax. We estimate and make provisions for the full amount of LAT for which we are liable under relevant PRC tax laws and regulations, whether or not LAT was actually paid, upon recognition of revenue from the sale of the relevant properties. As such, changes in our LAT expenses generally fluctuate in line with fluctuations in our revenue from sale of properties. Our effective corporate income tax rate, equal to the sum of our income tax expenses, divided by our profit before tax, was approximately 47.0%, 54.0% and 40.0% for the years ended December 31, 2010, 2011 and 2012, respectively. The following table shows the principal components of our income tax for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Current Tax			
PRC enterprise income tax	(174,902)	(213,411)	(174,603)
Hong Kong profits tax	–	–	(276)
U.S. corporate tax	–	–	(2)
Land appreciation tax("LAT")	(115,911)	(274,347)	(198,257)
Deferred tax	71,355	(33,264)	53,739
Income tax expense	(219,458)	(521,022)	(319,399)

During the year ended December 31, 2010, 2011 and 2012, our deferred tax recognized/(reversed) in respect of tax losses amounted to approximately RMB(0.5) million, RMB(4.0) million and RMB10.2 million respectively. In the second half of 2012, the Directors reviewed and determined the dividend policy that the dividend distribution ratio for the Company's subsidiaries situated in the PRC should be around 20% of profit after tax for the respective years since January 1, 2008. Thus, a reversal of deferred tax relating to withholding tax of approximately RMB49.0 million was made in 2012 based on the changes in the proportion of profits to be distributed in the foreseeable future.

We incur substantial costs at the beginning of each property development project while revenue from the property development project is only recognized after the properties have been delivered to customers. As such, during the Track Record Period, certain of our subsidiaries recorded losses at the beginning of their respective property development projects while we report an overall profit in the corresponding period as we recognized revenue upon delivery of properties of our other projects. Due to the timing difference between the income tax being incurred and its payment, our income tax paid during the Track Record Period was approximately RMB98.6 million, RMB261.8 million and RMB137.3 million, respectively.

REVIEW OF HISTORICAL OPERATING RESULTS

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue

Our revenue decreased from approximately RMB3,152.6 million in 2011 to approximately RMB1,965.2 million in 2012. Our revenue in 2012 was primarily derived from the delivery of properties in Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA, Modern MOMA, Nanchang Mantingchun MOMA and Phase 1 of Wan Guo Cheng MOMA (Changsha), and sale of car parks in our property projects.

	Year ended December 31,					
	2011			2012		
	Revenue	Total saleable GFA or units delivered	ASP	Revenue	Total saleable GFA or units delivered	ASP
	RMB'000		*RMB'000 per sq.m.*	*RMB'000*		*RMB'000 per sq.m.*
Wan Guo Cheng MOMA	87,930	2,849 sq.m.	31	64,120	2,248 sq.m.	29
Modern MOMA	211,927	4,715 sq.m.	45	346,150	8,296 sq.m.	42
Shangdi MOMA	–	–	–	8,395	272 sq.m.	31
iMOMA	231,426	19,237 sq.m.	12	11,747	514 sq.m.	23
Yue MOMA	215,683	10,090 sq.m.	21	22,547	1,062 sq.m.	21
Phase 1 of MOMA Forest Forever	46,806	2,359 sq.m.	20	–	–	–
Phase 2 of MOMA Forest Forever	9,336	411 sq.m.	23	5,579	523 sq.m.	11
Phase 3 of MOMA Forest Forever	194,163	9,479 sq.m.	20	10,231	532 sq.m.	19
Phase 4 of MOMA Forest Forever	–	–	–	90,941	3,342 sq.m.	27
Phase 1 of Wan Guo Cheng MOMA (Changsha)	152,699	30,305 sq.m.	5	73,777	11,516 sq.m.	6
Changsha Mantingchun MOMA	313,485	61,788 sq.m.	5	432,153	84,381 sq.m.	5
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	1,353,301	127,801 sq.m.	11	572,164	53,153 sq.m.	11
Nanchang Mantingchun MOMA	309,099	56,416 sq.m.	5	99,039	16,248 sq.m.	6
Carpark	9,213	51 units	181/unit	208,714	1,113 units	188/unit
Total	3,135,068			1,945,557		

Cost of sales

Our cost of sales decreased by approximately 39.5% to approximately RMB1,092.4 million in 2012 from approximately RMB1,804.9 million in 2011 primarily due to decrease in total GFA delivered from approximately 325,450 sq.m. in 2011 to approximately 182,087 sq.m. in 2012.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately 35.2% to approximately RMB872.8 million in 2012 from approximately RMB1,347.8 million in 2011.

Our gross profit margin remained relatively stable at approximately 44.4% in 2012 compared to approximately 42.8% in 2011.

Other income, gains and loss

Other income, gains and loss increased by approximately 1,346.7% to approximately RMB173.6 million in 2012 from approximately RMB12.0 million in 2011. This increase was primarily due to the other income namely resettlement compensation with respect to our Water Metre Plant Area Project, details of which are set out in "Business – Description of Our Projects – Water Metre Plant Area Project" in this prospectus.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 15.1% to approximately RMB121.7 million in 2012 from approximately RMB143.4 million in 2011, primarily due to the stringent cost control and the decrease in our revenue derived from sale of properties.

Administrative expenses

Our administrative expenses decreased by approximately 11.3% to approximately RMB150.1 million in 2012 from approximately RMB169.2 million in 2011, primarily due to the decrease in staff costs which decreased because the number of staff decreased from 607 in 2011 to 495 in 2012 and decrease in expenses due to cost-saving policy and stringent cost control.

Finance costs

Our finance costs remained relatively stable at approximately RMB98.1 million in 2012, as compared to approximately RMB97.6 million in 2011.

Profit before taxation

Our profit before taxation decreased by approximately 17.3% to approximately RMB797.8 million in 2012 from approximately RMB964.7 million in 2011, primarily due to completion and delivery of properties.

Income tax expense

Our income tax expense decreased by approximately 38.7% to approximately RMB319.4 million in 2012 from approximately RMB521.0 million in 2011 primarily due to the decrease in LAT and enterprise income tax as a result of decrease in profit before taxation.

Profit for the year attributable to owners of the Company

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately 9.2% to approximately RMB471.5 million in 2012 from approximately RMB431.6 million in 2011. On the assumption that the resettlement compensation from our Water Metre Plant Area Project was not to be accounted for as other income, our profit for the year attributable to owner of the Company would decrease by approximately 15.8% to approximately RMB363.5 million in 2012.

Year ended December 31, 2011 compared to year ended December 31, 2010

Revenue

Our revenue increased from approximately RMB1,547.7 million in 2010 to approximately RMB3,152.6 million in 2011. Our revenue in 2011 was primarily derived from the delivery of properties in Wan Guo Cheng MOMA, Modern MOMA, iMOMA, Yue MOMA, Phases 1, 2 and 3 of MOMA Forest Forever, Phase 1 of Wan Guo Cheng MOMA (Changsha), Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan) and Nanchang Mantingchun MOMA.

	Year ended December 31,					
	2010			2011		
	Revenue	Total saleable GFA or units delivered	ASP	Revenue	Total saleable GFA or units delivered	ASP
	RMB'000		*RMB'000 per sq.m.*	*RMB'000*		*RMB'000 per sq.m.*
Wan Guo Cheng MOMA	33,985	1,241 sq.m.	27	87,930	2,849 sq.m.	31
Modern MOMA	377,579	9,594 sq.m.	39	211,927	4,715 sq.m.	45
Shangdi MOMA	23,590	1,136 sq.m.	21	–	–	–
iMOMA	–	–	–	231,426	19,237 sq.m.	12
Yue MOMA	–	–	–	215,683	10,090 sq.m.	21
Phase 1 of MOMA Forest Forever	302,896	22,820 sq.m.	13	46,806	2,359 sq.m.	20
Phase 2 of MOMA Forest Forever	117,930	8,099 sq.m.	15	9,336	411 sq.m.	23
Phase 3 of MOMA Forest Forever	187,633	10,895 sq.m.	17	194,163	9,479 sq.m.	20
Phase 1 of Wan Guo Cheng MOMA (Changsha)	469,665	131,757 sq.m.	4	152,699	30,305 sq.m.	5
Changsha Mantingchun MOMA	–	–	–	313,485	61,788 sq.m.	5
Phase 1 of Wan Guo Cheng MOMA (Taiyuan)	–	–	–	1,353,301	127,801 sq.m.	11
Nanchang Mantingchun MOMA	–	–	–	309,099	56,416 sq.m.	5
Carpark	18,813	84 units	224/unit	9,213	51 units	181/unit
Total	1,532,091			3,135,068		

Cost of sales

Our cost of sales increased by approximately 90.5% to approximately RMB1,804.9 million in 2011 from approximately RMB947.7 million in 2010, primarily due to increase in total GFA delivered from approximately 185,542 sq.m. in 2010 to approximately 325,450 sq.m. in 2011.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 124.6% to approximately RMB1,347.8 million in 2011 from approximately RMB600.0 million in 2010. Our gross profit margin increased to approximately 42.8% in 2011 from approximately 38.8% in 2010, mainly due to higher profit margin recorded in connection with residential units of our Phase 1 to 3 of MOMA Forest Forever, Modern MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), some of which enjoyed higher average selling price in 2011 as compared with that in 2010.

Other income, gains and loss

Other income, gains and loss increased by approximately 18.8% to approximately RMB12.0 million in 2011 from approximately RMB10.1 million in 2010. This increase was primarily due to the increase in interest income derived from our cash balances deposited with banks.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 46.3% to approximately RMB143.4 million in 2011 from approximately RMB98.0 million in 2010, primarily due to recognition of the expenses of our pre-sale promotion activities in connection with the properties of our various property projects delivered to our customers during the year.

Administrative expenses

Our administrative expenses increased by approximately 71.6% to approximately RMB169.2 million in 2011 from approximately RMB98.6 million in 2010, primarily due to our business expansion in middle South China.

Finance costs

Our finance costs increased by approximately 109.9% to approximately RMB97.6 million in 2011 from approximately RMB46.5 million in 2010 due to increase in interest on bank and other borrowings of Modern MOMA.

Profit before taxation

Our profit before taxation increased by approximately 106.4% to approximately RMB964.7 million in 2011 from approximately RMB467.3 million in 2010, primarily due to increase in revenue of our projects.

Income tax expense

Our income tax expense increased by approximately 137.4% to approximately RMB521.0 million in 2011 from approximately RMB219.5 million in 2010 primarily due to the increase in LAT from approximately RMB115.9 million in 2010 to approximately RMB274.3 million in 2011 as a result of increase in our gross profit. Further, we had withholding tax on retained profits to be distributed in the amount of approximately RMB61.2 million, based on the consolidated undistributed profit at PRC withholding income tax rate of 10% which became effective from January 1, 2008 and is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. The amount represents the withholding income tax provided on the undistributed profits of PRC subsidiaries earned since January 1, 2008, which are available for distribution. We had no withholding tax on retained profits to be distributed for the year ended December 31, 2010. No deferred tax has been recognized in respect of the aggregate amount of temporary difference associated with earnings of Modern Green Industrial for the year ended December 31, 2010 as the shareholders of Modern Green Industrial were PRC residents with establishment or place of business in the PRC prior to the Reorganization completed in 2011, as such, no withholding tax was required as of December 31, 2010.

Profit for the year attributable to owners of the Company

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately 83.8% to approximately RMB431.6 million in 2011 from approximately RMB234.8 million in 2010.

CERTAIN BALANCE SHEET ITEMS

Properties under development for sale

Properties under development for sale are properties in respect of which we have obtained the relevant land use rights certificates as well as construction work commencement permits. Properties under development for sale are stated at the lower of cost and net realizable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion. Properties under development for sale are classified as current assets unless the construction period of the relevant development project is expected to be completed beyond the normal operating cycle.

Changes in our properties under development for sale generally reflect the amount of GFA we have under construction at the given balance sheet date and therefore are significantly affected by project development schedules. Completed and undelivered properties are transferred from properties under development to completed properties held for sale or investment properties. We had properties under development for sale of approximately RMB2,674.3 million, RMB2,615.6 million and RMB3,570.9 million as of December 31, 2010, 2011 and 2012, respectively.

The increase of approximately RMB955.4 million in the balance of properties under development for sale as of December 31, 2012 as compared to December 31, 2011 was primarily attributable to the increase in the amount of GFA under construction in connection with Changsha Kaifu Mantingchun MOMA, Phase 2 of Wan Guo Cheng MOMA (Taiyuan), Jiujiang Mantingchun MOMA and Xiantao Mantingchun MOMA since their commencement of construction in late 2011 and in 2012.

The RMB58.7 million decrease in the balance as of December 31, 2011 as compared to December 31, 2010 was primarily attributable to the completion of construction of various phases of Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Nanchang Mantingchun MOMA, iMOMA, Yue MOMA, Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA and certain properties of Modern MOMA and Wan Guo Cheng MOMA that were transferred to properties held for sale. The following table shows a breakdown of our properties under development as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At the beginning of the year	1,594,668	2,674,296	2,615,635
Additions	1,626,273	2,024,267	1,077,789
Transfer from prepaid lease payment upon commencement of construction work	110,258	930,943	290,446
Transfer to properties held for sale upon completion	(656,903)	(2,846,052)	(393,156)
Transfer to property, plant and equipment	–	(486,375)	(19,774)
Acquisition of a subsidiary	–	318,556	–
At the end of the year	2,674,296	2,615,635	3,570,940

Properties held for sale

Properties held for sale consist of completed properties that have not yet been delivered at each balance sheet date and are stated at the lower of cost and net realizable value. Cost is determined by an apportionment of the total cost of land and buildings attributable to the completed and undelivered properties.

We had properties held for sale of approximately RMB1,085.8 million, RMB2,063.0 million and RMB1,276.7 million as of December 31, 2010, 2011 and 2012, respectively. The decrease in the balance of our properties held for sale as of December 31, 2012 as compared to the balance as of December 31, 2011 was primarily due to the delivery of completed properties under our various property projects such as Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Phase 1 of Wan Guo Cheng MOMA (Changsha), Changsha Mantingchun MOMA, Modern MOMA and Nanchang Mantingchun MOMA in 2012. The increase in our properties held for sale as of December 31, 2011 was primarily due to the increase in our properties held for sale for our iMOMA, Yue MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Nanchang Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA.

Investment properties

We retain various retail and office units we develop as investment properties for long-term rental yields or for capital appreciation or both. Our investment properties are completed properties. As of March 31, 2013, we held nine investment properties, which are located in Modern MOMA, Wan Guo Cheng MOMA, Modern City Garden, iMOMA, MOMA Forest Forever, Wan Guo Cheng MOMA (Changsha), Changsha Mantingchun MOMA and Nanchang Mantingchun MOMA, with a total GFA of 41,597 sq.m. and a total valuation of approximately RMB711.9 million as of March 31, 2013 based on comparables in the open market and income approach by DTZ.

We had investment properties of approximately RMB453.0 million, RMB493.0 million and RMB717.0 million as of December 31, 2010, 2011 and 2012, respectively, reflecting the fair value of our investment properties. For investment properties amounting to nil, nil, and approximately RMB56.0 million as of December 31, 2010, 2011 and 2012, respectively the Directors concluded that they are not held under a business model whose objective is consumed substantially all of the economic benefits embodied in the investment properties over time. For other investment properties amounting to approximately RMB453.0 million, RMB493.0 million and RMB661.0 million as of December 31, 2010, 2011 and 2012, respectively the Directors concluded that they are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The increase of approximately RMB224.0 million as of December 31, 2012 as compared to December 31, 2011 was primarily attributable to the addition of investment properties such as certain retail units of all of Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA, the clubhouse of Phase 1 of MOMA Forest Forever, and basement level 1 of iMOMA and the composite building of Nanchang Mantingchun MOMA. The RMB40.0 million increase as of December 31, 2011 as compared to December 31, 2010 was primarily attributable to the increase in transfer from properties held for sale of our Modern MOMA and Wan Guo Cheng MOMA.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale and are initially recognized at cost and released to profit or loss over the lease term on a straight-line basis. They would be transferred to properties under development for sale upon commencement of the related construction work in property development project.

The carrying amount of prepaid lease payments in respect of land use rights for the lands situated in the PRC is analyzed as follows:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Medium term	511,370	60,775	28,731
Long term	419,573	427,863	250,461
	930,943	488,638	279,192

The decrease in the carrying amount of prepaid lease payments from approximately RMB488.6 million as of December 31, 2011 to approximately RMB279.2 million as of December 31, 2012 was primarily attributable to the transfer of the amount of prepaid lease payment properties under development for sale in respect of the commencement of pre-construction related work made on the further development of Jiujiang Mantingchun MOMA. The decrease in the carrying amount of prepaid lease payments from approximately RMB930.9 million as of December 31, 2010 to approximately RMB488.6 million as of December 31, 2011 was principally due to commencement of the related construction work and subsequent transfer to properties under development for sale in respect of certain of our property projects including Phase 2 of Wan Guo Cheng MOMA (Taiyuan), Nanchang Mantingchun MOMA and Jiujiang Mantingchun MOMA.

Trade and other receivables, deposits and prepayments

The following table shows a breakdown of our trade and other receivables, deposits and prepayments as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables, net of allowance	6,024	12,696	15,133
Bill receivables	–	2,800	–
Advances to suppliers of construction materials	40,306	72,912	81,167
Other receivables, net of allowance	17,846	33,579	55,367
Prepaid LAT and business tax	257,908	171,920	260,782
Prepayment to Qinghe Northern Warehouse	–	130,779	–
Prepayment/compensation for Water Metre Plant Area project	–	407,346	28,693
Guarantee deposits for other loans granted to the Group	5,500	7,733	–
Guarantee deposits for housing provident fund loans provided to customers	2,515	1,605	5,099
	330,099	841,370	446,241

We recorded trade and other receivables, deposits and prepayments in the amount of approximately RMB330.1 million, RMB841.4 million and RMB446.2 million as of December 31, 2010, 2011 and 2012, respectively. Our trade receivables mainly represented the past due rental payments to be received with respect to the leasing of our investment properties without credit period to the tenants. Our prepayments, deposits and other receivables mainly represented prepaid LAT and business tax and other receivables. Other receivables mainly represented prepayment in respect of land resettlement operations, and prepayment and deposit for government fees, electricity and water charges and staff travelling expenses. The fluctuation in our prepayments, deposits and other receivables during the Track Record Period was primarily attributable to the charges in prepaid LAT and business tax and other receivables.

As of December 31, 2010, 2011 and 2012, prepayment for land resettlement operations included as other receivables amounted to nil, approximately RMB538.1 million and RMB28.7 million, respectively. The carrying amount of RMB538.1 million as of December 31, 2011 comprised prepayment in relation to Qinghe Northern Warehouse Area project amounting to approximately RMB130.8 million and Water Metre Plant Area project amounting to approximately RMB407.3 million in which we had not participated in the relevant public tenders, auctions or listings-for-bidding of the land use rights of the relevant lands. We entered into contracts with the original land use rights owners to deal with land resettlement operations which include compensation and resettlement of residents in the affected area, destruction of existing structures and clearing of the land, construction of infrastructure and civil and public facilities, and construction of the water supply, drainage, power supply, roads, communications infrastructure, heat supply and natural gas supply. We engaged and supervised third party operators to carry out the land resettlement operations. The carrying amount of RMB28.7 million as of December 31, 2012 represented the unsettled compensation of the Water Metre Plant Area project which had been settled in February 2013.

Qinghe Northern Warehouse Area Project

Our total investment amount for Qinghe Northern Warehouse Area Project was approximately RMB267 million. The land use rights of the relevant land was granted to a third party in the public tenders, auctions or listings-for-bidding held in October 2011. Before commencement of Qinghe Northern Warehouse Area project, in May 2006, we had entered into contract with the original land use rights owner, Beijing Hengwu Metal Materials Company Limited ("Hengwu Metal") in respect of the land resettlement operations including details of the resettlement compensation. According to the relevant compensation agreement signed between the successful bidder and Hengwu Metal, to which we were not a signing party, we were entitled to and had fully received approximately RMB267 million in March 2012 which comprised RMB240 million which we had pre-paid to the original land use right owners, approximately RMB27 million which we incurred as expenses including payment to third party operators in respect of the land resettlement operations. We therefore had not recorded historical income/loss in respect of the Qinghe Northern Warehouse Area Project.

Water Metre Plant Area Project

Our total investment amount for the Water Metre Plant Area Project was approximately RMB426.9 million. The public tenders, auctions or listings-for-bidding of the relevant land was held in March 2012 which, having considered the relevant terms and conditions including the land and development cost of the relevant land, we did not participate. The land use rights of the relevant land was granted to a third party. Before commencement of Water Metre Plant Area project, in December 2002, we entered into contract with the original land use rights owner, Beijing Water Group Company Limited ("Beijing Water") in respect of the land resettlement operations including details of the resettlement compensation. Based on the agreement in February 2012 between Beijing Land Consolidation and Reserve Centre, Beijing Water and our Group, the total resettlement compensation payable by the successful land bidder is approximately RMB849 million and we would be entitled to part of the resettlement compensation payable by the successful bidder in the amount of approximately RMB574 million comprising our investment cost of approximately RMB426.9 million (which comprised approximately RMB100 million which we had pre-paid to the original land use right owners and approximately RMB326.9 million which we incurred as expenses including payment to third party operators in respect of the land resettlement operations). Agreement in respect of, among others, the resettlement compensation was signed by the successful bidder, Beijing Water and our Group in accordance with the tendering procedures in May 2012. In 2012, we had received resettlement compensation of approximately RMB545.2 million and recorded other income of approximately RMB146.9 million (after deduction of business tax of approximately RMB26.5 million but before deduction of income tax estimated to be approximately RMB36.7 million on the basis of the application of an income tax rate of 25%) in respect of the Water Metre Plant Area Project, of which an amount of approximately RMB28.7 million remained unsettled as of December 31, 2012 which had been settled in February 2013. As such, the balance of other receivables as of December 31, 2012 decreased to RMB137.3 million from balance of RMB581.0 million as of December 31, 2011.

Our advances to suppliers of construction materials were approximately RMB40.3 million, RMB72.9 million and RMB81.2 million as of December 31, 2010, 2011 and 2012, respectively. The increase from 2010 to 2012 was principally due to the expansion in our construction scale in relation to property projects under development.

Amounts due from related parties

As of December 31, 2010, 2011 and 2012, we had amounts receivable from related parties as follows:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade balances *(note 1)*	202,682	1,942	2,119
Trade balances *(note 2)*	1,247	2,519	186
Total	203,929	4,461	2,305

Notes:

(1) Balances are of non-trade nature, unsecured, interest free and repayable on demand.

(2) Balances are of trade nature, unsecured, interest free and repayable on demand.

All non-trade balances receivable from the related parties will be settled before the Listing.

Trade and other payables, deposits received and accrued charges

The following table shows a breakdown of our trade and other payables, deposits received and accrued charges as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	384,658	410,686	449,589
Accrued expenditure on construction	395,282	643,138	409,674
Other payables	79,843	296,486	326,820
Other tax payables	89,298	90,341	183,365
Accrued payroll	16,630	17,275	23,466
Deposits received and receipt in advance from property sales	3,158,486	2,362,410	3,143,215
Other accrued charges	11,425	8,380	11,276
	4,135,622	3,828,716	4,547,405

Our trade payables mainly represented payables to third parties, including payables for our third-party contractors. The change in balance of in our trade payables during the Track Record Period was mainly attributable to the change in trade payables in relation to construction costs. We do not have uniform settlement terms with our contractors. For general suppliers, we usually settle our payments within 30 days of receiving the goods and services. For our construction contractors, we usually settle in the current month a portion of the estimated construction costs during the previous month based on a report by a third party independent surveyor. Pursuant to the typical agreements with our construction contractors, about 80% of the construction costs is to be paid by the time the construction of the contracted work is completed. According to the industry practice, settlement of the relevant payment is subject to the fulfilment of the payment conditions including quality assessment of the relevant construction work, which depends on, amongst others, the scale and quality of the contracted construction and the reputation of the contractors, and may take a few weeks to months for settlement. Furthermore, there are numerous construction contracts to be signed at different stages typically during the course of a single project and therefore the percentage of payment to be paid upon completion will likely be less than 80% of the total budgeted construction costs of the project. In any event, it usually takes one to two years for the final instalment of the construction related expenses (save for the withholding of a warranty fee as described below) to be settled after we and the contractors have completed and agreed upon the final cost estimations. Our contractual arrangements also typically provide for our withholding of a warranty fee or retention money of approximately 5% of the aggregate construction costs to provide additional quality assurance, subject to settlement within two to three years after completion of the project.

The aging analysis of our trade payables as of the dates indicated is as follows:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	305,173	290,292	330,793
1-2 years	73,805	54,363	86,108
2-3 years	16	61,504	18,949
Over 3 years	5,664	4,527	13,739
	384,658	410,686	449,589

Our trade payables with aging over 3 years principally represented the warranty fee or retention money which we withhold pursuant to contractual arrangements with our contractors to provide additional quality assurance. With respect to our trade payables balance of approximately RMB449.6 million as of December 31, 2012, approximately RMB310.4 million had been subsequently settled as of March 31, 2013.

Other payables mainly represented payables in relation to acquisition of subsidiaries and temporary collection of fees on behalf of government from customers in relation to their newly acquired properties (such as deed tax, public maintenance fund, stamp duty). The increase in our other payables as of December 31, 2012 was mainly due to the increase in the temporary collection of fees in relation to the newly acquired properties by our customers. Our other payables increased significantly from approximately RMB79.8 million as of December 31, 2010 to approximately RMB296.5 million as of December 31, 2011 principally due to the consideration payable and other payable arisen from acquisition of Suizhong Changlong and Hubei Wanxing in the amount of approximately RMB135.2 million and RMB69.7 million respectively.

During the Track Record Period, we had not experienced material defaults in payment of our trade and non-trade payables.

Amounts due to related parties

As of December 31, 2010, 2011 and 2012, we had amounts payable to related parties as follows:

	As of December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Non-trade balances *(note 1)*	15,451	3,175	3,316
Trade balances *(note 2)*	3,482	9,622	13,828
Total	18,933	12,797	17,144

Notes:

(1) Balances are of non-trade nature, unsecured, interest free and repayable on demand.

(2) Balances are of trade nature, unsecured, interest free and repayable on demand.

All non-trade balances payable to the related parties will be settled before the Listing. Net proceeds from the Global Offering will not be used for the settlement of the non-trade balances payable to the related parties.

Taxation payable

As of December 31, 2010, 2011 and 2012, we had taxation payable as follows:

	As of December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
LAT payable	556,458	728,076	921,002
Income tax payable	176,519	190,756	277,395
	732,977	918,832	1,198,397

The following table sets forth the movement of LAT during the Track Record Period:

	RMB'000
Payable as of December 31, 2009 and January 1, 2010	423,067
Accrued during the year ended December 31, 2010	*149,920*
Paid during the year ended December 31, 2010	*(16,529)*
Payable as of December 31, 2010 and January 1, 2011	556,458
Accrued during the year ended December 31, 2011	*234,219*
Paid during the year ended December 31, 2011	*(62,601)*
Payable as of December 31, 2011 and January 1, 2012	728,076
Accrued during the year ended December 31, 2012	*237,970*
Paid during the year ended December 31, 2012	*(45,044)*
Payable as of December 31, 2012	921,002

We had LAT payable recorded as current liability in the amount of approximately RMB921.0 million as of December 31, 2012. The Directors consider that the LAT payable as of December 31, 2012 is not required to be fully settled during the year ending December 31, 2013 on the basis that conditions and arrangements for settlement of LAT in accordance with the relevant PRC laws and regulations will not have been fulfilled. Our PRC legal advisors are of the view that the conditions for settlement of LAT taken into account by the Directors in forming their view are in compliance with the relevant PRC laws and regulations. Based on the relevant PRC laws and regulations, we estimated LAT of approximately RMB261.6 million will likely be settled in the financial year ending December 31, 2013.

Deposits received and receipt in advance from property sales

We record our pre-sale proceeds and rental prepayments as deposits received and receipt in advance from property sales on our consolidated statement of financial position. We recognize these proceeds from pre-sales as revenue when we have completed the construction of the relevant property and delivered it to the customer while the rental deposits are recognized on a straight-line basis over the term of the relevant lease. Pursuant to relevant PRC regulations, the proceeds from pre-sales are deposited into a designated bank account. The bank in which the pre-sale proceeds are deposited monitors the use of the proceeds to ensure that they are used for their related project or otherwise in compliance with relevant regulations.

Deposits received and receipt in advance from property sales amounted to approximately RMB3,158.5 million, RMB2,362.4 million and RMB3,143.2 million as of December 31, 2010, 2011 and 2012, respectively. The changes in balances during the Track Record Period were primarily attributable to the changes of the scale of our pre-sale and delivery of properties. We received deposits and advances from our customers when we pre-sell our properties. The deposits and advances are recognized as revenue when we deliver properties to our customers. As such, our deposits and advances from customers increase when we begin pre-sale of properties of a project and decrease when a project is completed and properties are delivered to customers.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity to date have been cash generated from operations and bank borrowings.

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

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	143,498	251,895	1,862,536
Net cash used in investing activities	(389,983)	(439,351)	(195,339)
Net cash generated from (used in) financing activities	551,287	(278,536)	(1,162,879)
Net increase (decrease) in cash and cash equivalents	304,802	(465,992)	504,318

Net cash generated from operating activities

During the Track Record Period, our cash generated from operating activities primarily resulted from receipts from pre-sales and sales of properties while cash used in operating activities resulted from our cash costs for the development of properties, cash costs of purchases of land and project companies, other operating expenses and taxes paid.

We had net cash generated from operating activities of approximately RMB1,862.5 million in 2012 primarily due to the operating cash flows before movements in working capital of approximately RMB788.7 million, the decrease in trade and other receivables, deposits and prepayments mainly as a result of the receipt of resettlement compensation in connection with our participation in the Water Metre Plant Area project, the decrease in properties under development for sale and properties held for sale mainly as a result of the delivery to our customers of properties under various property projects, and the increase in trade and other payables, deposits received and accrued charges mainly as a result of the increase in deposit received and receipt in advance from property sales of properties under our various projects including Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA and Modern MOMA to customers, and offset by the increase in prepaid lease payments in connection with the acquisition for land use rights of the piece of land with site area of approximately 25,004 sq.m. for further development of our Jiujiang Mantingchun MOMA project.

We had net cash generated from operating activities of approximately RMB251.9 million in 2011 primarily due to the operating cash flows before movements in working capital of approximately RMB1,042.6 million, the decrease in deposits paid and prepayment for acquisition of land use rights of approximately RMB364.4 million mainly related to the receipt of part of the resettlement costs incurred for Qinghe Northern Warehouse Area Project and receipt of the return of the deposit in connection with our bidding for land at Dongli Lake, Wuhan, Hubei Province in the PRC, and offset to an extent by the decrease in trade and other payables, deposits received and accrued charges mainly as a result of the decrease in deposit received and receipt in advance from property sales after delivery of properties under our various projects including Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Changsha Mantingchun MOMA and Nanchang Mantingchun MOMA to customers, and the increase in prepaid lease payments in connection with the land premium of Jiujiang Mantingchun MOMA.

We had net cash generated from operating activities of approximately RMB143.5 million in 2010 primarily due to the operating cash flows before movements in working capital of approximately RMB424.9 million, the increase in trade and other payables, deposits received and accrued charges of approximately RMB1,497.5 million mainly as a result of the increase in deposits received and receipt in advance from property sales as a result of the pre-sale of properties under our various projects including Yue MOMA, Phases 1, 2 & 3 of MOMA Forest Forever, Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), and Phase 1 of Wan Guo Cheng MOMA (Changsha), and offset by the increase in prepaid lease payments of approximately RMB945.4 million in connection with the acquisition of land use rights for Nanchang Mantingchun MOMA, Jiujiang Mantingchun MOMA, Phase 2 of Wan Guo Cheng MOMA (Taiyuan) in the PRC, and the increase in properties under development for sale and properties held for sale of approximately RMB395.2 million mainly as a result of the commencement of constructions of properties under our various property development projects such as Phase 1 of Wan Guo Cheng MOMA (Changsha), Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan) and Nanchang Mantingchun MOMA.

Net cash used in investing activities

Our net cash used in investing activities has been primarily driven by additions of property, plant and equipment and acquisition of interests in subsidiaries.

We had net cash used in investing activities of approximately RMB195.3 million for the year ended December 31, 2012 primarily due to the purchase of property, plant and equipment for propose of our business expansion, payment of outstanding balance of consideration for acquisition of a subsidiary, increase in placement of deposit for loans grant to the Group, and to a lesser extent, the increase in restricted cash as a result of deposits placed with the banks to secure the mortgage guarantees provided to customers of our properties in connection with their applications for mortgage loans.

We had net cash used in investing activities of approximately RMB439.4 million in 2011 primarily due to the partial payment for the acquisition of equity interests in both Hubei Wanxing and Suizhong Changlong in the amount of approximately RMB305.9 million, and the purchase of property, plant.

Our net cash used in investing activities of approximately RMB390.0 million in 2010 primarily due to advances to related parties of approximately RMB336.0 million and investment in an associate, Fuzhou Hua'erjia, of approximately RMB30 million. We invested in Fuzhou Hua'erjia for exploration of business opportunities including obtaining suitable land for development in Fuzhou. Upon consideration of the market conditions there, we decided not to proceed with our potential investment in Fuzhou and entered into an agreement with Fuzhou Hua'erjia to terminate the investment in November 2011. Fuzhou Hua'erjia refunded the amount of approximately RMB30 million to us and we ceased to have equity interest in Fuzhou Hua'erjia thereafter.

Net cash generated from/(used in) financing activities

Our net cash generated from financing activities has consisted primarily of bank borrowing and repayment of bank and other borrowings.

We had net cash used in financing activities of approximately RMB1,162.9 million for the year ended December 31, 2012 primarily due to repayment of other borrowings of RMB1,390 million and bank borrowings of RMB323.5 million and offset to an extent by drawdown of new borrowings.

We had net cash used in financing activities of approximately RMB278.5 million in 2011 primarily due to repayment of bank borrowings of approximately RMB572.3 million, the interest paid of approximately RMB219.5 million and the deemed distribution of approximately RMB200.0 million to shareholders. We raised new other loans of approximately RMB750.0 million, of which RMB350 million from Hua Rong International Trust Co., Ltd., RMB200 million from Zhong Cheng Trust and RMB200 million from Modern Property by entrusting loan.

In 2011, the Group recorded a deemed distribution to shareholders amounted to RMB200 million, which represented the consideration paid (equivalent to the paid-in capital of Modern Green Industrial) by Modern Moma Project Management to acquire 95% and 5% equity interest in Modern Green Industrial from Modern Group and Modern Great Trade, respectively. Upon the completion of the acquisition, Modern Moma Project Management became the immediate holding company of Modern Green Industrial. The distribution was accounted for as a reduction of paid-in capital and an increase in the amount due to the Modern Group. The said deemed distribution had been settled in cash in 2011.

Our net cash generated from financing activities of approximately RMB551.3 million in 2010 primarily related to increase in new bank and new other loans raised of approximately RMB1,261.0 million and approximately RMB640.0 million, respectively, and offset by the repayment of bank and other borrowings of approximately RMB715.7 million and RMB400.0 million, respectively. Other loans included RMB300 million from Zhong Cheng Trust, RMB340 million from China Foreign Economy and Trade Trust Co., Ltd.

CURRENT ASSETS AND CURRENT LIABILITIES

We had net current assets (liabilities) of approximately RMB213.4 million, RMB(46.5) million, RMB298.1 million and RMB797.0 million (unaudited) as of December 31, 2010, 2011, 2012 and April 30, 2013 (being the latest practicable date for determining our indebtedness), respectively. Our net current asset increased to approximately RMB783.8 million (unaudited) as of April 30, 2013 mainly as results of the increases in property under development for sale and properties held for sale given the change of the intention to hold certain properties for sale and the increase in bank balances and cash given the sale and pre-sale of our properties for the four months ended April 30, 2013. We experienced net current liabilities as of, December 31, 2011 of approximately RMB46.5 million, primarily due to higher rate of increase in current liabilities compared to that of current assets given the substantial increase in the bank and other borrowings due within one year of approximately RMB1,148.4 million (mainly as a result of the long-term bank and other borrowings becoming due within one year in 2011) which is offset by the substantial increase in properties held for sale of approximately RMB977.2 million (mainly as a result of the completion of properties of iMOMA, Yue MOMA, Nanchang Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan) and Changsha Mantingchun MOMA but not yet delivered to customers in 2011). The aforesaid long-term borrowings which become due within one year and re-classified as current liabilities, continued to be used for the financing of non-current assets, and hence there was no corresponding addition of current assets, resulting in the net current liabilities position as of December 31, 2011.

Our current assets have mainly consisted of restricted cash, bank balances and cash, properties under development for sale, trade and other receivables, deposits and prepayments, and completed properties held for sale. Our current liabilities have mainly consisted of trade and other payables, deposits received and accrued charges, amounts due to related parties, bank and other borrowings due within one year and tax payable.

The tables below shows our current assets and current liabilities as of the dates indicated:

	At December 31,			As of April 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	243	249	879	1,984
Properties under development for sale	2,674,296	2,615,635	3,570,940	3,738,966
Properties held for sale	1,085,840	2,063,039	1,276,697	1,459,710
Trade and other receivables, deposits and prepayments	330,099	841,370	446,241	415,717
Amounts due from related parties *(note)*	203,929	4,461	2,305	3,706
Restricted cash	57,362	54,390	85,225	92,915
Bank balances and cash	749,134	283,142	787,712	1,009,569
	5,100,903	5,862,286	6,169,999	6,722,567
Current liabilities				
Trade and other payables, deposits received and accrued charges	4,135,622	3,828,716	4,547,405	4,523,960
Amounts due to related parties *(note)*	18,933	12,797	17,144	24,752
Taxation payable	732,977	918,832	1,198,397	1,268,947
Bank and other borrowings – due within one year	–	1,148,400	109,000	121,070
	4,887,532	5,908,745	5,871,946	5,938,729
Net current assets (liabilities)	213,371	(46,459)	298,053	783,838

Note: All non-trade balances of the amounts due from related parties of approximately RMB3.6 million and amounts due to related parties of approximately RMB3.3 million outstanding as of April 30, 2013 will be settled before the Listing.

Restricted cash

Our restricted cash comprises guarantee deposits for mortgage loans and guarantee deposits for construction of pre-sold properties. As of December 31, 2010, 2011 and 2012 and April 30, 2013 we had guarantee deposits for mortgage loans provided to customers of approximately RMB57.4 million, RMB54.2 million, RMB74.0 million and RMB85.9 million, respectively, while guarantee deposits for construction of pre-sold properties of nil, approximately RMB0.2 million, RMB11.2 million and RMB7.0 million, respectively. Guarantee deposits for construction of pre-sold properties were primarily incurred as required by relevant PRC regulations in relation to our pre-sold properties. Pursuant to relevant regulations in the PRC, property development companies are required to place certain percentages of the pre-sale proceeds of their properties into designated bank accounts to guarantee the completion of the relevant properties. Upon completion of the properties, such restricted cash can be freely withdrawn by the property development company.

Working capital

As of December 31, 2010, 2011 and 2012 and April 30, 2013, our bank balances and cash amounted to approximately RMB749.1 million, RMB283.1 million, RMB787.7 and RMB1,009.6 million, respectively. Taking into account (i) the currently available banking facilities; (ii) the estimated net proceeds from the Global Offering; and (iii) the cash generated from our operations and internal financial resources of our Group, the Board and the Sole Sponsor confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

CONTINGENT LIABILITIES

For properties that are pre-sold but development has not been completed, we typically provide guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. Our guarantees are released upon completion of construction and either (i) the delivery of the mortgage registration documents to the relevant banks after the issuance of the property ownership certificate, or (ii) the full settlement of the mortgage loans by our customers, whichever occurs earlier. In our experience, the guarantee periods typically last for three to 24 months after delivery of our properties. Pursuant to the terms of the guarantees, if the purchasers default on these mortgage loans, we are responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the purchasers to the banks. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. As of December 31, 2010, 2011 and 2012 and April 30, 2013, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were approximately RMB1,427.0 million, RMB1,229.6 million, RMB1,434.7 million and RMB1,543.4 million (unaudited), respectively.

During the Track Record Period, we had encountered one incident of default by a purchaser for which we paid to the relevant bank an amount of RMB2.4 million, which had been provided as allowance for doubtful debts on other receivables during the year ended December 31, 2010 and subsequently written off in 2011. We had commenced legal proceedings to claim against the relevant purchaser for his defaulted repayment and the responsible court had given judgment in our favor. In order to prevent recurrence of such an incident, we have implemented the following internal control measures: (i) upon agreement with the banks which provide loans to purchasers, we no longer provide guarantees to our purchasers; (ii) we introduce guarantee companies to provide guarantees for mortgage loans for the purchasers; (iii) we expedite the process of project construction and obtaining of purchasers' ownership certificate to speed up the mortgage registration so as to release our guarantee; and (iv) we track the repayment status of our purchasers to whom we have provided guarantee to discover problematic purchasers and take safety measures to prevent loss. Except for the said incident, we had not experienced any other purchaser defaults on mortgage loans that we guaranteed during the Track Record Period.

COMMITMENTS

We had contracted but not provided for commitments for acquisition of land use rights expenditures, expenditure in property, plant and equipment and property development expenditures of approximately RMB969.5 million, RMB2,930.7 million, RMB2,913.3 million and RMB2,200.5 million (unaudited) as of the dates indicated below.

	As of December 31,			**As of April 30,**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Contracted but not provided for in the Financial Information:				
– Expenditure in respect of properties under development	738,247	2,805,847	2,813,346	2,156,664
– Expenditure in respect of property, plant and equipment	–	23,576	79,685	23,565
– Expenditure in respect of acquisition of land use rights	231,265	101,265	20,265	20,265
	969,512	2,930,688	2,913,296	2,200,494

The analysis of the contracted commitment as of December 31, 2012 and April 30, 2013 by maturity profile is set out below:

	As of December 31, 2012	As of April 30, 2013
	RMB million	*RMB million (unaudited)*
Within one year	715.3	536.7
In the second year	1,045.2	584.0
In the third year	1,125.2	1,079.8
After three years	27.6	–
Total	2,913.3	2,200.5

In June 2011, we entered into a project management service agreement in relation to a property development project located in Yangquan city, Shanxi Province, the PRC with an independent third party. Pursuant to the project management service contract, we have provided a guarantee of minimum rate of return of investment of the project and we would entitle to receive variable bonus service fee if the rate of return of investment of the project is above certain levels. Our Directors have conducted review of the estimates of both future revenue and budgeted costs of the project and concluded that the possibility of failure to achieve the minimum rate of return is remote and therefore no liability has been recognized as of December 31, 2011 and 2012 and April 30, 2013. Please refer to "Business – Property development project in Yangquan city, Shanxi Province, the PRC" section for further details of the project.

Operating leases

We lease out our investment properties under operating lease arrangements ranging from six months to 20 years. The terms of leases generally also require our tenants to pay security deposits and provide for periodic rental rate adjustments according to then prevailing market conditions. The property rental income recognized during the years ended December 31, 2010, 2011 and 2012 amounting to approximately RMB15.6 million, RMB17.6 million and RMB19.7 million respectively.

We have also leased certain of our office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the expiration date, at which time all terms will be renegotiated.

We had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within one year	11,350	15,859	21,073	24,289
In the second to fifth year inclusive	21,896	12,260	47,804	58,004
After five year	746	885	37,984	35,270
	33,992	29,004	106,861	117,563

INDEBTEDNESS

Bank and other borrowings

Our total bank and other borrowings amounted to approximately RMB1,768.3 million, RMB2,023.4 million, RMB1,109.9 million and RMB935.4 million (unaudited), as of December 31, 2010, 2011, 2012 and April 30, 2013 (being the latest practicable date for determining our indebtedness), respectively. The following table shows our total bank and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank loans, secured	1,128,300	633,400	809,000	735,420
Other loans, secured	640,000	1,190,000	300,000	200,000
Other loan, unsecured	–	200,000	–	–
	1,768,300	2,023,400	1,109,900	935,420

Note:

Non-trade balance of the amount due to related parties of RMB3,304,000 outstanding as of April 30, 2013 will be settled before the Listing.

Our total bank and other borrowings which fall due within one year or on demand amounted to nil, approximately RMB1,148.4 million, RMB109.0 million and RMB121.1 million (unaudited) as of December 31, 2010, 2011 and 2012 and April 30, 2013 respectively. The following table shows our bank and other borrowings which fall due within one year:

	As of December 31,			As of April 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Bank borrowings	–	308,400	109,000	121,070
Other borrowings	–	840,000	–	–
	–	1,148,400	109,000	121,070

As of April 30, 2013, we have unutilized banking and other facilities amounting to RMB1,577.5 million (which were available for drawdown by our Group). We used the proceeds from these borrowings to finance our property development and overall expansion of our business. The changes in our borrowings during the Track Record Period was primarily due to our development of new projects and our acquisition of land and project companies, offset by the repayment of previous loans. Secured borrowings were secured by land use rights, properties under development, completed properties held for sale, investment properties, and property, plant and equipment. The lenders of the borrowings usually require collaterals being the property interests with prevailing value ranging from approximately 50% to 70% of the relevant borrowing as security. Certain of the borrowings will require corporate guarantee from Modern Green Development as additional security. No additional collateral or guarantee is required if we draw down additional borrowings under our existing credit facilities so long as the aggregate drawdown amount falls within the limit under the relevant credit facility. The properties which we have pledged to secure our bank and other borrowings had a total valuation of approximately RMB3,175.9 million as of March 31, 2013 based on the capital market values as stated in the PRC Property Valuation as set out in Appendix IIIA to this prospectus.

Except as described above and in the section headed "Contingent Liabilities", as of April 30, 2013, being the latest practicable date for determining our indebtedness, apart from intra-group liabilities, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

All of our borrowings are denominated in RMB. Borrowings include approximately RMB1,128.3 million, RMB883.4 million and RMB809.9 million variable rate borrowings which carry interest ranging from 5.67% to 6.75%, 5.40% to 13.5%, 5.40% to 9.84% per annum as of December 31, 2010, 2011 and 2012 respectively, and exposed us to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate ranged from 13.80% to 14.80%, 6.4% to 14.80% and 16% per annum as of December 31, 2010, 2011 and 2012 respectively, and exposed us to fair value interest rate risk. The increase in general in our cost of borrowings in 2012 was attributed mainly to the difficulty in obtaining fundings given the austerity measures promulgated recently by PRC Government.

Due to the difficulty of obtaining bank borrowings as a result of the austerity measures recently imposed on the PRC property market, we enter into other borrowings with non-bank financial institutions in order to diversify our financing channels to expand our access to funds. In general, these non-bank financial institutions arrange for the financing of their loans advanced to us while we provide relevant securities usually by way of pledging our properties to them to secure our repayment obligation. The following table sets forth our other borrowing as of April 30, 2013 and its details:

Date	Lender	Amount drawn down as of April 30, 2013	Term	Applicable interest rate per annum	Securities	Purpose
		RMB million				
March 2013	Zhong Cheng Trust	200	2 years from initial drawdown	12.8%	Buildings with total GFA of approximately 32,854.94 sq.m. of Phase 3 of Wan Guo Cheng MOMA (Taiyuan) and assignment of revenue of the pledged properties	Loan specified for funding the development of Phase 3 of Wan Guo Cheng MOMA (Taiyuan)
	Total:	200				

As advised by our PRC legal advisor, the other borrowings set out above comply with the relevant PRC laws and regulations and are legally enforceable. We enter into borrowings with non-bank financial institution in March 2013 including the above mentioned trust and loan arrangement with Zhong Cheng Trust due to the difficulty in obtaining bank borrowings as a result of the austerity measures recently imposed on the PRC property market. Our Directors confirm that we had not encountered any difficulties in obtaining bank borrowings as a result of our idle land issues during the Track Record Period. The interest rates of the borrowings with non-bank financial institutions are in general higher than bank borrowings which therefore increase our borrowing costs. Nevertheless, our Directors believe that the borrowing from non-bank financial institution enhance our financial resources for further development while the increase in borrowing costs will not have material effect on our gross profit margins as we are able to increase the sales price of our properties to pass on such cost increase to customers. We may from time to time enter into additional borrowings with non-bank financial institutions including trust and loan arrangements similar to those with Zhong Cheng Trust in the future in order to diversify our financing channels to expand our access to funds.

Pursuant to our loan agreements in relation to the bank and other borrowings, some of our PRC operating subsidiaries are subject to certain typical material covenants. Pursuant to the relevant agreements, in addition to covenants for due repayment, we are sometimes required to give covenants for prescribed uses of these loans and provide repayment information to the lenders upon request. Pursuant to the PRC laws and regulations, financial institutions cannot provide loans in any form for a property development project that has not yet obtained, among others, the Construction Commencement Permit. As such, none of our borrowings had been affected by our delays in commencement of construction, details of which are set out in "Business – Legal and Compliance Matters" in this prospectus. Further, prior to repayment of the borrowings in full, we generally are not allowed to (i) apply for credit facilities with other lenders, (ii) without prior consent of the lenders, provide additional guarantees or create further pledge on our assets, (iii) conduct any merger, joint venture, restructuring, spin-off, reduction in registered share capital, material asset transfer, liquidation or change in shareholding or management structure unless we submit proposals to secure our due repayment on terms acceptable to the lenders, or (iv) distribute dividends or bonuses. Save for the foregoing, the Directors confirm that we are not subject to other material covenant under the loan agreements with respect to our bank and other borrowings. Defaults of these covenants may entitle the lenders to, among others, accelerate payment of all or any part of the borrowings owing under the agreements, and foreclose all or any of the security for such borrowings. During the Track Record Period, we had not experienced any material defaults of the covenants under the agreements.

During the Track Record Period, banks have not withdrawn any of the banking facilities previously extended to the Group and have not demanded early repayment. Given our reliable credit history, we believe the risk of potential withdrawal of banking facilities, early repayment of outstanding loans or increase in amount of pledged deposits for secured bank loans is relatively remote. We also confirm that as of the Latest Practicable Date, we have not received any requests for early repayment of the principal and/or interests on any of our borrowings. As of the Latest Practicable Date, there has been no material change in our indebtedness since April 30, 2013, being the latest practicable date for determining our indebtedness.

DISCLAIMER

Save as disclosed in the sub-sections headed "Contingent Liabilities", "Commitments" and "Indebtedness" above in this section, as of April 30, 2013, being the latest practicable date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, guarantees or any other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2013.

Financial ratio analysis

The following table sets forth, for the year indicated, certain financial ratios of our Company.

		As of December 31,		
	Notes	**2010**	**2011**	**2012**
Accounts receivable turnover days	*1*	1.3	1.1	2.6
Accounts payable turnover days	*2*	161.7	80.4	143.7
Gearing ratio	*3*	92.3%	163.1%	22.6%
Current ratio	*4*	1.04	0.99	1.05
Quick ratio	*5*	1.04	0.99	1.05
Debt to asset ratio	*6*	23.0%	25.7%	13.4%
Commitment to equity ratio	*7*	86.2%	272.7%	194.1%
Contingent liability to equity ratio	*8*	126.9%	114.4%	95.6%

Notes:

1. Accounts receivable turnover days is calculated by dividing the average trade receivable balances by revenue and multiplied by number of days of the year.

2. Accounts payable turnover days is calculated by dividing the average trade payable balances by cost of sales and multiplied by number of days of the year.

3. Gearing ratio is calculated by dividing net debt (being total debt less cash on hand) with total equity.

4. Current ratio is calculated by dividing current assets by current liabilities.

5. Quick ratio is calculated by dividing current assets with the exception of inventory by current liabilities.

6. Debt to asset ratio is calculated by dividing total debt by total asset.

7. Commitment to equity ratio is calculated by dividing the commitment of our Group (being the amount contracted for purposes of acquisition of land use rights expenditures and property development expenditures but not provided in our audited financial statements contained in the Accountants' Report included as Appendix I to this prospectus) with total equity.

8. Contingent liability to equity ratio is calculated by dividing the contingent liability commitment of our Group (being the amount of the outstanding guarantees of the mortgage loans provided to our customers' by banks in the PRC) with total equity.

Accounts receivable turnover days

We recorded accounts receivable turnover days of approximately 1.3, 1.1 and 2.6 days as of December 31, 2010, 2011 and 2012, respectively. The accounts receivable turnover days increased from December 31, 2011 to December 31, 2012 mainly as a result of the increase in rental payment receivable as a result of our larger investment portfolio. The accounts receivable turnover days, as of December 31, 2011 remained stable as compared to that of as December 31, 2010.

Accounts payable turnover days

We recorded accounts payable turnover days of approximately 161.7, 80.4 and 143.7 days as of December 31, 2010, 2011 and 2012, respectively. The accounts payable turnover days decreased from December 31, 2010 to December 31, 2011 as a result of the increase in costs of sales associated with the increase in the GFA delivered of completed projects while trade payables had increased but at a comparatively lower rate given different stages of construction progress of property projects. The accounts payable turnover days increased from December 31, 2011 to December 31, 2012 mainly as a result of the comparatively lower rate of delivery of GFA completed projects that was offset by the increase in average trade payables in relation to construction costs.

Gearing ratio

Gearing ratio increased from approximately 92.3% as of December 31, 2010 to approximately 163.1% as of December 31, 2011 and decreased to 22.6% as of December 31, 2012. The decrease of gearing ratio from 2011 to 2012 was mainly due to the decrease in net debt position as a result of the decrease in borrowings, the increase in bank balances and cash, and the increase in the balance of total equity of the Company. The increase of gearing ratio from 2010 to 2011 was as a result of the increase of total debt due to expansion in construction scale in relation to property projects under development, namely Changsha Mantingchun MOMA, Nanchang Mantingchun MOMA and Wan Guo Cheng MOMA (Taiyuan), and the decrease of equity attributable to owners of the Company.

Current ratio and quick ratio

As inventories represented less than 0.1% of our total assets during the Track Record Period, our current ratio and quick ratio during the Track Record Period were essentially the same. As of December 31, 2010, 2011 and 2012, we had a current ratio and quick ratio of approximately 1.04, 0.99 and 1.05, respectively. The decrease in current ratio and quick ratio from December 31, 2010 to December 31, 2011 was attributable to the increase in current liabilities as a result of the increase in bank and other borrowings due within one year and increase in taxation payable in 2011.

Debt to asset ratio

As of December 31, 2010, 2011 and 2012, we had a debt to asset ratio of approximately 23.0%, 25.7% and 13.4%, respectively. The increase of debt to asset ratio from December 31, 2010 to December 31, 2011 were as a results of the net increase in bank and other loans primarily due to development of new projects, including Changsha Mantingchun MOMA, Nanchang Mantingchun MOMA and Wan Guo Cheng MOMA (Taiyuan). The decrease of debt to asset ratio from 2011 to 2012 was primarily due to the decrease in total borrowings.

Commitment to equity ratio

Commitment to equity ratio increased from approximately 86.2% as of December 31, 2010 to approximately 272.7% as of December 31, 2011 principally as a result of the increase in contracted expenditure in respect of properties under development, namely Changsha Mantingchun MOMA, Nanchang Mantingchun MOMA and Wan Guo Cheng MOMA (Taiyuan). Commitment to equity ratio decreased from approximately 272.7% as of December 31, 2011 to approximately 194.1% as of December 31, 2012 principally as a result of the decrease in contracted expenditure as a result of completions of various phases of properties under our property projects such as Changsha Mantingchun MOMA and Nanchang Mantingchun MOMA, and to a lesser extent, the increase in total equity.

Contingent liability to equity ratio

Contingent liability to equity ratio decreased from approximately 126.9% as of December 31, 2010 to approximately 114.4% as of December 31, 2011 principally as a result of the decrease in amount of outstanding mortgage guarantee after our customers obtained property ownerships certificates for properties under our property projects namely Modern MOMA and Phases 1, 2 and 3 of MOMA Forest Forever. Contingent liability to equity ratio decreased from approximately 114.4% as of December 31, 2011 to approximately 95.6% as of December 31, 2012 principally as a result of the increase in total equity. The purchasers of our properties may need to obtain mortgage loans to fund the purchase of our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the possibility of the default of the parties involved is remote. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

MARKET RISKS

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

Credit risk

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

Interest rate risk

Our interest rate risk relates primarily to our restricted cash, bank deposits and borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our borrowings so as to balance the fair value and cash flow interest rate risk.

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

We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates. For additional information, please refer to the section headed "Risk Factors – Risks Relating to our Business – Our profitability and results of operations are affected by changes in interest rates" in this prospectus.

Liquidity risk

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

Commodity risk

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

Inflation

According to the National Bureau of Statistics of China, the PRC's national inflation rate, as measured by the general consumer price index, was approximately 5.9% in 2008, -0.7% in 2009 and 3.3% in 2010. In 2011, the PRC's general consumer price index increased by 5.4% compared to 2010. Inflation is a factor that would affect construction costs and interest rates, and deflation would become a disincentive for prospective buyers to make a purchase.

SUBSEQUENT EVENTS

Please refer to the relevant disclosures made under heading "Subsequent events" set out in the Accountants' Report included in Appendix I to this prospectus for events that took place subsequent to December 31, 2012.

DIVIDEND POLICY

Subject to the Companies Law and our Articles of Association, our Company in general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution of our Directors dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the Board may deem relevant.

Our Board intends to distribute to our Shareholders dividends of around 20% of our distributable profits for a financial year under normal circumstances after taking into account the sustainable development of our Group and the interest of our Shareholders. If there is any material fluctuation to our distributable profits, as a result of, among others, the changes in business and financial conditions, our Company will consider adjusting the dividend distribution ratio. Nevertheless, there is no assurance that dividends of any amount will be declared or distributed each year or in any given year. We will re-evaluate our dividend policy from time to time.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank and other borrowings, or other agreements that we or our subsidiaries may enter into in the future.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders' approval.

During the year ended December 31, 2010, dividends of RMB110,000,000 and RMB242,000,000 were declared at March 28, 2010 and December 22, 2010, respectively by Modern Green Industrial to its shareholders, Modern Group and Modern Great Trade, and dividends amounting to RMB26,892,000 were declared by certain subsidiaries to their non-controlling shareholders. During the year ended December 31, 2011, dividends of RMB291,347,000 were declared by Modern Green Industrial to its shareholders, Modern Group and Modern Great Trade prior to the Reorganization. The amount of RMB14,567,000 and RMB77,510,000 were paid in cash to Modern Great Trade and Modern Group respectively, while the amount of RMB199,270,000 were settled through the amount due from Modern Group during the year ended December 31, 2011. During the year ended December 31, 2012, dividends of RMB6,720,000 were declared and paid in cash by the Group to its non-controlling shareholder. Save for the aforesaid, no dividend has been paid or declared by members of our Group during the Track Record Period.

The dividend declared during the year ended December 31, 2011 in the amount of RMB291,347,000 was declared out of our Group's retained profits, which were generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the dividends represented investment returns and rewards to our existing Shareholders due to their past contributions to our Group during the Track Record Period. We had carefully considered and assessed our working capital position before declaration of the dividend during the year ended December 31, 2011. Notwithstanding the net current liabilities as of December 31, 2011 of approximately RMB46.5 million, primarily due to increase in short-term bank and other borrowings during the year ended December 31, 2011, our operating cash flow remained positive as of December 31, 2011. Our Directors consider that the bank and other borrowings are normal commercial financing arrangements and taking into account (i) the currently available banking facilities and (ii) the cash generated from our operations and internal financial resources of our Group, the Group is able to serve its debts when they fall due despite payment of the dividend declared during the year ended December 31, 2011.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and based on the audited consolidated net tangible assets of the Group as of December 31, 2012 as set out in the Accountants' Report included in Appendix I to this prospectus and adjusted as below.

	Audited consolidated net tangible assets attributable to equity holders of our Company as of December 31, 2012	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Based on an Offer Price of HK$1.49 per Share	1,500,142	433,735	1,933,877	1.21	1.52
Based on an Offer Price of HK$2.36 per Share	1,500,142	700,536	2,200,678	1.38	1.74

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2012 is extracted from the Accountants' Report as set out in Appendix 1 to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of December 31, 2012 of RMB1,501,479,000 less the intangible assets as of December 31, 2012 of RMB1,337,000.

2. The estimated net proceeds from the Global Offering are based on indicative offer prices of HK$1.49 and HK$2.36 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted under the Share Option Scheme. The estimated net proceeds from the Global Offering are converted into Renminbi at an exchange rate of HK$1 to RMB0.7953 set by PBOC for foreign exchange transactions prevailing as of the Latest Practicable Date. No representation is made that the Hong Kong Dollar amount has been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 1,600,000,000 Shares are in issue assuming that the Global Offering and the Capitalizaton Issue have been completed on December 31, 2012 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme. No dividend was paid to shareholders by the Group subsequent to the Track Record Period and up to the Latest Practicable Date. The unaudited pro forma adjusted consolidated net tangible asset value per Share has not been adjusted to reflect any trading results of or transactions entered into by the Group subsequent to December 31, 2012.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at the rate of RMB0.7953 to HK$1 set by PBOC for foreign exchange transactions prevailing as of the Latest Practicable Date.

5. The land and buildings included in property, plant and equipment of the Group were valued by DTZ Debenham Tie Leung Limited and the valuation report in respect of which is set out in Appendix IIIA to this prospectus. According to the valuation report, such property interests of the Group as at March 31, 2013 amounted to approximately RMB498,600,000, while the carrying amount of the land and buildings included in property, plant and equipment of the Group as at March 31, 2013 of approximately RMB196,934,000. Had such property interests been stated at revaluation, additional annual depreciation of RMB21,287,000 will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.

DISTRIBUTABLE RESERVES

Our Company has no reserve available for distribution to the Shareholders as of December 31, 2012.

PROPERTY INTERESTS

DTZ and Crosson Dannis, Inc., independent property valuers, have valued our Group's property interests in PRC and U.S. attributable to our Group as of March 31, 2013 at approximately RMB10,088.4 million and approximately RMB33.9 million respectively, representing a net revaluation surplus, which the market values of the properties exceeded their respective book values as of December 31, 2012.

The texts of its letter, summary of valuations and the valuation certificates are set out in Appendix IIIA and Appendix IIIB to this prospectus.

The following table sets forth the reconciliation between the net book value of our properties as of December 31, 2012 as extracted from our Accountants' Report as included in Appendix I to this prospectus and the PRC Property Valuation Report and U.S. Property Valuation Report as included in Appendix IIIA and Appendix IIIB to this prospectus respectively as of March 31, 2013:

	RMB'000
Net book value of our properties as of December 31, 2012	
– Investment properties	717,000
– Properties held under development for sale	3,570,940
– Properties held for sale	1,276,697
– Properties held for own use(1)	913,212
– Prepaid lease payments	279,192
– Freehold land held for future development	28,600
Net book value of our properties as of December 31, 2012	6,785,641
Add: Fair value gain of investment properties during the period from January 1, 2013 to March 31, 2013 (unaudited)	100
Add: Additions during the period from January 1, 2013 to March 31, 2013 (unaudited)	167,844
Less: Disposal during the period from January 1, 2013 to March 31, 2013 (unaudited)	(363,212)
Less: Depreciation of buildings held for self use during the period from January 1, 2013 to March 31, 2013 (unaudited)	(3,052)
Net book value of our properties as of March 31, 2013	6,587,321
Net valuation surplus, before income tax and LAT	3,534,938
Valuation of properties attributable to us as at March 31, 2013, as set forth in the PRC Property Valuation Report and U.S. Property Valuation Report in Appendix IIIA and Appendix IIIB respectively	10,122,259

Note:

(1) Approximately RMB19.9 million of the property, plant and equipment was excluded from the valuation in Appendix IIIA to this prospectus and was therefore also excluded from this reconciliation.

Details relating to our Group's property interests are set out in Appendix IIIA and Appendix IIIB to this prospectus.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2012, and up to the date of this prospectus, there is no event since December 31, 2012 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.