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June 28, 2013

The Directors
Modern Land (China) Co., Limited
Daiwa Capital Markets Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Modern Land (China) Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2010, 2011 and 2012 (the "Relevant Periods") for inclusion in the prospectus of the Company dated June 28, 2013 (the "Prospectus").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on June 28, 2006. Pursuant to a corporate reorganization, as described more fully in the section headed "History and Reorganization" to the Prospectus (the "Reorganization"), the Company became the holding company of the companies now comprising the Group on January 12, 2011.

All subsidiaries and associates have adopted December 31 as their financial year end date. During the Relevant Periods and as at the date of this report, the Company has direct and indirect interests in the following companies comprising the Group:

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Authorized/ registered and issued and fully paid/paid-up capital	Principal activities
		At December 31,			At date of the report		
		2010	2011	2012			
Subsidiary							
Great Trade Technology Ltd. ("Great Trade") 宏業科技有限公司	British Virgin Islands ("BVI") January 23, 2007	100%	100%	100%	100%	Authorized USD50,000 Issued and fully paid USD1	Investment holding
Jiu Yun Development Co., Ltd. ("Jiu Yun Development") 久運發展有限公司	Hong Kong December 28, 2007	100%	100%	100%	100%	Authorized HKD10,000 Issued and fully paid HKD10,000	Investment holding

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group: At December 31, 2010	2011	2012	At date of the report	Authorized/ registered and issued and fully paid/paid-up capital	Principal activities
Modern Moma Project Management (Beijing) Co., Ltd.* *(note 1)* ("Modern Moma Project Management") 當代摩碼工程項目管理(北京)有限公司 (formerly known as Steiner Modern (Beijing) Ltd. 當代斯坦納工程項目管理(北京)有限公司)	People's Republic of China (the "PRC") September 29, 2005	100%	100%	100%	100%	Registered RMB5,000,000 Paid up capital RMB5,000,000	Project management and consulting
Beijing Green Project Management Co., Ltd* *(note 2)* ("Beijing Green Project") 北京綠建工程項目管理有限公司	PRC February 15, 2011	N/A	100%	100%	100%	Registered RMB20,000,000 Paid up capital RMB20,000,000	Construction project management
Beijing Green Power Commercial Operation Management Co., Ltd.* *(note 2)* ("Beijing Green Power") 北京綠建動力商業運營管理有限公司	PRC April 22, 2013	N/A	N/A	N/A	100% *(note 5)*	Registered RMB1,000,000 Paid up capital RMB1,000,000	Property development related services
Modern Green Industrial Co., Ltd.* *(note 2)* ("Modern Green Industrial") 當代綠色實業有限公司 (formerly known as Modern Green Property Co., Ltd. 當代綠色置業有限公司)	PRC June 30, 2006	100%	100%	100%	100%	Registered RMB200,000,000 Paid up capital RMB200,000,000	Investment management and consulting
Modern Green Development Co., Ltd.* *(note 2)* ("Modern Green Development") 當代節能置業股份有限公司 (formerly known as Beijing Modern Hongyun Real Estate Development Co., Ltd 北京當代鴻運房地產經營開發有限公司)	PRC September 21, 2000	94.351% *(note 4)*	98.125% *(notes 4 and 7)*	100% *(notes 4 and 7)*	100% *(note 4)*	Registered RMB800,000,000 Paid up capital RMB800,000,000	Property development and investment
Beijing Aoxinjiyuan Real Estate Development Co., Ltd.* *(note 2)* ("Ao Xinjiyuan") 北京澳新紀元房地產開發有限公司	PRC May 30, 2002	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB30,000,000 Paid up capital RMB30,000,000	Property development
Beijing Modern Real Estate Development Co., Ltd.* *(note 2)* ("Beijing Modern") 北京當代房地產開發有限責任公司	PRC February 15, 2000	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB60,000,000 Paid up capital RMB60,000,000	Property development and investment
Beijing Dongjun Real Estate Development Co., Ltd.* *(note 2)* ("Beijing Dongjun") 北京東君房地產開發有限公司	PRC November 13, 2001	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB569,000,000 Paid up capital RMB569,000,000	Property development
Beijing Dongjun Club Management Co., Ltd.* *(note 2)* ("Beijing Dongjun Club") 北京東君俱樂部管理有限公司	PRC January 4, 2005	75.481% *(note 4)*	– *(note 6)*	–	–	Registered RMB500,000 Paid up capital RMB500,000	Club service

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Authorized/ registered and issued and fully paid/paid-up capital	Principal activities
		At December 31,			At date of the report		
		2010	2011	2012			
New Power (Beijing) Architectural Technology Co., Ltd.* *(note 2)* ("Beijing New Power") 新動力(北京)建築科技有限公司	PRC March 22, 2006	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 5)*	100% *(note 5)*	Registered RMB30,000,000 Paid up capital RMB30,000,000	Technology development and consulting
Modern Enlightment Technology (Beijing) Co., Ltd.* *(note 2)* ("Modern Enlightment") 當代天啟技術(北京)有限公司	PRC May 25, 2006	– *(note 6)*	–	–	–	Registered RMB1,120,000,000 Paid up capital RMB1,120,000,000	Technology development and consulting
Beijing Capital Engineering Architecture Design Co., Ltd.* *(note 2)* ("Capital Design") 北京首都工程建築設計有限公司	PRC December 6, 2002	– *(note 6)*	–	–	–	Registered RMB5,000,000 Paid up capital RMB5,000,000	Energy-saving building design
Beijing Modern Moma Investment Management Co., Ltd.* *(note 2)* ("Modern Moma") 北京當代摩碼投資管理有限公司	PRC January 11, 2011	N/A	98.125% *(note 4)*	100% *(note 4)*	– *(note 10)*	Registered RMB10,000,000 Paid up capital RMB10,000,000	Investment management
Shanxi Modern Green Development Co., Ltd.* *(note 2)* ("Shanxi Modern Green Development") 山西當代紅華置業有限公司	PRC August 16, 2007	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB190,000,000 Paid up capital RMB190,000,000	Property development
Shanxi Modern Green Real Estate Development Co., Ltd.* *(note 2)* ("Shanxi Modern Green Real Estate Development") 山西當代紅華房地產開發有限公司	PRC August 16, 2007	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB150,000,000 Paid up capital RMB150,000,000	Property development
Hunan Modern Green Development Co., Ltd.* *(note 2)* ("Hunan Modern Green") 當代置業(湖南)有限公司	PRC September 14, 2005	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB200,000,000 Paid up capital RMB200,000,000	Property development
Hubei Moma Development Co., Ltd.* *(note 2)* ("Hubei Moma") 湖北摩碼置業有限公司	PRC January 5, 2011	N/A	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Hubei Modern Green Development Co., Ltd.* *(note 2)* ("Hubei Modern") 湖北當代節能置業有限公司	PRC April 14, 2011	N/A	100% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Jiangxi Modern Green Development Co., Ltd.* *(note 2)* ("Jiangxi Modern Green") 江西當代節能置業有限公司	PRC December 22, 2009	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB180,000,000 Paid up capital RMB180,000,000	Property development
Jiujiang Moma Development Co., Ltd.* *(note 2)* ("Jiujiang Moma") 九江摩碼置業有限公司	PRC December 22, 2010	94.351% *(note 4)*	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB140,000,000 Paid up capital RMB140,000,000	Property development

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At December 31, 2010	2011	2012	At date of the report	Authorized/ registered and issued and fully paid/paid-up capital	Principal activities
Modern Oupulasi Technology (Beijing) Co., Ltd.* *(note 3)* ("Modern Oupulasi") 當代滬浦拉斯科技(北京)有限公司	PRC April 19, 2011	N/A	55%	55%	55%	Registered RMB3,000,000 Paid up capital RMB3,000,000	Technology development and consulting
Hubei Wanxing Development Co., Ltd.* *(note 2)* ("Hubei Wanxing") 湖北萬星置業有限公司	PRC January 27, 2010	–	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB100,000,000 Paid up capital RMB100,000,000	Property development
Suizhong Xian Changlong Property Development Co., Ltd.**(note 2)* ("Suizhong Changlong") 綏中縣長龍房地產開發有限公司	PRC January 28, 2008	–	98.125% *(note 8)*	100% *(note 8)*	– *(note 10)*	Registered RMB10,000,000 Paid up capital RMB10,000,000	Property development
Modern Moma Hotel Management (Beijing) Co., Ltd.* *(note 2)* ("Modern Moma Hotel Management") 當代摩碼酒店管理(北京)有限公司	PRC September 6, 2011	N/A	98.125% *(note 4)*	100% *(note 4)*	100% *(note 4)*	Registered RMB3,000,000 Paid up capital RMB3,000,000	Hotel management
America Modern Green Holding Corporation ("AMG Holding")	Delaware, United States of America (the "US") June 8, 2012	N/A	N/A	100% *(note 4)*	100% *(note 4)*	Authorized to issue 5,000 shares at common stock with a par value of US$0.001, 100 shares at common stock currently issued at outstanding in consideration at an aggregate contribution of US$0.10	Investment holding
America Modern Green Development Co. ("AMG Development")	Delaware, US June 8, 2012	N/A	N/A	100% *(note 4)*	100% *(note 4)*	Authorized to issue 5,000 shares at common stock with a par value of US$0.001, 100 shares at common stock currently issued at outstanding in consideration at an aggregate contribution of US$0.10	Property development
America Washington DC Modern Green Development LLC ("AMG Washington DC")	Delaware, US June 8, 2012	N/A	N/A	100% *(note 4)*	100% *(note 4)*	100% of issued and outstanding membership interest in consideration of an aggregate contribution of US$0.10	Investment holding

Name of Company	Place and date of incorporation/ establishment	Equity interest attributable to the Group: At December 31, 2010	2011	2012	At date of the report	Authorized/ registered and issued and fully paid/paid-up capital	Principal activities
America Modern Green Development (Texas) Co. ("AMG Development Texas")	Texas, US October 15, 2012	N/A	N/A	100% *(note 4)*	100% *(note 4)*	Authorized to issue 10,000 shares of common stock without par value, 100 shares of common stock issued at outstanding in consideration of an aggregate contribution of US$100	Property development
America Modern Green Development (Houston), LLC ("AMG Development Houston")	Texas, US October 15, 2012	N/A	N/A	100% *(note 4)*	100% *(note 4)*	100% of issued and outstanding membership interest in consideration at an aggregate contribution of US$100	Property development
America Modern Green (Houston) Holding Corporation ("AMG Houston Holding")	Texas, US January 29, 2013	N/A	N/A	N/A	100% *(note 4)*	Authorized to issue 10,000 shares of common stock without par value, 100 shares of common stock issued at outstanding in consideration of an aggregate contribution of US$100	Investment holding
America Modern Green Senior (Houston) LLC ("AMG Senior")	Texas, US February 1, 2013	N/A	N/A	N/A	100% *(note 4)*	100% of issued and outstanding membership interest	Property development
America Modern Green Commercial Center (Houston) LLC ("AMG Commercial")	Texas, US February 1, 2013	N/A	N/A	N/A	100% *(note 4)*	100% of issued and outstanding membership interest	Investment holding
Associate							
Fuzhou Hua'erjia Investment Development Co., Ltd.* *(note 2)* ("Fuzhou Hua'erjia") 福州華爾佳投資發展有限公司	PRC September 14, 2005	23.588%	– *(note 8)*	–	–	Registered RMB4,000,000 Paid up capital RMB4,000,000	Real-estate related investment

Notes:

1. Modern Moma Project Management is a wholly foreign-owned company.

2. These companies are PRC limited liability companies.

3. Modern Oupulasi is a sino-foreign joint venture company.

4. These companies are subsidiaries held by Modern Green Industrial, a subsidiary in which the Company has equity interest at December 31, 2010, 2011, 2012 and report date respectively. These companies are indirectly owned subsidiaries of the Company.

5. These companies are subsidiaries held by Beijing Green Project, a subsidiary in which the Company had interest at December 31, 2011, 2012 and report date respectively. These companies are indirectly owned subsidiaries of the Company.

6. The entities were disposed of during the Relevant Periods (Note 34).

7. On June 1, 2011, Beijing Green Project entered into share transfer agreements with Mr. Zhang Lei, Mr. Li Jing, Mr. Chen Yin, Mr. Fan Qingguo and Mr. Zhang Peng (collectively called "Transferors") to acquire a total of 3.649% equity interest in Modern Green Development, respectively (the "Transfer Agreement") and with Mr. Han Fengguo to acquire 0.125% equity interest in Modern Green Development. Pursuant to the Transfer Agreement, the Group is beneficially interested in the entire interest of 3.774%, despite the Transferors will legally transfer 3.649% to Beijing Green Project over 4 years, accordingly the Group is entitled to 98.125% equity interest of Modern Green Development as at December 31, 2011.

   On December 6, 2012, Modern Green Industrial entered into a share transfer agreement with Macro-Link Holdings Limited ("Macro-Link") to acquire the remaining 1.875% equity interest in Modern Green Development. Upon the completion of acquisition, the Group is entitled to 100% equity interest in Modern Green Development as at December 31, 2012.

8. At December 31, 2011 and 2012, Modern Moma legally owned 40% equity interest in Suizhong Changlong, with the 60% equity interest is still registered in name of the seller. Pursuant to the share transfer agreement, Modern Moma can exercise control over the financial and operating policies of Suizhong Changlong while the seller cannot entitle any shareholder interest in Suizhong Changlong; accordingly, Suizhong Changlong is accounted as a wholly-owned subsidiary of Modern Moma. Details are set out in note 35.

9. On November 5, 2011, Ao Xinjiyuan entered into an agreement with Fuzhou Hua'erjia to terminate the investment. Fuzhou Hua'erjia refunded RMB30,000,000 to Ao Xinjiyuan in November 2011, and the Group had no equity interest in Fuzhou Hua'erjia thereafter. Details are set out in Note 18.

10. On March 25, 2013, Modern Green Development entered into a share transfer agreement with Modern Construction Investment Management Co., Ltd., a company controlled by Mr. Zhang Lei, to dispose of 100% equity interest in Modern Moma which held 100% equity interest in Suizhong Changlong at consideration RMB110.4 million (being the sum of the paid-in capital of Modern Moma of RMB10.0 million as of February 28, 2013 and the outstanding loans in aggregate of approximately RMB100.4 million due to the group entities by Modern Moma). Upon the completion of disposal, the Group had no equity interest in Modern Moma and Suizhong Changlong, resulting in an estimated gain of approximately RMB72,000 which will be credited to the special reserve.

* The English names of the companies which operate in the PRC are for reference only and have not been registered.

BVI and Hong Kong incorporated companies are operating in Hong Kong and US incorporated companies are operating in the US, the other subsidiaries are operating in the PRC.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting policies and financial regulations in the PRC and were audited by the respective certified public accountants registered in the PRC. Details of these audited financial statements are as follows:

Name of Company	Financial period ended	Name of auditors
Modern Moma Project Management	December 31, 2010	北京希瑞傑會計師事務所 H & O Partners
	December 31, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Modern Green Industrial	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Modern Green Development	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Ao Xinjiyuan	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Beijing Modern	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Beijing Dongjun	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Beijing Dongjun Club	December 31, 2010 *(note 11)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Beijing New Power	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Shanxi Modern Green Development	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Shanxi Modern Green Real Estate Development	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Hunan Modern Green	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants
Jiangxi Modern Green	December 31, 2010, 2011 and 2012	信永中和會計師事務所 ShineWing Certified Public Accountants

Name of Company	Financial period ended	Name of auditors
Jiujiang Moma	December 31, 2010, 2011 and 2012 *(note 12)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Modern Oupulasi	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Beijing Green Project	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Modern Moma Hotel Management	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Modern Moma	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Hubei Moma	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Hubei Modern	December 31, 2011 and 2012 *(note 13)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Hubei Wanxing	December 31, 2011 and 2012 *(note 14)*	信永中和會計師事務所 ShineWing Certified Public Accountants
Suizhong Changlong	December 31, 2011 and 2012 *(note 14)*	信永中和會計師事務所 ShineWing Certified Public Accountants

Notes:

11. No statutory audited financial statements have been prepared for Beijing Dongjun Club for the year ended December 31, 2011 and 2012 as it was disposed of during the year ended December 31, 2011.

12. Statutory audited financial statements have been prepared for Jiujiang Moma from its date of establishment in 2010 up to December 31, 2010 and the years ended December 31, 2011 and 2012.

13. Statutory audited financial statements have been prepared for Modern Oupulasi, Beijing Green Project, Modern Moma Hotel Management, Modern Moma, Hubei Moma and Hubei Modern from their respective date of establishment in 2011 up to December 31, 2011 and the year ended December 31, 2012.

14. No statutory audited financial statements have been prepared for Hubei Wanxing and Suizhong Changlong for the year ended December 31, 2010 as they were acquired by the Group in 2011.

The statutory financial statements of Jiu Yun Development for the year ended December 31, 2010 were audited by Parker Randall CF (H.K.) CPA Limited registered in Hong Kong, while the statutory financial statements of Jiu Yun Development for the years ended December 31, 2011 and 2012 were audited by ShineWing (HK) CPA Limited. No statutory audited financial statements have been prepared for the Company, Great Trade, AMG Holding, AMG Development, AMG Washington DC, AMG Development Texas and AMG Development Houston as there is no such statutory audit requirement in the Cayman Islands, BVI, Delaware, US and Texas, US.

No statutory audited financial statements have been prepared for Modern Enlightment and Capital Design as both entities were disposed of during the year ended December 31, 2010.

No statutory audited financial statements have been prepared for AMG Houston Holding, AMG Senior, AMG Commercial and Beijing Green Power since their date of incorporation/establishment.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with the International Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

We have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of section A below for the purpose of preparing our report for inclusion in the Prospectus. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group at December 31, 2010, 2011 and 2012, and of the consolidated results and consolidated cash flows of the Group for each of the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Notes	**2010**	**2011**	**2012**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	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	*6*	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	*13*	53,253	23,926	99,154
Changes in fair value of investment properties	*13*	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	*7*	(46,494)	(97,560)	(98,098)
Listing expenses		–	(16,361)	(16,518)
Share of results of an associate	*18*	(3)	(3)	–
Profit before taxation		467,279	964,732	797,763
Income tax expense	*8*	(219,458)	(521,022)	(319,399)
Profit for the year	*9*	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
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:	*12*			
Basic		19.6	36.0	39.3

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,		
	Notes	**2010**	**2011**	**2012**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investment properties	*13*	453,000	493,000	717,000
Property, plant and equipment	*14*	150,583	822,174	933,078
Intangible assets	*15*	808	1,402	1,337
Prepaid lease payments	*16*	930,943	488,638	279,192
Freehold land held for future development	*17*	–	–	28,600
Interest in an associate	*18*	29,997	–	–
Available-for-sale investments	*19*	11,070	12,056	12,056
Deposits paid and prepayment for acquisition of land use rights	*20*	891,286	–	–
Deferred tax assets	*21*	212,115	240,061	250,207
		2,679,802	2,057,331	2,221,470
Current assets				
Inventories	*22*	243	249	879
Properties under development for sale	*23*	2,674,296	2,615,635	3,570,940
Properties held for sale	*24*	1,085,840	2,063,039	1,276,697
Trade and other receivables, deposits and prepayments	*25*	330,099	841,370	446,241
Amounts due from related parties	*40(a)*	203,929	4,461	2,305
Restricted cash	*26*	57,362	54,390	85,225
Bank balances and cash	*26*	749,134	283,142	787,712
		5,100,903	5,862,286	6,169,999

		At December 31,		
	Notes	**2010**	**2011**	**2012**
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities				
Trade and other payables, deposits received and accrued charges	*27*	4,135,622	3,828,716	4,547,405
Amounts due to related parties	*40(b)*	18,933	12,797	17,144
Taxation payable	*28*	732,977	918,832	1,198,397
Bank and other borrowings – due within one year	*29*	–	1,148,400	109,000
		4,887,532	5,908,745	5,871,946
Net current assets (liabilities)		213,371	(46,459)	298,053
Total assets less current liabilities		2,893,173	2,010,872	2,519,523
Capital and reserves				
Paid-in/Share capital	*30*	200,342	342	342
Reserves		871,883	1,046,389	1,501,137
Equity attributable to owners of the Company		1,072,225	1,046,731	1,501,479
Non-controlling interests		52,648	27,931	(730)
Total equity		1,124,873	1,074,662	1,500,749
Non-current liabilities				
Bank and other borrowings – due after one year	*29*	1,768,300	875,000	1,000,900
Deferred tax liabilities	*21*	–	61,210	17,874
		1,768,300	936,210	1,018,774
		2,893,173	2,010,872	2,519,523

COMPANY STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2010	2011	2012
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in a subsidiary	*31*	–	–	–
		–	–	–
Current assets				
Amounts due from subsidiaries	*40(e)*	–	1,264	1,237
Amount due from a related party	*40(e)*	325	342	342
Bank balances and cash		12	6	5
		337	1,612	1,584
Current liabilities				
Amounts due to subsidiaries	*40(f)*	–	13	11
Amounts due to a related party	*40(f)*	71	1,354	1,339
		71	1,367	1,350
Net current assets		266	245	234
Total assets less current liabilities		266	245	234
Capital and reserves				
Share capital	*30*	342	342	342
Reserves	*41*	(76)	(97)	(108)
Total equity		266	245	234

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity owners of the Company									
	Paid-in/Share capital	Special reserves	Revaluation reserve	Other reserve	Statutory surplus reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000* (*note i*)	*RMB'000*	*RMB'000* (*note ii*)	*RMB'000* (*note iv*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2010	200,342	309,077	70,710	(40,073)	71,754	–	572,995	1,184,805	72,746	1,257,551
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	234,825	234,825	12,996	247,821
Share-based payment	–	–	–	202	–	–	–	202	–	202
Reclassification *(note iii)*	–	(19,938)	–	19,938	–	–	–	–	–	–
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	1,840	1,840
Contribution from a company controlled by a shareholder *(note v)*	–	66	–	–	–	–	–	66	2	68
Acquisition of additional interest in subsidiaries	–	6,167	–	–	–	–	–	6,167	(8,133)	(1,966)
Disposal of subsidiaries	–	–	–	–	(1,840)	–	–	(1,840)	89	(1,751)
Appropriation to reserve	–	–	–	–	5,590	–	(5,590)	–	–	–
Dividend declared *(Note 11)*	–	–	–	–	–	–	(352,000)	(352,000)	(26,892)	(378,892)
At December 31, 2010	200,342	295,372	70,710	(19,933)	75,504	–	450,230	1,072,225	52,648	1,124,873
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	431,597	431,597	12,113	443,710
Share-based payment	–	–	–	6,294	–	–	–	6,294	–	6,294
Deemed distribution payable to shareholders	(200,000)	–	–	–	–	–	–	(200,000)	–	(200,000)
Contribution from a company controlled by a shareholder *(note v)*	–	393	–	–	–	–	–	393	14	407
Disposal of a subsidiary	–	–	–	–	–	–	–	–	499	499
Acquisition of additional interest in a subsidiary	–	27,569	–	–	–	–	–	27,569	(38,693)	(11,124)
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	1,350	1,350
Appropriation to reserve	–	–	–	–	115,219	–	(115,219)	–	–	–
Dividend declared *(Note 11)*	–	–	–	–	–	–	(291,347)	(291,347)	–	(291,347)
At December 31, 2011	342	323,334	70,710	(13,639)	190,723	–	475,261	1,046,731	27,931	1,074,662

	Attributable to equity owners of the Company									
	Paid-in/Share capital	Special reserves	Revaluation reserve	Other reserve	Statutory surplus reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000* *(note i)*	*RMB'000*	*RMB'000* *(note ii)*	*RMB'000* *(note iv)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2011	342	323,334	70,710	(13,639)	190,723	–	475,261	1,046,731	27,931	1,074,662
Gain on revaluation of owner-occupied properties	–	–	756	–	–	–	–	756	14	770
Exchange differences on translating foreign operations	–	–	–	–	–	252	–	252	–	252
Other comprehensive income	–	–	756	–	–	252	–	1,008	14	1,022
Profit for the year	–	–	–	–	–	–	471,488	471,488	6,876	478,364
Total comprehensive income for the year	–	–	756	–	–	252	471,488	472,496	6,890	479,386
Share-based payment	–	–	–	6,294	–	–	–	6,294	–	6,294
Contribution from a company controlled by a shareholder *(note v)*	–	393	–	–	–	–	–	393	14	407
Acquisition of additional interest in subsidiaries	–	(24,435)	–	–	–	–	–	(24,435)	(28,845)	(53,280)
Appropriations to reserves	–	–	–	–	79,506	–	(79,506)	–	–	–
Dividend paid to non-controlling interests *(note 11)*	–	–	–	–	–	–	–	–	(6,720)	(6,720)
At December 31, 2012	342	299,292	71,466	(7,345)	270,229	252	867,243	1,501,479	(730)	1,500,749

Notes:

i. Special reserve relates to acquisition of additional interest in subsidiaries, deemed acquisition of a subsidiary, disposals of partial interest in subsidiaries and contribution from a company controlled by a shareholder.

ii. During the year ended December 31, 2008, Modern Green Industrial disposed of 5.8% interests in Modern Green Development. The excess of the fair value of 1.924% interest in Modern Green Industrial transferred to certain senior level management individuals (the "Employees") is considered as a share-based payment. The total share based payment initially recognized in the reserve in 2008 amounted to RMB57,704,000 and is charged to profit or loss over 6 years of service to be provided by the Employees. Accordingly, the Group recognized an expense of approximately RMB7,125,000, RMB6,294,000 and RMB6,294,000 for years ended December 31, 2010, 2011 and 2012 respectively in relation to share-based payment of the Group. The respective amount was released from other reserve.

iii. In April 2010, one of the Employees resigned. The total share-based payment of RMB19,938,000 relating to him was reclassified from other reserve to special reserve, while the share-based payment previously recognized of RMB6,923,000 was reversed to profit or loss and debited to other reserve during the year ended December 31, 2010.

iv. In accordance with the Articles of Association of certain entities established in the PRC now comprising the Group, these entities are required to transfer 10% of the profit after taxation, prepared in accordance with PRC generally accepted accounting principles, to the statutory surplus reserve until the reserve reaches 50% of the registered capital of respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the entities.

v. Pursuant to the agreement dated November 29, 2010 entered into between Modern Green Development and an employee of Modern Green Development, the employee can use the property developed by Beijing Modern City Real Estate Development Co., Ltd. 北京當代城市房地產開發有限公司 ("Beijing Modern City Real Estate"), a company controlled by a shareholder of the Company. The title of the property will be transferred to the employee upon his completion of service with Modern Green Development for 10 years commencing from October 30, 2010. As at November 29, 2010, the market value of the property is RMB4,071,000. The Group recognized this transaction as staff cost and contribution from a company controlled by the shareholder amounted to RMB68,000, RMB407,000 and RMB407,000 for the years ended December 31, 2010, 2011 and 2012 respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	467,279	964,732	797,763
Adjustments for:			
Finance costs	46,494	97,560	98,098
Interest income	(3,311)	(5,612)	(4,503)
Dividend income from available-for-sale investments	–	(650)	(1,412)
Depreciation of property, plant and equipment	9,990	13,807	19,220
Amortization of intangible assets	145	154	201
Share-based payment	7,125	6,294	6,294
Reversal of share-based payment previously recognized	(6,923)	–	–
Fair value gain upon transfer from properties held for sale to investment properties	(53,253)	(23,926)	(99,154)
Changes in fair value of investment properties	(46,900)	(7,200)	(37,000)
Changes in fair value of investments held for trading	(25)	(414)	(1,573)
Allowance for doubtful debts, net	7,279	–	11
Gain on disposal of property, plant and equipment	(539)	(142)	(5,323)
Gain of disposal of subsidiaries	(2,579)	(2,393)	–
Share of result of an associate	3	3	–
Gain on disposal of an associate	–	(6)	–
Contribution from a company controlled by a shareholder, recognized as staff cost	68	407	407
Write-down on properties held for sale	–	–	15,643
Operating cash flows before movements in working capital	424,853	1,042,614	788,672

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	424,853	1,042,614	788,672
Movements in working capital:			
Decrease (increase) in inventories	1,399	(27)	(630)
(Increase) decrease in properties under development for sale and properties held for sale	(395,168)	(66,974)	109,960
(Increase) decrease in trade and other receivables, deposits and prepayments	(115,144)	(24,937)	438,873
(Increase) decrease in amounts due from related parties	(1,247)	(1,272)	2,333
(Increase) decrease of deposits paid and prepayment for acquisition of land use right	(183,316)	364,388	–
Increase in prepaid lease payments	(945,442)	(184,002)	(81,000)
Increase in freehold land held for future development	–	–	(28,600)
Increase (decrease) in trade and other payables, deposits received and accrued charges	1,497,530	(622,260)	766,050
(Decrease) increase in amounts due to related parties	(41,364)	6,140	4,206
Cash generated from operating activities	242,101	513,670	1,999,864
Income tax paid	(98,603)	(261,775)	(137,328)
Net cash generated from operating activities	143,498	251,895	1,862,536

	Notes	2010	2011	2012
		Year ended December 31,		
		RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities		143,498	251,895	1,862,536
Investing activities				
Interest received		3,311	5,612	4,503
Dividend received from held-for-trading investments		25	414	1,573
Dividend received from available-for-sale investments		–	650	1,412
Purchase of available-for-sale investments		(11,070)	(986)	–
Purchase of property, plant and equipment		(22,597)	(174,625)	(116,165)
Purchase of intangible assets		(190)	(748)	(136)
Proceeds on disposal of property, plant and equipment		3,962	1,030	11,847
Net cash flow on disposals of subsidiaries	*34*	3,367	356	–
Proceeds on disposal of an associate	*18*	–	30,000	–
Acquisition of subsidiaries/settlement of consideration payable for acquisition of subsidiaries in prior year	*35*	–	(305,876)	(67,361)
Investment in an associate		(30,000)	–	–
Advances to related parties		(336,048)	(4,749)	(5,816)
Repayment from related parties		6,209	8,832	5,639
Placement of deposit for loans		(5,500)	(7,733)	(52,565)
Withdrawal of deposit for loans		–	5,500	52,565
(Increase) decrease in restricted cash		(1,452)	2,972	(30,835)
Net cash used in investing activities		(389,983)	(439,351)	(195,339)

	Notes	Year ended December 31, 2010	2011	2012
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Interest paid		(96,341)	(219,509)	(209,520)
Dividend paid		(136,892)	(104,177)	(6,720)
Acquisition of additional interests in subsidiaries	*33*	(1,966)	(11,124)	(33,280)
Repayments of bank borrowings		(715,700)	(572,300)	(323,500)
Repayments of other borrowings		(400,000)	–	(1,390,000)
New bank loans raised		1,261,000	77,400	500,000
New other loans raised		640,000	750,000	300,000
Repayment to related parties		(2,235)	(1,486)	(47)
Advances from related parties		3,421	1,310	188
Deemed distribution to shareholders		–	(200,000)	–
Capital injection from non-controlling interests		–	1,350	–
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
Cash and cash equivalents at the beginning of the year		444,332	749,134	283,142
Effects of exchange rate changes on the balance of cash held in foreign currencies		–	–	252
Cash balance and cash equivalents at the end of the year		749,134	283,142	787,712

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The 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. Its parent and ultimate holding company is Super Land Holdings Limited ("Super Land"), a company incorporated in the BVI. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, and its principal place of business is located at No. 1, Xiangheyuan Road, Dongcheng District, Beijing, People's Republic of China ("PRC"). The Company is an investment holding company.

Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Company and its subsidiaries (collectively referred to as the "Group") on January 12, 2011, upon Modern Moma Project Management completed the acquisition of the entire equity interest in Modern Green Industrial pursuant to the agreement dated January 10, 2011 at a consideration of RMB200,000,000 which was the registered capital of Modern Green Industrial. Mr. Zhang Lei and Mr. Salum Zheng Lee controlled all the companies comprising the Group before and after the Reorganization, accordingly, the Group resulting from the Reorganization is regarded as a continuing entity.

Prior to the Reorganization in 2008, (1) Modern Green Industrial held 74.61% equity interest in Modern Green Development, 94% equity interest in Ao Xinjiyuan, 80% equity interest in Beijing New Power, 70% equity interest in Beijing Modern, 80% equity interest in Hunan Modern Green, 100% equity interests in Beijing Dongjun, Shanxi Modern Green Development and Shanxi Modern Green Real Estate Development; and (2) Modern Property Group Co., Ltd 當代置業集團股份有限公司 ("Modern Property"), a company ultimately controlled by Mr, Zhang Lei and Mr. Salum Zheng Lee, held 100% interest in Fifth Bulb and 80% in Capital Design.

In January 2008, Modern Green Industrial acquired 22.39% equity interest in Modern Green Development at a consideration of approximately RMB131,981,000 and further contributed additional capital RMB311,043,000, resulting in an increase of effective interest from 74.61% to 99.097%.

In February 2008, (1) Modern Green Industrial transferred its equity interest held in those companies as at January 1, 2008 to Modern Green Development; (2) Modern Green Development acquired from independent third parties of the remaining equity interest 6% and 20% equity interest in Ao Xingjiying and Beijing New Power respectively; (3) Macro-Link Holdings Co., Ltd. ("Macro-Link"), Mr. Han Fengguo who were independent third parties and Mr. Li Jing, who is an employee of Modern Green Development, transferred their respective 20%, 3% and 7% equity interests in Beijing Modern to Modern Green Development; (4) Modern Green Industrial transferred 1.875% and 0.125% equity interests in Modern Green Development to Macro-Link and Mr. Han Fengguo, respectively; (5) Modern Green Industrial transferred 1.875% equity interest in Modern Green Development to Mr. Zhang Lei; (6) Modern Green Industrial transferred 0.625%, 0.475%, 0.412% and 0.412% equity interests in Modern Green Development to Mr. Jiang Peng, Mr. Li Jing, Mr. Fan Qingguo and Mr. Zhang Peng, who are management of the Group, respectively; (7) Mr. Chen Yin, a non-controlling shareholder of Modern Green Development, transferred his 0.425% equity interest to Modern Green Industrial. Upon the completion of transfer of (4) to (7) above, Modern Green Development was held as to 93.726% by Modern Green Industrial, 1.875% by Macro-Link, 1.875% by Zhang Lei, 0.475% by Mr. Chen Yin, 0.475% by Mr. Li Jing, 0.412% by Mr. Zhang Peng, 0.625%by Mr. Jiang Peng, 0.412% by Mr. Fan Qingguo and 0.125% by Mr. Han Fengguo.

In February 2008, Modern Green Development acquired 100% equity interest in Fifth Bulb from Modern Property at a consideration of RMB12,000,000.

In April 2008, Modern Green Development acquired 80% equity interest in Capital Design from Modern Property at a consideration of RMB4,000,000 and the remaining 20% equity interest in Capital Design from the non-controlling shareholder at a consideration of RMB1,000,000.

In May 2008, Modern Green Development acquired the remaining 20% equity interest in Hunan Modern Green from the non-controlling shareholder at a consideration of RMB80,000,000.

In February 2009, Jiu Yun Development acquired 60% equity interest in Modern Moma Project Management from an independent third party at a consideration of RMB1,861,000.

In April 2010, Modern Green Industrial acquired 0.625% equity interest in Modern Green Development Co., Ltd from Mr. Jiang Peng, a former employee of the Group, at a consideration of RMB696,500. Upon the completion of acquisition, Modern Green Industrial's equity interest in Modern Green Development increased to 94.351%.

In September 2010, the Company acquired entire equity interest in Great Trade at a consideration of US$1 from Mr. He Jun, who held the entire issued share capital of Great Trade on trust for Mr. Salum Zheng Lee.

In September 2010, Jiu Yun Development acquired the remaining 40% equity interest in Modern Moma Project Management from Modern Investment Group Co., Ltd. 當代投資集團有限公司 ("Modern Group"), a company controlled by Mr. Zhang Lei and Mr. Salum Zheng Lee at a consideration of RMB1,270,000.

On June 1, 2011, Beijing Green Project entered into the First Transfer Agreement with Mr. Zhang Lei, Mr. Li Jing, Mr. Chen Yin, Mr. Fan Qingguo and Mr. Zhang Peng to acquire 1.875%, 0.475%, 0.475%, 0.412% and 0.412% equity interest in Modern Green Development, respectively, at a total consideration of RMB9,323,600. On the same date, Beijing Green Project entered into the Second Transfer Agreement with Mr. Han Fengguo to acquire 0.125% equity interest in Modern Green Development at a consideration of RMB1,800,000. On June 2, 2011, 0.9124% equity interest in Modern Green Development, representing 25% of the total equity interest agreed to be transferred under the First Transfer Agreement and 100% of the equity interest agreed to be transferred under the Second Transfer Agreement, was legally owned by Beijing Green Project. Pursuant to the First Transfer Agreement, Beijing Green Project is entitled to the entire interest being transferred; accordingly the Group is entitled to 98.125% interest in Modern Green Development as at December 31, 2011.

On December 6, 2012, Beijing Green Project entered into a share transfer agreement with Macro-Link to acquire the remaining 1.875% equity interest in Modern Green Development at a consideration of RMB53,280,000. Upon the completion of acquisition, the Group is entitled to 100% equity interest in Modern Green Development as at December 31, 2012.

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 and in accordance with the respective equity interest in the individual subsidiaries owned by Modern Green Industrial. The consolidated statements of financial position as at December 31, 2010 present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates and in accordance with the respective equity interest in the individual subsidiaries owned by Modern Green Industrial.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the group entities operate (the functional currency of group entities).

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2012 throughout the Relevant Periods.

At the date of this report, the following new and revised standards and amendments have been issued which are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]

IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to IAS 36	Recoverable Amounts Disclosures for Non-Financial Assets[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]
IFRIC 21	Levies[4]

[1] Effective for annual periods beginning on or after January 1, 2013
[2] Effective for annual periods beginning on or after January 1, 2015
[3] Effective for annual periods beginning on or after July 1, 2012
[4] Effective for annual periods beginning on or after January 1, 2014

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

Except as disclosed below, the Directors anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted provided all of these standards are applied at the same time. These five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. Taking into account the new definition of control and the additional guidance on control set out in IFRS 10, the Directors carried out a preliminary review on the group structure and anticipate that the application of these five standards will have no material effect on the consolidated financial statements, based on the existing group structure.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Directors anticipate that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value, and in accordance with accounting policies set out below which are in conformity with International Financial Reporting Standards.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 the 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 the Group.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with the standard.

The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The Group has elected to measure the non-controlling interests at the share of the fair value of the identifiable assets acquired and the liabilities assumed during the Relevant Periods. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Change in ownership interest in subsidiaries not resulting in loss of control

Changes in a Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests will be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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 construction of 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 customers 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 fair value of that item at the date of transfer is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any recognized impairment loss.

Properties in the course of construction for production, supply or administrative purpose are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

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.

Freehold land held for future development

The freehold land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The freehold land is initially recognized at cost and not depreciated. It would be transferred to properties under development for sale upon commencement of the related construction work in property development project.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any impairment loss.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

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 is 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.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the small group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loan and receivables, available-for-sale financial assets and held-for-trading financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments, of which interest income is included in other income.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from subsidiaries and related parties, restricted cash, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Held-for-trading financial assets

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial assets are measured at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets other than held-for-trading financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment for loan and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets measured at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets carries at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including bank and other borrowings, trade payables, other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire, or when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interests in the assets and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Operating lease payments are recognized as an expenses on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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 the 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 in accordance with the above general principle set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit scheme in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions with employees

The fair value of services received determined with reference to the fair value of shares transferred less consideration received from employees is recognized in other reserve at the date of transfer and expensed on a straight-line basis over the service period as specified in the equity transfer agreement. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to other reserve.

When the employees leave the Group before the completion of service period as specified in the equity transfer agreement, the amount previously recognized in other reserve is reclassified to special reserve.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent assets*; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Investment properties

Investment properties are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in profit or loss.

Income tax expense

Deferred taxation assets of RMB212,115,000, RMB240,061,000 and RMB250,207,000 mainly in relation to tax losses, land appreciation tax provisions, allowance for bad and doubtful debts, write-down of properties held for sale, advertising expenses, temporary differences on property sales and cost of sales and others have been recognized at December 31, 2010, 2011 and 2012 respectively, after offsetting certain deferred tax liabilities as set out in Note 21. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilized. The Directors will review the assumptions and profit projections by the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalized their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognized the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalized with local tax authorities.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model in IAS 40, the Directors have reviewed the Group's investment property portfolios together with certain properties characteristics. For investment properties amounting to nil, nil, and RMB56,000,000 as at December 31, 2010, 2011 and 2012, 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. Therefore, the Directors determined the presumption that they are recovered entirely by sale is not rebutted. The Group has estimated the deferred tax taking into account both the land appreciation tax and enterprise income tax on disposal of these investment properties.

For other investment properties amounting to RMB453,000,000, RMB493,000,000 and RMB661,000,000 as at December 31, 2010, 2011 and 2012, 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. For these investment properties, the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group has estimated the deferred tax taking into account of enterprise income tax.

Guaranteed return and bonus service fee of project management service contract

The Group has entered into a project management service contract in relation to a property development project with an independent third party. Pursuant to the project management service contract, the Group has provided a guarantee of minimum rate of return of investment of the project. And the Group would entitle to receive variable bonus service fee if the rate of return of investment of the project is above certain levels. The management has 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 at December 31, 2011 and 2012. In case where the anticipated future profit of the project is less than the amount of guaranteed return as stated in the project management service contract, losses will be recognized immediately when identified.

Dividend policy

In the second half of 2012, the Directors reviewed the dividend policy, and determined that distribution ratio based on the dividend policy set out for the Company's subsidiaries situated in the PRC, with intention to distribute around 20% of profit after tax for the respective years since January 1, 2008. The Group recognized the withholding tax for undistributed profits of PRC subsidiaries based on the aforesaid dividend policy. If there is any material fluctuation to the distributable profits, as a result of the changes in business or financial conditions, the Director 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. The Director will re-evaluate the dividend policy from time to time.

Write-down of completed properties held for sale

Management performs a regular review on the carrying amount of completed properties held for sale. Based on management's review, write-down of completed properties held for sale will be made when the estimated net realizable value has declined below the carrying amount.

In determining the net realizable value of completed properties held for sale, management refers to prevailing market data such as recent sales transactions as base for evaluation.

5. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on property development and property investment. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker of the Group. The chief operating decision maker mainly reviews revenue from sales of properties from property development and leasing properties from property investment which are measured in accordance with accounting policies similar to those of IFRS. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The chief operating decision maker, Mr. Zhong Tianxiang, who is the Chief Executive Officer of the Group, reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no analysis of this single reportable and operating segment is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold and services provided to customers during the Relevant Periods.

Entity-wide information

An analysis of the Group's 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

Non-current assets (excluding financial instruments and deferred tax assets) with carrying amount of RMB2,456,617,000, RMB1,805,214,000 and RMB1,930,390,000 as at December 31, 2010, 2011 and 2012 are situated in the PRC, respectively, the remaining non-current assets with carrying amount of RMB28,817,000 as at December 31, 2012 are situated in the US.

Geographic information

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods and properties were delivered.

	Revenues from external customers		
	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Northern, China	1,078,026	2,377,251	1,337,419
Middle south, China	469,665	775,394	627,807
	1,547,691	3,152,645	1,965,226

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting periods over the Relevant Periods.

6. OTHER INCOME, GAIN AND LOSS

	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 for Water Metre Plant area project *(note b)*	–	–	146,876
Project management service income	–	–	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 Metre 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 RMB573,862,000 (including refund of prepayment of RMB400,449,000 paid by the Group) from the independent third party. During the year ended December 31, 2012, the Group has received part of the payment amounted to RMB545,169,000, with net gain of RMB146,876,000 (net of business tax) was recognised as other income during the year ended December 31, 2012. In February 2013, the Group has received the remaining amount RMB28,693,000.

7. FINANCE COSTS

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings			
– wholly repayable within five years	(79,755)	(200,765)	(193,640)
– not wholly repayable within five years	(16,586)	(18,744)	(15,880)
	(96,341)	(219,509)	(209,520)
Less: Amount capitalized in properties under development	49,847	121,949	111,422
	(46,494)	(97,560)	(98,098)

Borrowing costs capitalized arose on the general borrowing pool of the Group were calculated by applying capitalization rate of 7.71%, 13.55% and 13.91% per annum for the years ended December 31, 2010, 2011 and 2012 respectively, to expenditure on the qualifying assets.

8. INCOME TAX EXPENSE

	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)
US corporate tax	–	–	(2)
Land appreciation tax("LAT")	(115,911)	(274,347)	(198,257)
Deferred tax *(Note 21)*			
PRC enterprise income tax	71,355	(33,264)	61,261
LAT	–	–	(7,522)
Income tax expense	(219,458)	(521,022)	(319,399)

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007, the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the enterprise income tax rate of 25% effective from January 1, 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No provision for Hong Kong profits tax had been made as the income of the companies comprising the Group neither arised in, nor was derived from, Hong Kong during the years ended December 31, 2010 and 2011. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit during the year ended December 31, 2012.

Pursuant to the US Federal tax law, the US corporate tax shall be taxed at progressive rates ranging from 15% to 35%. No provision for US corporate income tax has been made as the income of the companies comprising the Group neither arised in, nor derived from the US during the year ended December 31, 2010 and 2011. US corporate tax is provided at federal statutory rate of 15% based on the estimated assessable profits during the year ended December 31, 2012.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statements of comprehensive income as follows:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	467,279	964,732	797,763
PRC enterprise income tax at 25%	(116,820)	(241,183)	(199,441)
LAT	(115,911)	(274,347)	(205,779)
Tax effect of LAT	28,978	68,587	51,445
Tax effect on:			
Expenses not deductible for tax purposes	(15,498)	(9,512)	(7,390)
Tax effect of income not taxable for tax purpose	–	–	1,275
Effect of tax losses not recognized as deferred tax assets	(207)	(3,368)	(3,334)
Utilization of tax loss previously not recognized	–	11	335
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	–	154
Withholding tax on retained profits to be distributed *(note i)*	–	(61,210)	(5,632)
Reversal of deferred tax relating to withholding tax provided in prior years *(note ii)*	–	–	48,968
Tax charge	(219,458)	(521,022)	(319,399)

Notes:

i. In accordance with PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% 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.

ii. In the second half of 2012, the Directors reviewed the dividend policy and determined that the distribution ratio based on the dividend policy set out for the Company's subsidiaries situated in the PRC, with intention to distribute around 20% of profit after tax for the respective years since January 1, 2008. Thus, a reversal of deferred tax relating to withholding tax was made in 2012 based on the management's previous and current decisions on the proportion of profits to be distributed in the foreseeable future.

9. PROFIT FOR THE YEAR

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging (crediting):			
Depreciation of property, plant and equipment recognized in profit and loss	9,990	13,807	19,220
Depreciation of property, plant and equipment capitalized in properties under development	143	347	94
Total depreciation charged for the year	10,133	14,154	19,314
Amortization of intangible assets	145	154	201
Operating lease rentals	651	1,443	3,584
Auditors' remuneration	420	500	640
Allowance for doubtful debts, net	7,279	–	11
Write-down of properties held for sale included in cost of sales	–	–	15,643
Cost of inventories recognized as expense	945,078	1,800,985	1,065,670
Dividend income from held-for-trading investment	(25)	(414)	(1,573)
Staff costs (including retirement benefit cost):			
Directors' emoluments *(Note 10)*	5,229	5,049	4,823
Salaries and other allowances	58,701	81,719	102,088
Share-based payment	(1,988)	4,104	4,104
Retirement benefit costs	2,492	5,360	7,875
Other benefit-in-kind:			
Properties provided for the use by certain employees	2,200	4,921	5,932
Total staff costs	66,634	101,153	124,822
Less: Amount capitalized to properties under development for sale	(31,141)	(34,336)	(46,741)
	35,493	66,817	78,081

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

	Directors' fee	Basic salaries and allowance	Bonus	Retirement benefit contribution	Share-based payment	Other benefit-in-kind	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2010							
Name of director							
Executive Directors							
Zhang Lei	–	409	306	26	–	–	741
Chen Yin	–	623	306	26	–	–	955
Fan Qingguo	–	409	306	26	2,190	–	2,931
Zhong Tianxiang	–	268	80	26	–	128	502
Independent Directors							
Cui Jian	–	–	–	–	–	–	–
Hui Chun Ho, Eric	–	–	–	–	–	–	–
Qin Youguo	100	–	–	–	–	–	100
	100	1,709	998	104	2,190	128	5,229
Year ended December 31, 2011							
Name of director							
Executive Directors							
Zhang Lei	–	443	174	29	–	–	646
Chen Yin	–	670	–	29	–	–	699
Fan Qingguo	–	443	174	29	2,190	–	2,836
Zhong Tianxiang	–	444	192	29	–	128	793
Independent Directors							
Cui Jian	–	–	–	–	–	–	–
Hui Chun Ho, Eric	–	–	–	–	–	–	–
Qin Youguo	75	–	–	–	–	–	75
	75	2,000	540	116	2,190	128	5,049
Year ended December 31, 2012							
Name of director							
Executive Directors							
Zhang Lei	–	446	124	32	–	–	602
Chen Yin	–	671	30	32	–	–	733
Fan Qingguo	–	446	154	32	2,190	–	2,822
Zhong Tianxiang	–	435	124	32	–	75	666
Independent Directors							
Cui Jian	–	–	–	–	–	–	–
Hui Chun Ho, Eric	–	–	–	–	–	–	–
Qin Youguo	–	–	–	–	–	–	–
	–	1,998	432	128	2,190	75	4,823

The bonus is determined by the management with reference to the Group's operating results, individual performance and prevailing market conditions.

No directors waived any emoluments during the years ended December 31, 2010, 2011 and 2012.

Five highest paid individuals

The five highest paid individuals included three directors for the year ended December 31, 2010, one director for the year ended December 31, 2011 and one director for the year ended December 31, 2012. The emoluments of the remaining two highest paid individuals for the year ended December 31, 2010, remaining four highest paid individuals for the year ended December 31, 2011 and remaining four highest paid individuals for the year ended December 31, 2012 are as follows:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Employees			
– Basic salaries and allowances	886	1,372	1,331
– Bonus	612	839	283
– Share-based payment	4,104	4,104	4,104
– Retirement benefit contributions	56	100	95
– Other benefit-in-kind			
– Properties provided	180	1,385	1,378
	5,838	7,800	7,191

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the remaining highest paid individuals are within the following bands:

	Year ended December 31,		
	2010	**2011**	**2012**
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	–	2	–
HK$1,500,001 to HK$2,000,000	–	–	2
HK$2,000,001 to HK$2,500,000	–	–	1
HK$3,000,001 to HK$3,500,000	2	2	1

11. DIVIDENDS

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 Investment Management Co., Ltd. 當代偉業投資管理有限公司 ("Modern Great Trade"). The amount of RMB110,000,000 were paid in cash while the amount of RMB229,900,000 were settled through the amount due from Modern Group during the year ended December 31, 2010. The remaining amount of RMB12,100,000 has been paid in cash to Modern Great Trade in 2011. Dividends amounting to RMB26,892,000 were declared and paid by 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 in 2011. 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 a subsidiary to its non-controlling shareholder.

No dividends have been paid or declared by the Company during the years ended December 31, 2010, 2011 and 2012.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE

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

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	234,825	431,597	471,488

	Year ended December 31,		
	2010	**2011**	**2012**
	'000	*'000*	*'000*
Number of shares			
Number of ordinary shares for the purpose of calculating basic earnings per share	1,200,000	1,200,000	1,200,000

Note: The number of ordinary shares is arrived at on the assumption that the Reorganization has been completed at January 1, 2010 and with retrospective adjustment for the capitalization issue as described in Section C "Subsequent events" to this report.

13. INVESTMENT PROPERTIES

	Total
	RMB'000
FAIR VALUE	
At January 1, 2010	288,000
Transfer from properties held for sale	118,100
Net change in fair value recognized in profit or loss	46,900
At December 31, 2010	453,000
Transfer from properties held for sale	32,800
Net change in fair value recognized in profit or loss	7,200
At December 31, 2011	493,000
Transfer from properties held for sale	182,700
Transfer from property, plant and equipment	4,300
Net change in fair value recognized in profit or loss	37,000
At December 31, 2012	717,000

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group had pledged investment properties of RMB163,464,000, RMB105,299,000 and RMB139,059,000 at December 31, 2010, 2011 and 2012 respectively to secure general banking facilities granted to the Group as set out in Note 36.

The investment properties are all situated in the PRC. The lease term of land on which the investment properties are situated on is 40 years. The fair values of the Group's completed investment properties at the respective dates of transfer and at December 31, 2010, 2011 and 2012 have been arrived at on the basis of valuations carried out on those dates by DTZ Debenham Tie Leung Limited ("DTZ"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of DTZ is 16th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The valuations were arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market, or where appropriate, by investment approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

The amount transferred from properties held for sale upon change in use as evidenced by commencement of operating lease with outsiders included the cost of the properties held for sale amounted to RMB64,847,000, RMB8,874,000 and RMB83,546,000 with fair value gain of approximately RMB53,253,000, RMB23,926,000 and RMB99,154,000 for the years ended December 31, 2010, 2011 and 2012, respectively, based on valuation performed at respective dates of transfer during the three years ended December 31, 2012.

The amount transferred from property, plant and equipment upon commencing of operating lease agreements with outsiders included the carrying value of the property, plant and equipment amounted to nil, nil and RMB3,273,000 with fair value change recognized to other comprehensive income of approximately nil, nil and RMB1,027,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic equipment & furniture	Properties under construction	Total
	RMB'000 *(note a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2010	142,179	13,641	9,762	519	166,101
Additions	10,361	7,373	2,161	2,702	22,597
Transfer from properties held for sale *(note b)*	1,032	–	–	–	1,032
Disposal of subsidiaries	–	–	(1,310)	–	(1,310)
Transfer	–	–	251	(251)	–
Disposals	(2,342)	(2,303)	(139)	–	(4,784)
At December 31, 2010	151,230	18,711	10,725	2,970	183,636
Additions	40,663	8,500	2,985	122,477	174,625
Transfer from properties under development for sale *(note c)*	–	–	–	486,375	486,375
Transfer from properties held for sale *(note b)*	24,982	–	–	–	24,982
Acquisition of a subsidiary	–	619	74	–	693
Disposal of subsidiaries	–	–	(668)	–	(668)
Disposals	(1,290)	(304)	(1,497)	–	(3,091)
At December 31, 2011	215,585	27,526	11,619	611,822	866,552
Additions	–	3,711	1,792	110,662	116,165
Transfer from properties under development for sale *(note c)*	16,116	–	–	3,658	19,774
Transfer from properties held for sale *(note b)*	4,076	–	–	–	4,076
Disposals	(9,624)	(2,598)	(2,211)	–	(14,433)
Transfer to investment property	(4,135)	–	–	–	(4,135)
At December 31, 2012	222,018	28,639	11,200	726,142	987,999

	Leasehold land and buildings	Motor vehicles	Electronic equipment & furniture	Properties under construction	Total
	RMB'000 *(note a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION					
At January 1, 2010	12,425	6,194	6,450	–	25,069
Charge for the year	6,323	2,352	1,458	–	10,133
Disposal of subsidiaries	–	–	(788)	–	(788)
Eliminated on disposals	–	(1,310)	(51)	–	(1,361)
At December 31, 2010	18,748	7,236	7,069	–	33,053
Charge for the year	9,024	3,540	1,590	–	14,154
Disposal of subsidiaries	–	–	(626)	–	(626)
Eliminated on disposals	(497)	(290)	(1,416)	–	(2,203)
At December 31, 2011	27,275	10,486	6,617	–	44,378
Charge for the year	12,903	4,308	2,103	–	19,314
Eliminated on disposals	(4,368)	(1,483)	(2,058)	–	(7,909)
Eliminated upon transfer to investment properties	(862)	–	–	–	(862)
At December 31, 2012	34,948	13,311	6,662	–	54,921
CARRYING AMOUNT					
At December 31, 2010	132,482	11,475	3,656	2,970	150,583
At December 31, 2011	188,310	17,040	5,002	611,822	822,174
At December 31, 2012	187,070	15,328	4,538	726,142	933,078

Notes:

(a) The Group had entered agreement with the eligible employees in connection with the properties developed by the Group (the "Scheme"). Under the Scheme, the eligible employees can use the properties while remain with the Group for a service period ranging from 1.5 to 15 years, the title of the properties will be transferred to the eligible employees upon the completion of the service period as stated under the Scheme. As at December 31, 2010, 2011 and 2012, the carrying amount of leasehold land and buildings which have been occupied by the eligible employees under the Scheme are RMB23,554,000, RMB60,884,000 and RMB51,611,000, respectively.

(b) Buildings were transferred from properties held for sale when the management of the Company decided to use some of those properties for the Scheme as mentioned in (a) above and/or as offices for own use.

(c) During the year ended December 31, 2011 and 2012, properties under development for sales of RMB486,375,000 and RMB19,774,000 respectively were transferred to properties under construction as a result of change in intended use of properties from residential properties developed for sale to serviced apartments, hotels and office.

(d) The Group had pledged buildings of RMB76,394,000, RMB637,430,000 and RMB657,328,000 at December 31, 2010, 2011 and 2012 respectively to secure general banking facilities granted to the Group as set out in Note 36.

The above items of property, plant and equipment, other than properties under construction, are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and buildings	Over the shorter of unexpired lease term of land and 30 years
Leasehold land and buildings under the Scheme	1.5 to 15 years
Motor vehicles	19%
Electronic equipment and furniture	19%-31.67%

The buildings and properties under construction are all situated on land in the PRC under medium-term leases.

15. INTANGIBLE ASSETS

	Computer software
	RMB'000
COST	
At January 1, 2010	1,321
Additions	190
Disposals of subsidiaries	(556)
At December 31, 2010	955
Additions	748
At December 31, 2011	1,703
Additions	136
At December 31, 2012	1,839
ACCUMULATED AMORTIZATION	
At January 1, 2010	(372)
Charge for the year	(145)
Disposals of subsidiaries	370
At December 31, 2010	(147)
Charge for the year	(154)
At December 31, 2011	(301)
Charge for the year	(201)
At December 31, 2012	(502)
CARRYING AMOUNT	
At December 31, 2010	808
At December 31, 2011	1,402
At December 31, 2012	1,337

The computer software has definite useful lives and is amortized on a straight-line basis over 5 years.

16. PREPAID LEASE PAYMENTS

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

	At 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 Group's prepaid lease payments represent payments for obtaining the land use rights in the PRC with lease terms ranging from 40 to 70 years.

At December 31, 2010, 2011 and 2012, the Group had pledged the land use rights of RMB395,022,000, nil and RMB42,559,000 respectively to secure general banking facilities granted to the Group as set out in Note 36.

17. FREEHOLD LAND HELD FOR FUTURE DEVELOPMENT

During the year ended December 31, 2012, the Group acquired a parcel of freehold land in Texas, US for the purpose of development of properties for sale.

18. INTEREST IN AN ASSOCIATE

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Cost of investment, unlisted	30,000	–	–
Share of post-acquisition loss	(3)	–	–
	29,997	–	–

As at December 31, 2010, 2011 and 2012, the Group had interests in the following associate:

Name of Entity	Place of registration	Principal place of operation	Effective interest held by the Group December 31, 2010	2011	2012	Principal activity
Fuzhou Hua'erjia	Fuzhou, PRC	Fuzhou, PRC	23.588%	–	–	Real-estate related investment

The summarized financial information in respect of the Group's associate is set out below:

	At December 31,	
	2010	**2011**
	RMB'000	*RMB'000*
Total assets	32,999	–
Total liabilities	(5)	–
Net assets	32,994	–

	Year ended December 31,	
	2010	**2011**
	RMB'000	*RMB'000*
Revenue	–	–
Loss for the year	(11)	(11)
Other comprehensive income	–	–
Total comprehensive income for the year	(11)	(11)

In November 2011, Fuzhou Hua'erjia refunded RMB30,000,000 to Ao Xinjiyuan. This transaction has resulted in recognition of a gain in profit or loss, calculated as follows:

	Year ended December 31, 2011
	RMB'000
Proceeds on disposal	30,000
Less: Carrying amount of the 23.588% equity investment at the date of termination of investment	29,994
Gain recognized	6

19. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment at cost:			
Cura Investment Management (Shanghai) Co., Ltd. ("Cura Investment") *(note a)*	11,070	11,070	11,070
O+ Design International Corporation ("O+ Design") *(note b)*	–	986	986
	11,070	12,056	12,056

Notes:

(a) Modern Green Development held 2.245% equity interest in Cura Investment, a private entity established in the PRC which is involved in fund management.

(b) During the year ended December 31, 2011, Modern Green Development acquired 376,450 preferred shares at US$0.4 each in O+ Design, a company incorporated in the Cayman Islands. Its principal activity is provision of energy-saving building design services.

(c) The available-for-sale investments are measured at cost less impairment at the end of the respective reporting periods because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be reliably measured.

20. DEPOSITS PAID AND PREPAYMENT FOR ACQUISITION OF LAND USE RIGHTS

Balance represented deposit paid for public tenders, auctions or listing-for-bidding and prepayment for land resettlement. In respect of land resettlement, the Group entered into contracts with the original land use rights owners for the purpose of obtaining piece of land upon completion of necessary resettlement for development into completed properties for sales in the ordinary course of business. In the opinion of the Directors, the transactions are expected to be settled for more than twelve months from the end of each reporting period and are therefore classified as non-current assets at December 31, 2010.

During the year ended December 31, 2011, RMB538,125,000 has been reclassified to other receivables, details are set out in Note 25.

21. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Relevant Periods:

	Withholding tax on retained profits	Fair value change on investment properties	Tax loss	Land appreciation tax provision	Allowance for bad debt provision	Write-down of properties held for sale	Advertising expenses	Temporary differences on property sales and cost of sales	Revaluation on owner-occupied properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2010	–	(26,576)	11,200	94,398	1,829	6,226	819	76,691	(25,124)	1,297	140,760
(Charge) credit to profit or loss *(Note 8)*	–	(25,980)	(536)	26,387	1,820	–	4,771	64,386	–	507	71,355
At December 31, 2010	–	(52,556)	10,664	120,785	3,649	6,226	5,590	141,077	(25,124)	1,804	212,115
(Charge) credit to profit or loss *(Note 8)*	(61,210)	(8,890)	(4,022)	50,579	–	–	(2,682)	(7,337)	–	298	(33,264)
At December 31, 2011	(61,210)	(61,446)	6,642	171,364	3,649	6,226	2,908	133,740	(25,124)	2,102	178,851
(Charge) credit to profit or loss *(Note 8)*	43,336	(41,088)	10,233	38,303	3	2,619	1,874	(3,081)	–	1,540	53,739
Charge to other comprehensive income for the year	–	–	–	–	–	–	–	–	(257)	–	(257)
At December 31, 2012	(17,874)	(102,534)	16,875	209,667	3,652	8,845	4,782	130,659	(25,381)	3,642	232,333

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

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	212,115	240,061	250,207
Deferred tax liabilities	–	(61,210)	(17,874)
	212,115	178,851	232,333

No deferred tax asset has been recognized in respect of the following unutilized tax losses due to the unpredictability of future profit streams. The unrecognized tax losses will expire in the following years:

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
To be expired on:			
December 31, 2012	334	334	–
December 31, 2013	370	104	–
December 31, 2014	350	58	–
December 31, 2015	828	582	5
December 31, 2016	–	13,472	13,205
December 31, 2017	–	–	13,337
Total unused tax losses not recognized as deferred tax assets	1,882	14,550	26,547

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to Nil, Nil and RMB714,943,000 as at December 31, 2010, 2011 and 2012 respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

The inventories are raw materials, consumables and others.

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

	At 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 *(Note 35)*	–	318,556	–
At the end of the year	2,674,296	2,615,635	3,570,940

The properties under development are located in the PRC with lease terms ranging from 40 to 70 years.

The Group was in the process of obtaining the certificates of land use rights of nil, nil and RMB85,050,000 from the relevant authorities at December 31, 2010, 2011 and 2012 respectively.

The Group had pledged properties under development of RMB1,637,865,000, RMB1,584,979,000 and RMB996,635,000 at December 31, 2010, 2011 and 2012 respectively to secure general banking facilities granted to the Group as set out in Note 36.

As at December 31, 2010, 2011 and 2012, properties under development for sale with carrying value of RMB569,185,000, RMB1,587,347,000 and RMB1,507,314,000 are expected to be completed after twelve months from the end of respective reporting periods.

24. PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at cost and situated in the PRC.

As at December 31, 2010, 2011 and 2012, properties held for sale of RMB601,243,000, RMB342,898,000 and RMB97,313,000 respectively are pledged to secure general banking facilities granted to the Group as set out in Note 36.

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of overdue rental receivables. Pursuant to the lease agreements, rental payment is required to be settled in advance with no credit period being granted to the tenants. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date.

	At 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 for Qinghe Northern warehouse *(note a)*	–	130,779	–
Prepayment/compensation for Water Metre Plant area project *(note b)*	–	407,346	28,693
Guarantee deposits for other loans granted to the Group *(note c)*	5,500	7,733	–
Guarantee deposits for housing provident fund loans provided to customers *(note d)*	2,515	1,605	5,099
	330,099	841,370	446,241

Notes:

(a) Balance as at December 31, 2011 represented the prepayment in relation to the land resettlement of Qinghe Northern warehouse area project. The management of the Group decided not to participate in the land resettlement projects for the purpose of obtaining the land use right. During the year ended December 31, 2012, the prepayments were fully refunded to the Group.

(b) Balance as at December 31, 2011 represented the prepayment in relation to resettlement of Water Metre Plant area project. During the year ended December 31, 2012, the Group further paid RMB5,600,000 for this project and the total amount of prepayment paid for the project was RMB400,449,000. As described in Note 6(b), pursuant to the compensation agreement signed with an independent third party, the Group is entitled to receive RMB573,862,000 (including refund of the prepayment of RMB400,449,000 and compensation of RMB160,916,000) from the independent third party and part of the compensation were settled during the year ended December 31, 2012.

(c) Deposits paid for other loans granted to the Group as at December 31, 2010 represented the initial deposit paid to the trust fund company for other loan granted to the Group, the deposit was refunded to the Group during the year ended December 31, 2011.

Deposits paid for other loans granted to the Group as at December 31, 2011 represented amounts paid to trust fund companies to secure other loans granted to the Group, when certain percentage of the pledged properties held for sales to obtain the loans have been sold by the Group. The deposits was refunded from the trust fund companies during the year ended December 31, 2012.

(d) Guarantee deposits for housing provident fund loans provided to customers represent amounts placed with Housing Provident Fund Management Center, a state-owned organization responsible for the operation and management of housing provident fund, to secure the housing provident fund loans provided to customers and will be refunded to the Group upon customers obtaining the property individual ownership certificate.

The following is an aged analysis of trade receivables and bill receivables based on due date for rental receivables and agreement date for receivables from properties sold, which approximated the respective revenue recognition dates, at the end of each of the reporting period:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	6,013	15,485	15,133
1-2 years	–	–	–
2-3 years	11	–	–
Over 3 years	–	11	–
	6,024	15,496	15,133

Most of the above trade receivables are overdue rental receivables but not impaired at the end of each of the reporting period. The Group does not hold any collateral over these balances.

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	3,603	8,035	8,034
Provided during the year	5,006	–	11
Reversed during the year	(42)	–	–
Reversed upon disposal of a subsidiary	(532)	–	–
Write off during the year	–	(1)	–
At the end of the year	8,035	8,034	8,045

Movements in the allowance for doubtful debts on other receivables are set out as follows:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	15,846	17,861	14,190
Provided during the year	3,190	–	–
Reversed during the year	(875)	–	–
Reversed upon disposals of subsidiaries	(300)	–	–
Write off during the year	–	(3,671)	–
At the end of the year	17,861	14,190	14,190

26. RESTRICTED CASH/BANK BALANCES AND CASH

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Guarantee deposits for mortgage loans provided to customers *(note a)*	57,362	54,179	74,026
Guarantee deposits for construction of pre-sold properties *(note b)*	–	211	11,199
Balance of restricted cash	57,362	54,390	85,225

Notes:

(a) Guarantee deposits for mortgage loans provided to customers represent restricted cash placed with the banks to secure the mortgage guarantees provided to customers and will be released upon customers obtaining the property individual ownership certificate.

(b) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand:	806,496	337,532	872,937
Less: Restricted cash	(57,362)	(54,390)	(85,225)
	749,134	283,142	787,712

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

The deposits carry variable rates of 0.36% per annum, 0.5% per annum and 0.35% per annum as at December 31, 2010, 2011 and 2012 respectively.

Bank balances and cash at December 31, 2010, 2011 and 2012 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

27. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At 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

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe, if any.

The following is an aged analysis of trade payables based on invoice date at the end of reporting period:

	At 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

Other payables included amount of RMB135,217,000 and RMB69,670,000 as at December 31, 2011 and RMB135,217,000 and RMB2,309,000 as at December 31, 2012 in relation to consideration payable and other payable arisen from acquisition of Suizhong Changlong and Hubei Wanxing (Note 35), respectively which are interest free with no fixed repayment terms and repayable on demand.

Other payables as at December 31, 2012 included amount of RMB20,000,000 in relation to consideration payable arisen from the share transfer between Modern Green Industrial and Macro-Link. Pursuant to the share transfer agreement, Beijing Green Project acquired 1.875% equity interest in Modern Green Development at a cash consideration of RMB53,280,000, and amount of RMB33,280,000 was paid as of December 31, 2012. The remaining consideration of RMB20,000,000 was subsequently settled in February 2013.

28. TAXATION PAYABLE

	At 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

29. BANK AND OTHER BORROWINGS

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Bank loans, secured	1,128,300	633,400	809,900
Other loans, secured	640,000	1,190,000	300,000
Other loan, unsecured	–	200,000	–
	1,768,300	2,023,400	1,109,900

The borrowings are repayable:

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	–	1,148,400	109,000
More than one year, but not exceeding two years	881,000	611,000	651,900
More than two years, but not exceeding five years	607,300	–	219,000
More than five years	280,000	264,000	130,000
	1,768,300	2,023,400	1,109,900
Less: Amount due within one year shown under current liabilities	–	(1,148,400)	(109,000)
Amount due after one year	1,768,300	875,000	1,000,900

Bank and other borrowings at the end of each reporting period are denominated in RMB.

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in Note 36.

Borrowings include RMB1,128,300,000, RMB833,400,000 and RMB809,900,000 variable rate borrowings which carry interest ranging from 5.67% to 6.75%, 5.4% to 13.5%, 5.4% to 9.84% per annum at December 31, 2010, 2011 and 2012 respectively, and exposed the Group 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 14.8% and 16% per annum at December 31, 2010, 2011 and 2012 respectively, and exposed the Group to fair value interest rate risk.

In March 2011, the Group entered into an agreement with a trust fund company pursuant to which 49% equity interest of a subsidiary of the Company, Jiangxi Modern Green, and amount due from Jiangxi Modern Green with carrying amount of RMB111,800,000 was transferred to a trust fund company at a cash consideration of RMB200,000,000. Simultaneously, the Group agreed to repurchase and the trust fund company agreed to sell the 49% equity interest in the subsidiary and amount due from Jiangxi Modern Green at a cash consideration of RMB88,200,000 and RMB111,800,000, respectively, at the end of the term of 21 months. Jiangxi Modern Green is accounted for as a subsidiary, taking into account that the Group can still exercise control over Jiangxi Modern Green and the compulsory repurchase arrangement. The equity transaction as a whole has been treated in this Financial Information as a loan granted to the Group. The loan amounting to RMB200,000,000, which had been drawn down in March 2011, carries interest rate at 13% per annum plus upward adjustment of 1 year benchmark loan rate declared by The People's Bank of China, is secured by 51% equity interest in Jiangxi Modern Green. It was fully repaid during the year ended December 31, 2012.

In May 2011, the Group borrowed RMB200,000,000 from Modern Property through the entrusting loan arrangement. The entrusting loan, which had been fully drawn down in May 2011, is unsecured, carries fixed interest rate at 6.4% per annum and repayable on May 16, 2014. The entrusted loan was fully repaid during the year ended December 31, 2012.

In April 2012, the Group borrowed a loan amounting to RMB300,000,000 from a trust fund company, the loan is secured by property, plant and equipment, carries fixed interest rate at 16% per annum and repayable in April 2014.

30. PAID-IN/SHARE CAPITAL

<u>The Group</u>

The share capital of the Group at December 31, 2010 represents the combination of the paid-in capital of Modern Green Industrial and the Company. The share capital of the Group at December 31, 2011 and 2012 represents the share capital of the Company.

<u>The Company</u>

	Number of shares	Amount	Equivalent to
		USD	*RMB'000*
Ordinary shares of USD1 each			
Authorized:			
At December 31, 2010, 2011 and 2012	50,000	50,000	342
Issued and fully paid:			
At December 31, 2010, 2011 and 2012	50,000	50,000	342

31. INVESTMENT IN A SUBSIDIARY

		At December 31,		
		2010	**2011**	**2012**
Unlisted shares, at cost	USD	1	1	1
	RMB	7	7	7
Shown in the Financial Information as	RMB'000	–	–	–

On September 27, 2010, the Company acquired 1 share at US$1 in Great Trade.

32. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group entities in the PRC contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

33. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

In April 2010, a wholly-owned subsidiary of the Company, Modern Green Industrial, acquired 0.625% equity interest in Modern Green Development Co., Ltd from Mr. Jiang Peng, a former employee of the Group, at a consideration of RMB696,500. Upon the completion of acquisition, Modern Green Industrial's equity interest in Modern Green Development increased to 94.351%.

In September 2010, the remaining 40% equity interest in Modern Moma Project Management has been acquired by a wholly-owned subsidiary of the Company, Jiu Yun Development, at a consideration of RMB1,270,000 from the non-controlling shareholder.

In June 2011, a wholly-owned subsidiary of the Company, Beijing Green Project, acquired 3.774% equity interest in Modern Green Development, from Mr. Zhang Lei, Mr. Li Jing, Mr. Chen Yin, Mr. Fan Qingguo, Mr. Zhang Peng and Mr. Han Fengguo, at a consideration of RMB11,123,600. Upon the completion of the acquisition, the Group's equity interest in Modern Green Development increased to 98.125%.

In December 2012, Beijing Green Project entered into a share transfer agreement with Macro-Link to acquire the remaining 1.875% equity interest in Modern Green Development at a consideration of RMB53,280,000. Upon the completion of acquisition, the Group is entitled to 100% equity interest in Modern Green Development as at December 31, 2012.

34. DISPOSALS OF SUBSIDIARIES

During the year ended December 31, 2010, a non-wholly-owned subsidiary of the Company, Modern Green Development, disposed of its 100% equity interest in a subsidiary, Capital Design, to an independent third party and its 93.75% equity interest in a subsidiary, Modern Enlightment, to Beijing MOMA Investment Management Co., Ltd. 北京摩碼投資管理有限公司 ("Beijing Moma Investment"), a company controlled by Mr. Zhang Lei. The cash consideration of these two disposal transactions was RMB3,000,000 and RMB1,200,000 respectively.

During the year ended December 31, 2011, a non-wholly-owned subsidiary of the Company, Modern Green Development transferred its 80% equity interest in Beijing Dongjun Club to First Moma Asset Operation (Beijing) Co., Ltd. 第一摩碼資產管理(北京)有限公司 (formerly known as Modern Resort Asset Operation (Beijing) Co., Ltd. 當代勝地資產運營(北京)有限公司) ("First Moma Asset") at a cash consideration of RMB400,000, which was determined with reference to the registered capital of Beijing Dongjun Club.

	Year ended December 31,	
	2010	**2011**
	RMB'000	*RMB'000*
Consideration received:		
Cash received	4,200	400
Total consideration received	4,200	400
Analysis of assets and liabilities over which control were lost:		
Trade and other receivables	3,022	56
Inventories	810	21
Property, plant and equipment	522	42
Intangible assets	186	–
Bank balances and cash	833	44
Trade and other payables	(3,841)	(2,655)
Net assets (liabilities) disposed of	1,532	(2,492)
Gain on disposal of subsidiaries:		
Cash consideration	4,200	400
Net (assets) liabilities disposed of	(1,532)	2,492
Non-controlling interests	(89)	(499)
Gain on disposal of subsidiaries	2,579	2,393
Net cash inflow (outflow) arising on disposal:		
Cash consideration	4,200	400
Less: bank balances and cash disposed of	(833)	(44)
	3,367	356

In respect of the subsidiaries disposed of during the respective years, as the companies had insignificant contribution to the revenue, profits and cash flow to the Group during the year of disposal, the respective disclosure on their contribution to the Group's revenue, profits and cash flow during the respective years has not been presented.

35. ACQUISITION OF SUBSIDIARIES

Pursuant to the share transfer agreement dated January 25, 2011, the non-wholly-owned subsidiaries of the Company, Beijing Modern and Modern Green Development acquired the entire share of Hubei Wanxing from independent third parties at a consideration of RMB266,682,000. In addition, the Group also undertook to pay the individual income tax imposed on the sellers arising from this transfer of the entire interest in Hubei Wanxing amounting to RMB61,670,000, with aggregate consideration amounted to RMB328,352,000. The principal activity of Hubei Wanxing is property development. This acquisition is accounted for as an acquisition of assets.

Upon the completion of the share transfer on October 8, 2011, the Group legally owned 100% equity interest in Hubei Wanxing.

Pursuant to the share transfer agreement dated March 15, 2011, a non-wholly-owned subsidiary of the Company, Modern Moma acquired the entire share of Suizhong Changlong from an independent third party at a cash consideration of RMB120,000,000. The Group also undertook to pay the individual income tax imposed on the seller arising from this transfer of the entire interest in Suizhong Changlong amounting to RMB27,500,000, with aggregate consideration amounted to RMB147,500,000. The principal activity of Suizhong Changlong is property development. This acquisition is accounted for as an acquisition of assets.

Modern Moma legally owned 40% equity interest in Suizhong Changlong upon paying RMB48,000,000 during the year ended December 31, 2011, with the 60% equity interest is still registered in name of the seller. Pursuant to the share transfer agreement, Modern Moma can exercise control over the financial and operating policies of Suizhong Changlong while the seller cannot entitle the shareholder interest in Suizhong Changlong, accordingly, Suizhong Changlong is accounted as a wholly-owned subsidiary of Modern Moma.

The net assets of subsidiaries at the date of acquisitions are as follows:

	Year ended December 31, 2011	
	Hubei Wanxing	**Suizhong Changlong**
	RMB'000	*RMB'000*
Assets acquired and liabilities recognized at the date of acquisition:		
Prepaid lease payment	91,982	212,654
Property, plant and equipment	693	–
Properties under development	318,556	–
Bank balances and cash	806	–
Trade and other payables	(83,685)	(65,154)
Total consideration	328,352	147,500
Satisfied by:		
Cash	258,682	48,000
Other payable *(note 27)*	69,670	99,500
	328,352	147,500
Net cash (inflow) outflow arising on acquisition:		
Cash consideration	258,682	48,000
Bank balances and cash acquired	(806)	–
	257,876	48,000

36. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of each reporting period:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Investment properties	163,464	105,299	139,059
Prepaid lease payments	395,022	–	42,559
Properties under development	1,637,865	1,584,979	996,635
Properties held for sale	601,243	342,898	97,313
Property, plant and equipment	76,394	637,430	657,328
Bank deposits	57,362	54,390	85,225
Deposit paid for other loans	–	7,733	–
Guarantee deposits for housing provident fund loans provided to customers	2,515	1,605	5,099
	2,933,865	2,734,334	2,023,218

Right of the income generated during the years ended December 31, 2010, 2011 and 2012 from certain investment properties and property, plant and equipment of the Group has been charged as security to the trust fund. The security has been released in December 2012 upon settlement of all borrowings from the trust fund.

The Company has no pledged assets at the end of each reporting period.

37. CAPITAL AND OTHER COMMITMENTS

At the end of each reporting period, the Group had the following commitments:

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

In addition, the Group has entered into a project management service contract in relation to a property development project with an independent third party. Pursuant to the project management service contract, the Group has provided a guarantee of minimum rate of return of investment of the project and the Group would entitle to receive variable bonus service fee if the rate of return of investment of the project is above certain levels. The management has 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 at December 31, 2011 and 2012.

The Company had no commitments at the end of each reporting period.

38. CONTINGENT LIABILITIES

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, accordingly, no value has been recognized at the inception of the guarantee contracts and at the end of the reporting period as at December 31, 2010, 2011 and 2012. 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.

The amounts of the outstanding guarantees at the end of each reporting period are as follows:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Mortgage guarantees	1,427,021	1,229,559	1,434,739

39. OPERATING LEASE COMMITMENT

The Group as a lessor

Property rental income recognized during the years ended December 31, 2010, 2011 and 2012 amounted to approximately RMB15,600,000, RMB17,577,000, and RMB19,669,000 respectively. The properties held by the Group for rental purpose have committed tenants from one year to twenty years with fixed rental.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments as follows:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	11,350	15,859	21,073
In the second to fifth year inclusive	21,896	12,260	47,804
After five years	746	885	37,984
	33,992	29,004	106,861

The Company has no operating lease commitment as a lessor at the end of each reporting period.

40. RELATED PARTY BALANCES AND TRANSACTIONS

(a) At the end of each reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Companies controlled by Mr. Zhang Lei/Mr. Zhang Lei and Mr. Salum Zheng Lee			
Modern Group	202,240	–	–
Modern Property Holdings Limited* ("Modern Property Holdings") 當代置業控股有限公司	113	–	–
Modern Enlightment	4	–	–
Beijing Modern City Real Estate	–	10	–
Beijing Megahall Hotel Operation Management Co., Ltd.* ("Beijing Megahall Hotel") 北京萬國城酒店運營管理有限公司	–	110	–
Beijing First Estate	–	1,437	1,777
Beijing Modern Innovation Landscape Engineering Co., Ltd.* ("Innovation Landscape") 北京當代創新園林工程有限責任公司	–	43	–
	202,357	1,600	1,777
Shareholder			
Super Land	325	342	342
Total non-trade balances *(note i)*	202,682	1,942	2,119
Companies controlled by Mr. Zhang Lei/Mr. Zhang Lei and Mr. Salum Zheng Lee			
Beijing First Estate	47	–	–
Beijing Moma Investment	1,200	–	–
Hunan First Estate Service Co., Ltd.* ("Hunan First Estate") 湖南第一物業服務有限公司	–	2,338	–
Beijing Moma Preschool Education Technology Operations Co., Ltd.* ("Beijing Moma Preschool") 北京摩碼幼教科技運營有限公司	–	181	–
Beijing Tongzheng Equipment Maintenance Co., Ltd. ("Beijing Tongzheng Equipment") 北京通正設施設備有限公司	–	–	186
Total trade balance *(note ii)*	1,247	2,519	186
	203,929	4,461	2,305

* The English name of the companies which operate in the PRC are for reference only and have not been registered.

Notes:

(i) Balances are of non-trade nature, unsecured, interest free and repayable on demand. The Directors represented that the balances will be settled before the Company's shares listing on the Stock Exchange (the "Listing").

The following information is disclosed pursuant to section 161B of the Hong Kong Companies Ordinance:

Name of related party	At January 1, 2010	Maximum amount outstanding Year ended December 31, 2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Modern Group	–	429,170	202,240	–
Modern Property Holdings	–	122	113	–
Modern Enlightment	–	102,361	4	–
Super Land	342	331	342	342
Beijing Modern City Real Estate	–	–	15	10
Beijing Megahall Hotel	–	–	190	110
Beijing Dongjun Club	–	–	2,613	41
First Moma Asset	–	–	400	–
Beijing First Estate	–	–	4,077	2,921
Innovation Landscape	–	–	43	43

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

The following is an aged analysis of amounts due from related parties of trade nature based on invoice date which approximated the respective revenue recognition dates, at the end of each reporting period:

	At December 31, 2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	1,247	2,519	186

(b) At the end of each reporting period, the Group has amounts payable to the following related parties and the details are set out below:

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Companies controlled by Mr. Zhang Lei/Mr. Zhang Lei and Mr. Salum Zheng Lee			
Beijing Modern City Real Estate	–	–	–
Modern Property	1,264	–	–
Modern Group	–	–	–
Modern Property Holdings	84	–	–
Modern Investment Group (Aust) Pty. Ltd.* ("Modern Investment Pty") 當代投資集團(澳洲)有限公司	–	–	–
High-Tech Land Holdings Limited* ("High-Tech") 高科置地控股有限公司	–	–	–
Modern Investment Group (Canada) Ltd. 當代投資集團(加拿大)有限公司	–	–	176
Modern Great Trade	12,100	–	–
	13,448	–	176
Shareholder			
Super Land	2,003	3,175	3,140
Total non-trade balances *(note i)*	15,451	3,175	3,316
Companies controlled by Mr. Zhang Lei/Mr. Zhang Lei and Mr. Salum Zheng Lee			
Innovation Landscape	–	4,533	–
Beijing Capital City Construction Engineering Co., Ltd* ("Beijing Capital") 北京首都城市建設工程有限公司	2,975	4,081	1,171
Modern Enlightment	311	311	116
Beijing First Estate	142	490	6,779
Beijing Tongzheng Equipment	52	203	232
Hunan First Estate	2	4	4
Shanxi First Estate Service Co., Ltd. ("Shanxi First Estate") 山西第一物業服務有限公司	–	–	4,172
Modern Group	–	–	1,324
Moma Club Management (Beijing) Co., Ltd.* ("Moma Club") 摩碼會俱樂部管理(北京)有限公司	–	–	30
Total trade balance *(note ii)*	3,482	9,622	13,828
	18,933	12,797	17,144

* The English name of the companies which operate in the PRC are for reference only and have not been registered.

Notes:

(i) Balances are of non-trade nature, unsecured, interest free and repayable on demand. The Directors represented that the balances will be settled before the Listing.

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

The following is an aged analysis of amounts due to related parties of trade nature based on invoice date at the end of each reporting period:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	3,180	6,408	12,541
1-2 years	302	2,912	1,171
2-3 years	–	302	9
More than 3 years	–	–	107
	3,482	9,622	13,828

(c) Loans from related parties

In addition to amounts due to related parties as mentioned in Note 40(b) above, the Group obtained a loan from Modern Property as disclosed in Note 29.

(d) During the Relevant Periods, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Year ended December 31, 2010	2011	2012
		RMB'000	*RMB'000*	*RMB'000*
Companies controlled by Mr. Zhang Lei/ Mr. Zhang Lei and Mr. Salum Zheng Lee				
Beijing First Estate	Rental income *(note i)*	132	132	132
	Property management services fee *(note i)*	15,877	11,254	14,380
Moma Club	Rental income	487	730	730
	Property management services fee *(note i)*	326	1,151	1,306
Beijing Gold Family Technology Co., Ltd.* 北京金世家科技有限公司	Sale of property	19,090	–	–
Hunan First Estate	Property management services fee *(note i)*	1,323	3,261	6,958
Shanxi First Estate	Property management services fee *(note i)*	1,077	6,203	8,577
Jiangxi First Property Service Co., Ltd.* ("Jiangxi First Estate") 江西第一物業服務有限公司	Property management services fee *(note i)*	238	785	3,487
Beijing Capital	Construction costs	2,585	1,428	–
Innovation Landscape	Construction costs	–	8,235	30
Modern Enlightment	Construction costs	9	–	–
First Moma Asset	Consideration of disposal of subsidiaries *(note ii)*	–	400	–
Beijing Moma Investment	Consideration of disposal of subsidiaries *(note ii)*	1,200	–	–
Modern Group	Rental expense	–	–	2,978
Modern Property	Interest expense	–	7,555	7,644

Name of related party	Nature of transaction	Year ended December 31, 2010	2011	2012
		RMB'000	*RMB'000*	*RMB'000*
First Moma Real Estate Brokerage (Beijing) Co., Ltd.* 第一摩碼聯行房地產經紀(北京)有限公司 (formerly known as Tong Zheng Lian Hang Real Estate Brokerage (Beijing) Co., Ltd.* 通正聯行房地產經紀(北京)有限公司)	Rental income	38	–	–
	Real estate agency services fee *(note i)*	56	125	1,311
Hubei First Property Service Co., Ltd.* ("Hubei First Estate") 第一物業服務湖北有限公司	Property management service tee *(note i)*	–	–	1,019
Beijing Moma Preschool	Rental income *(note i)*	–	181	381
First Moma Commercial Operation Management (Beijing) Co., Ltd.* 第一摩碼商業運營管理(北京)有限公司 (formerly known as Modern Resort Business Operation Management (Beijing) Co., Ltd.* 當代勝地商業運營管理(北京)有限公司)	Real estate agency services fee *(note i)*	1,123	635	3,972
	Rental income	–	–	102
Beijing Tongzheng Equipment	Property management services fee *(note i)*	498	946	2,206

* The English name of the companies which operate in the PRC are for reference only and have not been registered.

Notes:

(i) The transactions with related parties are expected to continue after Listing.

(ii) The details of disposal of subsidiaries to related parties are disclosed in Note 34.

During the year ended December 31, 2010, an employee of Modern Green Development of the Group used the property developed by Beijing Modern City Real Estate pursuant to the agreement dated November 29, 2010 entered into between Modern Green Development and the employee, with market value amounted to approximately RMB4,071,000, the title of the property will be transferred to the employee upon his completion of the service period of 10 years. The Group recognized this transaction as staff cost and contribution from a company controlled by the shareholder amounted to RMB68,000, RMB407,000, and RMB407,000 for the years ended December 2010, 2011 and 2012, respectively.

(e) At the end of each reporting period, the Company has amounts receivable from the following related parties:

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Subsidiaries			
Great Trade	–	4	4
Jiu Yun Development	–	1,260	1,233
	–	1,264	1,237
Shareholder			
Super Land	325	342	342
	325	1,606	1,579

Amounts due from related parties are of non-trade nature, unsecured, interest free and repayable on demand.

The following information is disclosed pursuant to section 161B of the Hong Kong Companies Ordinance:

		Maximum amount outstanding		
	At January 1,	Year ended December 31,		
Name of related party	**2010**	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Super Land	342	331	342	342

(f) At the end of each reporting period, the Company has amounts payable to the following related parties and the details are set out below:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Subsidiary			
Jiu Yun Development	–	13	5
Modern Green Development	–	–	6
	–	13	11
Company controlled by Mr. Zhang Lei/ Mr. Zhang Lei and Mr. Salum Zheng Lee			
Shareholder			
Super Land	–	1,354	1,339
	71	1,354	1,339
	71	1,367	1,350

Amounts due to related parties are of non trade nature, unsecured, interest free and repayable on demand. The Directors represented that the balances will be settled before the Listing.

(g) At the end of each reporting period, the future minimum lease payment from related parties whereby the Group acts as a lessor and included in Note 39 is as follows:

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Beijing First Estate			
Within one year	132	55	132
In the second to fifth year inclusive	55	–	187
	187	55	319

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Moma Club			
Within one year	243	730	730
In the second to fifth year inclusive	–	730	–
	243	1,460	730

	At December 31,		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Beijing Moma Preschool			
Within one year	–	254	241
In the second to fifth year inclusive	–	826	543
	–	1,080	784

In addition to rental income from Beijing Moma Preschool, Beijing Modern has entered into a tenancy agreement with Beijing Moma Preschool dated August 6, 2009, to lease certain properties for operation of preschool for a term of 20 years commencing from September 21, 2011 to August 31, 2029, with a rent free for the first three years and at a rent to be negotiated commencing from the fourth year term of the lease agreement.

(h) The details of remuneration of key management personnel, represents emolument of directors of the Company paid during the Relevant Periods are set out in Note 11.

41. RESERVES

The Company

	Accumulated losses
	RMB'000
At January 1, 2010	(77)
Profit for the year	1
At December 31, 2010	(76)
Loss for the year	(21)
At December 31, 2011	(97)
Loss for the year	(11)
At December 31, 2012	(108)

42. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group and the Company's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 29, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital/registered capital, reserves and retained profits. The capital structure of the Company consists of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

43. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At December 31,		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial assets			
Loans and receivables (including bank balances and cash)	1,042,310	930,797	979,533
Available-for-sale investments	11,070	12,056	12,056
Financial liabilities			
Liabilities measured at amortized cost	(2,251,734)	(2,743,369)	(1,903,453)
The Company			
Financial assets			
Loans and receivables (including bank balances and cash)	337	1,612	1,584
Financial Liabilities			
Liabilities measured at amortized cost	71	1,367	1,350

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, restricted cash, bank balances and cash, trade and other payables, amounts due to related parties and bank and other borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company's major financial instruments include amounts due from subsidiaries and related parties, bank balances and cash, amount due to a subsidiary and amounts due to related parties. Details of these financial instruments are set out in respective notes. The management of the Group considers that the risk associated with these financial instruments is minimal and will manage and monitor the exposures to ensure appropriate measures are implemented on a timely and effectively manner, should the risk exists.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates risks and other price risk (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and deposits, restricted cash and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China.

The Group's fair value interest rate risk relates primarily to its fixed rate other borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances and deposits, restricted cash and variable rate bank borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 20 basis points increase or decrease for variable rate bank borrowings and a 10 basis points increase or decrease for bank balances and deposits and restricted cash are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank borrowings, bank balances and deposits and restricted cash, respectively.

If interest rates had been increased/decreased by 20 basis points in respect of variable rate bank borrowings and all other variables were held constant, the Group's profit (net of interest capitalization effect) would decrease/increase by approximately RMB886,000, RMB811,000 and RMB397,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

If interest rates had been increased/decreased by 10 basis points in respect of bank balances and deposits and restricted cash and all other variables were held constant, the Group's profit would increase/decrease by approximately RMB605,000, RMB253,000 and RMB655,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

(2) Price risk

The Group is exposed to equity price risks through its available-for-sale investments. At December 31, 2010, 2011 and 2012, the management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

(3) Foreign currency risk

The functional currency of the group entities is RMB in which most of the transactions are denominated. Foreign currencies denominated transactions arise from the Group's overseas operation, such as purchases of land held for further development and certain expenses incurred. Certain bank balances denominated in foreign currencies expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the reporting period are as follows:

	Assets			Liabilities		
	At December 31,			At December 31,		
	2010	2011	2012	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
USD	15	15	21,609	–	–	–

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of each foreign currency against RMB while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting period for a 5% change in foreign currency rates.

An analysis of sensitivity to currency risk is as follows:

	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Increase (decrease) in post-tax profit for the year			
– if RMB weakens against USD	–	–	1,081
– if RMB strengthens against USD	–	–	(1,081)

Credit risk management

At each of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated and Company's statements of financial position and the amount of contingent liabilities disclosed in Note 38. In order to minimize the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables and amounts due from related parties at each of the end of the reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

For properties that are pre-sold but development has not been completed, the Group typically provides 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. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resales the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The Directors closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for non-derivative variable rate financial liabilities is subject to changes if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate	**Repayable on demand or less than 1 year**	**1-3 years**	**Over 3 years**	**Total undiscounted cashflows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-interest bearing	–	483,434	–	–	483,434	483,434
Fixed interest rate instruments	14.54	94,322	697,823	–	792,145	640,000
Variable interest rate instruments	5.73	65,533	929,431	359,794	1,354,758	1,128,300
Financial guarantee contracts	–	1,427,021	–	–	1,427,021	–
At December 31, 2010		2,070,310	1,627,254	359,794	4,057,358	2,251,734
Non-interest bearing	–	719,969	–	–	719,969	719,969
Fixed interest rate instruments	13.14	962,747	378,195	–	1,340,942	1,190,000
Variable interest rate instruments	8.49	372,914	302,459	339,843	1,015,216	833,400
Financial guarantee contracts	–	1,229,559	–	–	1,229,559	–
At December 31, 2011		3,285,189	680,654	339,843	4,305,686	2,743,369
Non-interest bearing	–	793,553	–	–	793,553	793,553
Fixed interest rate instruments	16.00	48,000	316,000	–	364,000	300,000
Variable interest rate instruments	7.30	163,636	594,957	201,702	960,295	809,900
Financial guarantee contracts	–	1,434,739	–	–	1,434,739	–
At December 31, 2012		2,439,928	910,957	201,702	3,552,587	1,903,453

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1-3 years	Over 3 years	Total undiscounted cashflows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-interest bearing at December 31, 2010	–	71	–	–	71	71
Non-interest bearing at December 31, 2011	–	1,367	–	–	1,367	1,367
Non-interest bearing at December 31, 2012	–	1,350	–	–	1,350	1,350

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices respectively;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Company's statement of financial position and consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

B. DIRECTORS' REMUNERATION

Same as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

C. SUBSEQUENT EVENTS

(1) In February 2013, Modern Green Development and Shanxi Modern Green Development are involved in arbitration proceedings with two management firms (the "Hotel Management Group") specializing in the management of hotel residences and serviced apartments in relation to management services of the Group's planned serviced apartments, the Hotel Management Group claimed its loss or profits under the agreement entered with the Group, the management of the Company is of the view that full payment of claims of the Hotel Management Group in the arbitration is remote, with reference to the PRC's legal opinion.

(2) In March 2013, the Group borrowed a loan amounting to RMB200,000,000 from a trust fund company, the loan was secured, carried fixed interest rate at 12.8% per annum and repayable in March 2015.

(3) On March 25, 2013, Modern Green Development entered into a share transfer agreement with Modern Construction Investment Management Co., Ltd., a company controlled by Mr. Zhang Lei, to dispose of 100% equity interest in Modern Moma which held 100% equity interest in Suizhong Changlong at consideration of RMB110.4 million (being the sum of the paid-in capital of Modern Moma of RMB10.0 million as of February 28, 2013 and the outstanding loans in aggregate of approximately RMB100.4 million due to the group entities by Modern Moma). Upon the completion of disposal, the Group had no equity interest in Modern Moma and Suizhong Changlong, resulting in an estimated gain of approximately RMB358,000 which will be credited to the special reserve.

(4) In April and May 2013, the Group entered into sales and purchase agreements for sales of certain of its investment properties to independent third parties with carrying value of RMB70.5 million at December 31, 2012, at aggregate consideration of RMB71.9 million. The management expects the transactions to be settled and completed in the third quarter of 2013, with realized fair value gain arising from the disposal of the investment properties amounting to approximately RMB1.4 million.

(5) Pursuant to the resolutions in writing of the shareholders of the Company passed on June 14, 2013,

i. each ordinary share with a nominal value of USD1.00 in the Company's authorized share capital was sub-divided into 100 ordinary shares with a nominal value of USD0.01 each and the authorized share capital of the Company was increased from USD50,000 to USD20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,995,000,000 shares of USD0.01 each; and

ii. conditional on the share premium account of the Company being credited as a result of the issue of 400,000,000 shares by the Company pursuant to the global offering, the Directors were authorized to capitalize an amount of USD11,950,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par 1,195,000,000 shares of the Company. Such Shares to be allotted and issued to the Shareholders as of June 14, 2013 on a pro rata basis.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to December 31, 2012.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong