

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

December 10, 2013

The Board of Directors  
Logan Property Holdings Company Limited

Macquarie Capital Securities Limited

Dear Sirs,

## INTRODUCTION

We set out below our report on the financial information relating to Logan Property Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated balance sheets of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated December 10, 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on May 14, 2010 as an exempted company with limited liability under the Companies Law (2011 Revision) (as combined and revised) of the Cayman Islands. Pursuant to a group reorganization completed on April 1, 2013 (the "Reorganization") as detailed in the section headed "History and Reorganization" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company, Yuen Ming Investments Company Limited, Noble Rhythm International Limited, Jolly Gain Investments Limited, Tai Ying Investments Limited, Platinum Profit Investments Limited, Golden Prosper Investments Limited, Talent Union Investments Limited and Dragon Coronet Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 31 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2013.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011 and 2012 and June 30, 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2012, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

## 1 Consolidated income statements

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
<b>Turnover</b> .....	4	2,851,659	3,447,474	6,587,660	1,566,418	3,332,205
<b>Direct costs</b> .....		(2,070,466)	(2,062,001)	(4,027,359)	(941,799)	(2,307,004)
<b>Gross profit</b> .....		781,193	1,385,473	2,560,301	624,619	1,025,201
Other revenue .....	5	16,168	16,801	33,775	15,267	11,336
Other net (loss)/income .....	6	(197)	11,316	522	(16)	(4,872)
Selling and marketing expenses .....		(63,058)	(148,460)	(205,686)	(59,425)	(125,916)
Administrative expenses .....		(123,708)	(207,606)	(280,059)	(122,776)	(184,558)
Net increase in fair value of investment properties .....	14	695,779	863,715	836,652	395,945	40,506
<b>Profit from operations</b> .....		1,306,177	1,921,239	2,945,505	853,614	761,697
Finance costs .....	7(a)	(5,047)	(96,284)	(170,218)	(86,251)	(63,501)
<b>Profit before taxation</b> .....	7	1,301,130	1,824,955	2,775,287	767,363	698,196
Income tax .....	8(a)	(361,509)	(561,801)	(958,318)	(251,938)	(255,937)
<b>Profit for the year/period</b> ...		<u>939,621</u>	<u>1,263,154</u>	<u>1,816,969</u>	<u>515,425</u>	<u>442,259</u>
<b>Attributable to:</b>						
— Equity shareholders of the Company .....		926,251	1,247,583	1,794,068	512,185	435,386
— Non-controlling interests .....		13,370	15,571	22,901	3,240	6,873
<b>Profit for the year/period</b> ...		<u>939,621</u>	<u>1,263,154</u>	<u>1,816,969</u>	<u>515,425</u>	<u>442,259</u>
<b>Basic earnings per share (RMB)</b> .....	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The accompanying notes form part of the Financial Information.

## 2 Consolidated statements of comprehensive income

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
<b>Profit for the year/period</b> . . . . .		939,621	1,263,154	1,816,969	515,425	442,259
<b>Other comprehensive income for the year/period (after tax and reclassification adjustments)</b> . . .	9					
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas entities . . . . .		4	24,226	(67)	(2,810)	9,678
<b>Total comprehensive income for the year/period</b> . . . . .		<u>939,625</u>	<u>1,287,380</u>	<u>1,816,902</u>	<u>512,615</u>	<u>451,937</u>
<b>Attributable to:</b>						
— Equity shareholders of the Company . . . . .		926,255	1,271,809	1,794,001	509,375	445,064
— Non-controlling interests . .		<u>13,370</u>	<u>15,571</u>	<u>22,901</u>	<u>3,240</u>	<u>6,873</u>
<b>Total comprehensive income for the year/period</b> . . . . .		<u>939,625</u>	<u>1,287,380</u>	<u>1,816,902</u>	<u>512,615</u>	<u>451,937</u>

The accompanying notes form part of the Financial Information.

## 3 Consolidated balance sheets

	Section B Note	At December 31,			At June 30,
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
<b>Non-current assets</b>					
Fixed assets	14				
— Investment properties		1,892,000	2,875,000	3,736,000	3,777,000
— Other property, plant and equipment		91,127	95,591	94,176	92,720
		<u>1,983,127</u>	<u>2,970,591</u>	<u>3,830,176</u>	<u>3,869,720</u>
Deferred tax assets	8(c)(ii)	114,074	216,896	245,514	269,098
		<u>2,097,201</u>	<u>3,187,487</u>	<u>4,075,690</u>	<u>4,138,818</u>
<b>Current assets</b>					
Inventories	15	7,769,021	11,576,962	13,273,524	16,067,971
Trade and other receivables	16	1,225,532	717,169	1,889,090	1,814,563
Tax recoverable	8(c)(i)	38,559	76,390	59,863	219,303
Restricted and pledged deposits	18	52,880	54,259	214,121	679,940
Cash and cash equivalents	19	900,822	959,681	2,536,868	2,314,728
		<u>9,986,814</u>	<u>13,384,461</u>	<u>17,973,466</u>	<u>21,096,505</u>
Non-current assets classified as held for sale	20	—	20,706	—	—
		<u>9,986,814</u>	<u>13,405,167</u>	<u>17,973,466</u>	<u>21,096,505</u>
<b>Current liabilities</b>					
Trade and other payables	21	5,079,906	7,743,111	10,565,960	12,055,399
Bank loans	22	709,000	1,557,500	1,831,000	2,907,370
Tax payable	8(c)(i)	149,386	295,513	624,847	538,298
		<u>5,938,292</u>	<u>9,596,124</u>	<u>13,021,807</u>	<u>15,501,067</u>
<b>Net current assets</b>		<u>4,048,522</u>	<u>3,809,043</u>	<u>4,951,659</u>	<u>5,595,438</u>
<b>Total assets less current liabilities</b>		<u>6,145,723</u>	<u>6,996,530</u>	<u>9,027,349</u>	<u>9,734,256</u>
<b>Non-current liabilities</b>					
Bank loans	22	4,169,225	4,178,010	4,183,235	4,446,145
Deferred tax liabilities	8(c)(ii)	279,833	495,161	693,353	700,492
		<u>4,449,058</u>	<u>4,673,171</u>	<u>4,876,588</u>	<u>5,146,637</u>
<b>NET ASSETS</b>		<u>1,696,665</u>	<u>2,323,359</u>	<u>4,150,761</u>	<u>4,587,619</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	23(a)	412,050	—	—	—
Reserves	23(b)	1,268,676	2,291,849	4,092,780	4,522,765
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,680,726</u>	<u>2,291,849</u>	<u>4,092,780</u>	<u>4,522,765</u>
<b>Non-controlling interests</b>		<u>15,939</u>	<u>31,510</u>	<u>57,981</u>	<u>64,854</u>
<b>TOTAL EQUITY</b>		<u>1,696,665</u>	<u>2,323,359</u>	<u>4,150,761</u>	<u>4,587,619</u>

The accompanying notes form part of the Financial Information.

## 4 Consolidated statements of changes in equity

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share/paid-in capital	Exchange reserve	PRC statutory reserves	Other reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At January 1, 2010	566,342	—	70,894	—	210,379	847,615	2,569	850,184	
<b>Changes in equity for 2010:</b>									
Profit for the year	—	—	—	—	926,251	926,251	13,370	939,621	
Other comprehensive income	—	4	—	—	—	4	—	4	
Total comprehensive income for the year	—	4	—	—	926,251	926,255	13,370	939,625	
Transfer to PRC statutory reserves	—	—	16,189	—	(16,189)	—	—	—	
Capital injection	133,000	—	—	75,398	—	208,398	—	208,398	
Arising on Reorganization	(287,292)	—	—	(14,250)	—	(301,542)	—	(301,542)	
At December 31, 2010	412,050	4	87,083	61,148	1,120,441	1,680,726	15,939	1,696,665	
At January 1, 2011	412,050	4	87,083	61,148	1,120,441	1,680,726	15,939	1,696,665	
<b>Changes in equity for 2011:</b>									
Profit for the year	—	—	—	—	1,247,583	1,247,583	15,571	1,263,154	
Other comprehensive income	—	24,226	—	—	—	24,226	—	24,226	
Total comprehensive income for the year	—	24,226	—	—	1,247,583	1,271,809	15,571	1,287,380	
Transfer to PRC statutory reserves	—	—	55,784	—	(55,784)	—	—	—	
Capital injection	140,000	—	—	—	—	140,000	—	140,000	
Arising on Reorganization	(552,050)	—	—	(248,636)	—	(800,686)	—	(800,686)	
At December 31, 2011	—	24,230	142,867	(187,488)	2,312,240	2,291,849	31,510	2,323,359	
At January 1, 2012	—	24,230	142,867	(187,488)	2,312,240	2,291,849	31,510	2,323,359	
<b>Changes in equity for 2012:</b>									
Profit for the year	—	—	—	—	1,794,068	1,794,068	22,901	1,816,969	
Other comprehensive income	—	(67)	—	—	—	(67)	—	(67)	
Total comprehensive income for the year	—	(67)	—	—	1,794,068	1,794,001	22,901	1,816,902	
Transfer to PRC statutory reserves	—	—	79,628	—	(79,628)	—	—	—	
Capital injection	6,930	—	—	—	—	6,930	3,570	10,500	
Arising on Reorganization	(6,930)	—	—	6,930	—	—	—	—	
At December 31, 2012	—	24,163	222,495	(180,558)	4,026,680	4,092,780	57,981	4,150,761	
At January 1, 2013	—	24,163	222,495	(180,558)	4,026,680	4,092,780	57,981	4,150,761	
<b>Changes in equity for the six months ended June 30, 2013:</b>									
Profit for the period	—	—	—	—	435,386	435,386	6,873	442,259	
Other comprehensive income	—	9,678	—	—	—	9,678	—	9,678	
Total comprehensive income for the period	—	9,678	—	—	435,386	445,064	6,873	451,937	
Arising on Reorganization	—	—	—	(15,079)	—	(15,079)	—	(15,079)	
At June 30, 2013	—	33,841	222,495	(195,637)	4,462,066	4,522,765	64,854	4,587,619	
(Unaudited)									
At January 1, 2012	—	24,230	142,867	(187,488)	2,312,240	2,291,849	31,510	2,323,359	
<b>Changes in equity for the six months ended June 30, 2012:</b>									
Profit for the period	—	—	—	—	512,185	512,185	3,240	515,425	
Other comprehensive income	—	(2,810)	—	—	—	(2,810)	—	(2,810)	
Total comprehensive income for the period	—	(2,810)	—	—	512,185	509,375	3,240	512,615	
Capital injection	6,930	—	—	—	—	6,930	3,570	10,500	
Arising on Reorganization	(6,930)	—	—	6,930	—	—	—	—	
At June 30, 2012	—	21,420	142,867	(180,558)	2,824,425	2,808,154	38,320	2,846,474	

The accompanying notes form part of the Financial Information.

## 5 Consolidated cash flow statements

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Operating activities</b>						
Profit before taxation		1,301,130	1,824,955	2,775,287	767,363	698,196
Adjustments for:						
— Bank interest income		(3,967)	(5,352)	(7,557)	(2,755)	(5,252)
— Finance costs		5,047	96,284	170,218	86,251	63,501
— Depreciation		6,778	9,214	15,138	6,247	8,497
— Net (gain)/loss on disposal of other property, plant and equipment		(50)	5	(110)	(114)	16
— Net (gain)/loss on disposal of investment properties		—	(11,579)	(781)	—	4,091
— Net increase in fair value of investment properties		(695,779)	(863,715)	(836,652)	(395,945)	(40,506)
<b>Operating profit before changes in working capital</b>		613,159	1,049,812	2,115,543	461,047	728,543
Increase in inventories		(2,486,602)	(3,483,949)	(1,374,317)	(11,384)	(2,595,913)
Decrease/(increase) in trade and other receivables		636,405	508,360	(1,171,920)	(205,385)	74,453
Increase in trade and other payables		1,361,211	2,768,019	2,521,728	110,311	1,400,748
<b>Cash generated from/(used in) operations</b>		124,173	842,242	2,091,034	354,589	(392,169)
Tax paid						
— PRC tax paid		(165,016)	(340,999)	(442,883)	(195,521)	(518,371)
<b>Net cash (used in)/generated from operating activities</b>		(40,843)	501,243	1,648,151	159,068	(910,540)
<b>Investing activities</b>						
Addition to investment properties		—	(20,081)	(9,635)	—	(6,023)
Addition to investment properties under development		(211,221)	(133,240)	(41,496)	(13,055)	(11,953)
Addition to other property, plant and equipment		(13,651)	(23,030)	(22,449)	(7,188)	(9,484)
Proceeds from disposal of other property, plant and equipment		69	8	522	522	76
Deposits received/proceeds from non-current assets classified as held for sale		—	14,386	6,320	6,320	—
Proceeds from disposal of investment properties		—	33,847	60,041	—	13,391
Interest received		3,967	5,352	7,557	2,755	5,252
(Increase)/decrease in restricted deposits		(801)	(1,622)	17,166	—	3,390
<b>Net cash (used in)/generated from investing activities</b>		(221,637)	(124,380)	18,026	(10,646)	(5,351)



## 5 Consolidated cash flow statements (continued)

	Section B Note	Year ended December 31,			Six months ended June 30,	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
<b>Financing activities</b>						
Proceeds from new bank loans . . . . .		1,902,300	3,467,085	3,136,255	1,527,200	3,224,715
Repayment of bank loans . . . . .		(1,225,995)	(2,586,178)	(2,857,620)	(874,674)	(1,861,342)
Proceeds from other loans . . . . .		302,050	310,000	300,000	100,000	495,000
Repayment of other loans . . . . .		—	(302,050)	—	—	(410,000)
Decrease/(increase) in pledged deposits . . . . .		24,969	243	(177,028)	54,259	(469,209)
Interest and other borrowing costs paid . . . . .		(268,367)	(441,279)	(501,126)	(251,380)	(270,307)
Capital contribution from equity shareholders of the Company . . . . .	24	64,000	140,000	6,930	6,930	—
Capital contribution from a non-controlling shareholder . . . . .		—	—	3,570	3,570	—
Cash distributed to the founder on reorganization . . . . .		(301,542)	(800,686)	—	—	(15,079)
Dividends paid to the founder . . . . .		(340,693)	(105,000)	—	—	—
<b>Net cash generated from/(used in) financing activities . . . . .</b>		<u>156,722</u>	<u>(317,865)</u>	<u>(89,019)</u>	<u>565,905</u>	<u>693,778</u>
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>		(105,758)	58,998	1,577,158	714,327	(222,113)
<b>Effect of foreign exchange rate changes . . . . .</b>		(41)	(139)	29	64	(27)
<b>Cash and cash equivalents at January 1, . . . . .</b>		<u>1,006,621</u>	<u>900,822</u>	<u>959,681</u>	<u>959,681</u>	<u>2,536,868</u>
<b>Cash and cash equivalents at December 31./June 30, . . . . .</b>	19	<u>900,822</u>	<u>959,681</u>	<u>2,536,868</u>	<u>1,674,072</u>	<u>2,314,728</u>

The accompanying notes form part of the Financial Information.

**B NOTES TO CONSOLIDATED FINANCIAL INFORMATION****1 SIGNIFICANT ACCOUNTING POLICIES***(a) Statement of compliance*

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards (“HKASs”) and related interpretations, issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after January 1, 2013 are set out in note 29.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

*(b) Basis of preparation and presentation*

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence.

Mr. Ji Haipeng (“Mr. Ji”) beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the “BVI”), Hong Kong and the People’s Republic of China (the “PRC”) which are principally engaged in investment holding, property development, property leasing and construction. In preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Company has completed the Reorganization on April 1, 2013, details of which are set out in the section headed “History and Reorganization” in the Prospectus. The Reorganization includes the following key steps:

- (a) On April 1, 2008, Shenzhen Youkaisi Investment Co., Ltd. (“Shenzhen Youkaisi”) was established in the PRC by the sole shareholder, Logan Real Estate Holdings Co., Ltd. (“Logan Real Estate”), which was controlled by Mr. Ji. Throughout the period from 2009 to April 1, 2013, Shenzhen Youkaisi acquired various subsidiaries established in the PRC from Logan Real Estate.
- (b) On May 14, 2010, the Company was incorporated by Ms. Kei Perenna Hoi Ting (“Ms. Kei”, previously known as Ms. Ji Peili), daughter of Mr. Ji, in the Cayman Islands. The Company acquired the entire issued share capital of Yuen Ming

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Basis of preparation and presentation (continued)**

Investments Company Limited (“Yuen Ming Investments”) from Ms. Kei on November 30, 2010 and the entire issued share capital of Noble Rhythm International Limited (“Noble Rhythm”) from a third party unrelated to the Group on January 21, 2011.

- (c) On March 31, 2011, Yuen Ming (Hong Kong) Investments Company Limited (“Yuen Ming”) completed the acquisition of a 75% equity interest in Shenzhen Youkaisi. At the time of completion of such acquisition, Yuen Ming was wholly owned by Yuen Ming Investments and in turn wholly owned by the Company. Prior to this transaction, the Company has acquired a 25% equity interest in Shenzhen Youkaisi via the acquisition of Noble Rhythm (see below).

Upon completion of the Reorganization, Shenzhen Youkaisi became an indirect wholly owned subsidiary of the Company.

Under a declaration made by Ms. Kei, as detailed in the section headed “History and Reorganization” in the Prospectus, the ultimate control over all major affairs of all the companies that took part in the Reorganization, including the power over these companies, exposure, or rights, to variable returns from her involvement with these companies and the ability to use her power over these companies to affect the amount of returns, are being vested on Mr. Ji during and after the completion of the Reorganization. The control is not transitory, and, consequently, there was a continuation of the risks and benefits to Mr. Ji. Therefore, the Reorganization is considered a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” has been applied. The Financial Information has been prepared as if the Group had always been in existence. The net assets of the companies that took part in the Reorganization are consolidated using the existing book values from the controlling party’s perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Relevant Periods as set out in Section A of this report include the results of the companies now comprising the Group (or where the companies were incorporated/ established at a date later than January 1, 2010, for the period from the date of incorporation/ establishment to June 30, 2013) as if the current group structure had been in existence and remained unchanged throughout all periods referred to in this report. The consolidated balance sheets of the Group as of December 31, 2010, 2011 and 2012 and June 30, 2013 as set out in Section A of this report have been prepared to present the state of affairs of the companies now comprising the Group as of the respective dates as if the current group structure had been in existence as of the respective dates.

On February 4, 2010, Kam Wang (Hong Kong) Investments Company Limited (“Kam Wang”) acquired a 25% equity interest in Shenzhen Youkaisi. At the time of the acquisition, Kam Wang was wholly owned by Noble Rhythm. Purchase consideration for such acquisition has not been settled until the acquisition of Noble Rhythm by the Company on January 21, 2011 as noted above. Based on confirmation from the Company’s legal advisors, an acquirer is not entitled to the benefits of acquired equity interest until the consideration for the acquisition has been settled in full. As a result, Kam Wang was not entitled to the benefits associated with the 25% equity interest in Shenzhen Youkaisi for the period from

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

*(b) Basis of preparation and presentation (continued)*

February 4, 2010 to January 21, 2011. Logan Real Estate, ultimately controlled by Mr. Ji, continued to be entitled to such benefits until the acquisition of Noble Rhythm by the Company on January 21, 2011. No economic interest in Shenzhen Youkaisi has been vested to parties other than the controlling shareholders during the Relevant Periods. As a result, for the purpose of the preparation of the Financial Information, there was no non-controlling interest in Shenzhen Youkaisi during the Relevant Periods.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and established in the PRC unless otherwise stated, particulars of which are set out below:

Name of subsidiaries	Issued and fully paid / registered capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Yuen Ming Investments Company Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Noble Rhythm International Limited (incorporated in the BVI)	US\$50,000	100%	100%	—	Investment holding
Jolly Gain Investments Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Tai Ying Investments Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Platinum Profit Investments Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Golden Prosper Investments Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Talent Union Investments Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Dragon Coronet Limited (incorporated in the BVI)	US\$1	100%	100%	—	Investment holding
Yuen Ming (Hong Kong) Investments Company Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Investment holding
Kam Wang (Hong Kong) Investments Company Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Investment holding
Jolly Gain (Hong Kong) Investments Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive
Tai Ying (Hong Kong) Investments Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive
Platinum Profit (Hong Kong) Investments Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Basis of preparation and presentation (continued)

Name of subsidiaries	Issued and fully paid / registered capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Golden Prosper (Hong Kong) Investments Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive
Talent Union (Hong Kong) Investments Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive
Grandview Architectural Design Services Limited (incorporated in Hong Kong)	HK\$1	100%	—	100%	Inactive
Shenzhen Youkaisi Investment Co., Ltd. (note) (深圳市優凱思投資有限公司) (formerly known as Shenzhen Logan Investment Consultancy Co., Ltd.) (note) (前稱深圳市龍光投資顧問有限公司)	RMB443,000,000	100%	—	100%	Investment holding and provision of consultancy services to group companies
Logan Construction Co., Ltd. (note) (龍光工程建設有限公司)	RMB80,000,000	91%	—	91%	Property construction and investment holding
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shantou Jinfengyuan Realty Co., Ltd. (note) (汕頭市金峰園置業有限公司)	RMB66,000,000	100%	—	100%	Property development
Guangzhou Logan Property Co., Ltd. (note) (廣州市龍光房地產有限公司)	RMB40,000,000	100%	—	100%	Property development and investment
Guangzhou Logan Realty Co., Ltd. (note) (廣州市龍光置業有限公司)	RMB30,000,000	100%	—	100%	Property development
Dongguan Logan Property Co., Ltd. (note) (東莞市龍光房地產有限公司)	RMB50,000,000	100%	—	100%	Property development
Hainan Logan Property Development Co., Ltd. (note) (海南省龍光房地產開發有限公司)	RMB20,000,000	100%	—	100%	Investment holding
Foshan Shunde Logan Realty Co., Ltd. (note) (佛山市順德區龍光置業房產有限公司)	RMB35,295,000	100%	—	100%	Property development and investment holding

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Basis of preparation and presentation (continued)

Name of subsidiaries	Issued and fully paid / registered capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Guangdong Modern Construction Design and Consultation Co., Ltd. (note) (廣東現代建築設計與顧問有限公司) (formerly known as Shantou Logan Jianan Co., Ltd.) (note) (前稱汕頭龍建安有限公司)	RMB6,000,000	100%	—	100%	Provision of construction design and consultation services
Zhongshan Logan Property Co., Ltd. (note) (中山市龍光房地產有限公司)	RMB30,000,000	100%	—	100%	Property development and investment holding
Shantou Logan Property Co., Ltd. (note) (汕頭市龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development and investment holding
Shenzhen Chenrong Construction Materials Co., Ltd. (note) (深圳市宸榮建築材料有限公司)	RMB5,000,000	91%	—	100%	Sales of construction materials to group companies
Shenzhen Yongjing Decorating Construction Co. Ltd. (note) (深圳市潤景裝飾工程有限公司) (formerly known as Shenzhen Logan Decorating Construction Co., Ltd.) (note) (前稱深圳市龍光裝飾工程有限公司)	RMB5,000,000	91%	—	100%	Provision of decoration construction to group companies
Huizhou Logan Property Co., Ltd. (note) (惠州市龍光房地產有限公司)	RMB30,000,000	100%	—	100%	Property development
Shenzhen Logan Media Planning Co., Ltd. (note) (深圳市龍光傳媒策劃有限公司)	RMB2,200,000	100%	—	100%	Provision of advertising services to group companies and investment holding
Huizhou Daya Bay Logan Property Co., Ltd. (note) (惠州大亞灣龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Zhuhai Logan Property Development Co., Ltd. (note) (珠海市龍光房地產開發有限公司)	RMB30,000,000	100%	—	100%	Property development and investment
Shantou Logan Realty Co., Ltd. (note) (汕頭市龍光置業有限公司)	RMB33,000,000	100%	—	100%	Property development and investment
Nanning Logan Property Development Co., Ltd. (note) (南寧市龍光房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development and investment and investment holding

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Basis of preparation and presentation (continued)

Name of subsidiaries	Issued and fully paid / registered capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Hainan Junjun Realty Co., Ltd. (note) (海南金駿置業有限公司)	RMB351,800,000	100%	—	100%	Property development
Foshan Chancheng Logan Property Co., Ltd. (note) (佛山市禪城區龍光房地產有限公司)	RMB10,500,000	100%	—	100%	Property development
Zhongshan Jinjun Property Co., Ltd. (note) (中山市金駿房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Shantou Logan Jinjun Property Co., Ltd. (note) (汕頭市龍光金駿房地產有限公司)	RMB10,500,000	100%	—	100%	Property development
Shenzhen Logan Investment Consultancy Co., Ltd. (note) (深圳市龍光投資顧問有限公司)	RMB10,000,000	100%	—	100%	Investment holding
Shenzhen Logan Century Business Management Co. Ltd. (note) (深圳市龍光世紀商業管理有限公司)	RMB100,000,000	100%	—	100%	Provision of management services to group companies
Shenzhen Logan Dongzhen Realty Co., Ltd. (note) (深圳市龍光東圳置業有限公司)	RMB30,000,000	100%	—	100%	Investment holding
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	RMB28,000,000	100%	—	100%	Property development and investment
Nanning Logan Junchi Property Development Co., Ltd. (note) (南寧市龍光駿馳房地產開發有限公司)	RMB35,000,000	100%	—	100%	Property development
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	RMB50,000,000	100%	—	100%	Property development and investment
Foshan Nanhai Logan Realty Co., Ltd. (note) (佛山市南海區龍光置業房產有限公司)	RMB30,000,000	100%	—	100%	Property development
Foshan Logan Sunshine Seaward Property Co., Ltd. (note) (佛山市龍光陽光海岸房地產有限公司)	RMB10,500,000	66%	—	66%	Property development
Huizhou Daya Bay Dongzhen Property Co., Ltd. (note) (惠州大亞灣東圳房地產有限公司)	RMB30,000,000	100%	—	100%	Property development and investment
Dongguan Logan Realty Co., Ltd. (note) (東莞市龍光置業有限公司)	RMB10,500,000	100%	—	100%	Property development



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Basis of preparation and presentation (continued)**

Name of subsidiaries	Issued and fully paid / registered capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiary	
Foshan Runjing Property Co., Ltd. (note) (佛山市順德區龍光潤景房地產有限公司)	RMB10,000,000	100%	—	100%	Property development
Zhongshan Junchi Property Co., Ltd. (note) (中山市駿馳房地產有限公司)	RMB10,500,000	100%	—	100%	Property development

*Note:* The English translation of the names is for reference only. The official names of these entities are in Chinese.

**(c) Basis of measurement**

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand. It is prepared on the historical cost basis except for investment properties are stated at their fair value (see note 1(f)).

**(d) Use of estimates and judgments**

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

**(e) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The income and expenses of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Subsidiaries and non-controlling interests (continued)**

for common control combinations in which all of the consolidating entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and control is not transitory.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 1(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(w)).

**(f) Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) Investment properties (continued)**

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

**(g) Other property, plant and equipment**

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(j)):

- other land and buildings; and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

**(h) Depreciation of fixed assets****(i) Investment properties and investment properties under development**

No depreciation is provided on investment properties and investment properties under development.

**(ii) Properties under development for own use**

No depreciation is provided until such time as the relevant assets are complete and put into use.

**(iii) Other land and buildings**

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straightline basis over the unexpired terms of the respective leases.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Depreciation of fixed assets (continued)****(iv) Furniture, fixtures and other fixed assets**

Depreciation is calculated to write-off the cost of furniture, fixtures and other fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 3 to 10 years.

Where parts of an item of furniture, fixtures and other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(i) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) Classification of assets leased to the Group**

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 1(f)).

**(ii) Operating lease charges**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(f)) or is held for development for sale (see note 1(k)).

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Impairment of assets****(i) Impairment of investments in equity securities and other receivables**

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Impairment of assets (continued)****(i) Impairment of investments in equity securities and other receivables (continued)**

considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

**(ii) Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated.

**— Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

**— Recognition of impairment losses**

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

**— Reversals of impairment losses**

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Impairment of assets (continued)****(ii) Impairment of other assets (continued)**

years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

**(k) Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost and net realizable value are determined as follows:

**(i) Properties held for development for sale**

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realizable value is determined by reference to management estimates based on prevailing market conditions.

**(ii) Properties under development for sale**

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized (see note 1(v)). Net realizable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

**(iii) Completed properties for sale**

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price, based on prevailing market conditions, less costs to be incurred in selling the property.

**(l) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(t)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(l) Construction contracts (continued)**

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the consolidated balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

**(m) Trade and other receivables**

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(n) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(o) Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

**(q) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) Employee benefits (continued)**

associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

**(r) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(r) Income tax (continued)**

the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when liability to pay the related dividend is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(s) Financial guarantees issued, provisions and contingent liabilities****(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(s) Financial guarantees issued, provisions and contingent liabilities (continued)****(i) Financial guarantees issued (continued)**

financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

**(ii) Other provisions and contingent liabilities**

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(t) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

**(i) Sale of properties**

Revenue from the sale of properties is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(t) Revenue recognition (continued)****(i) Sale of properties (continued)**

properties are completed and delivered to the buyers. Revenue from the sale of properties excludes business tax and other sales related taxes and is after deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheet as receipts in advance.

**(ii) Rental income from operating leases**

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

**(iii) Construction income**

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

**(iv) Interest income**

Interest income is recognized as it accrues using the effective interest method.

**(v) Government subsidies**

Government subsidies are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

**(vi) Design fee and construction management service income**

Design fee and construction management service income are recognized at the time when the services are provided.

**(u) Translation of foreign currencies**

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(u) Translation of foreign currencies (continued)**

currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

**(v) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(w) Non-current assets held for sale**

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(w) Non-current assets held for sale (continued)**

accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

**(x) Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(y) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(y) Segment reporting (continued)**

most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**2 ACCOUNTING ESTIMATES AND JUDGMENTS**

The key sources of estimation uncertainty and critical accounting judgments in applying the Group's accounting policies are described below.

**(i) Valuation of investment properties**

As described in note 14, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

**(ii) Impairment of non-current assets**

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognized when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgments, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

**(iii) Write-down of inventories for property development**

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realizable value has declined below the carrying amount.

**2 ACCOUNTING ESTIMATES AND JUDGMENTS (continued)****(iii) Write-down of inventories for property development (continued)**

In determining the net realizable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of properties under development for sale, the estimate of net realizable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

**(iv) Construction contracts**

As explained in policy notes 1(l) and 1(t)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 17 will not include profit which the Group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

**(v) Land Appreciation Tax ("LAT")**

As explained in note 8(a)(iv), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at each balance sheet date. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

**(vi) Recognition of deferred tax assets**

The realizability of deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilized. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognized in profit or loss for the period in which such as reversal takes place.



**3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has limit exposure to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of installments receivable from sale of properties and receivable from construction contracts, which enable management to assess their recoverability and to minimize exposure to credit risk. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimize any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.



## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

At June 30, 2013						
	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans	3,358,647	1,575,394	2,864,429	1,019,901	8,818,371	7,353,515
Trade payables	1,731,051	160,131	—	—	1,891,182	1,891,182
Other payables and accrued charges	286,544	—	—	—	286,544	286,544
Other loans	64,012	729,434	—	—	793,446	695,000
Amounts due to related companies	269,343	—	—	—	269,343	269,343
Amount due to a non-controlling shareholder	56,827	—	—	—	56,827	56,827
Amount due to the founder	7	—	—	—	7	7
	<u>5,766,431</u>	<u>2,464,959</u>	<u>2,864,429</u>	<u>1,019,901</u>	<u>12,115,720</u>	<u>10,552,418</u>
At December 31, 2012						
	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans	2,228,404	2,651,479	1,341,956	1,117,812	7,339,651	6,014,235
Trade payables	1,566,186	221,458	—	—	1,787,644	1,787,644
Other payables and accrued charges	355,078	—	—	—	355,078	355,078
Other loans	431,960	211,357	—	—	643,317	604,096
Amounts due to related companies	1,388,076	—	—	—	1,388,076	1,388,076
Amount due to a non-controlling shareholder	56,827	—	—	—	56,827	56,827
	<u>6,026,531</u>	<u>3,084,294</u>	<u>1,341,956</u>	<u>1,117,812</u>	<u>11,570,593</u>	<u>10,205,956</u>

## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (b) Liquidity risk (continued)

	At December 31, 2011					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank loans	1,902,333	1,721,465	2,363,022	795,894	6,782,714	5,735,510
Trade payables	1,121,740	176,348	—	—	1,298,088	1,298,088
Other payables and accrued charges	528,499	—	—	—	528,499	528,499
Other loans	315,904	—	—	—	315,904	288,596
Amounts due to related companies	1,598,885	—	—	—	1,598,885	1,598,885
Amounts due to related parties	17,431	—	—	—	17,431	17,431
Amount due to the shareholder	9,728	—	—	—	9,728	9,728
Amount due to the founder	11,998	—	—	—	11,998	11,998
	<u>5,506,518</u>	<u>1,897,813</u>	<u>2,363,022</u>	<u>795,894</u>	<u>10,563,247</u>	<u>9,488,735</u>
	At December 31, 2010					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank loans	732,939	2,623,380	2,009,593	65,982	5,431,894	4,878,225
Trade payables	611,932	166,123	—	—	778,055	778,055
Other payables and accrued charges	209,173	—	—	—	209,173	209,173
Other loans	323,996	—	—	—	323,996	302,050
Amounts due to related companies	865,800	—	—	—	865,800	865,800
Amounts due to related parties	4,680	—	—	—	4,680	4,680
Amount due to the shareholder	10,211	—	—	—	10,211	10,211
	<u>2,758,731</u>	<u>2,789,503</u>	<u>2,009,593</u>	<u>65,982</u>	<u>7,623,809</u>	<u>7,048,194</u>

**3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)****(c) Interest rate risk**

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and bank borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group is disclosed in note 22(i) to the Financial Information. The Group does not carry out any hedging activities to manage its interest rate exposure.

***Sensitivity analysis***

At June 30, 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB55,151,000 (December 31, 2012: RMB45,107,000; December 31, 2011: RMB43,106,000; December 31, 2010: RMB36,587,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the years 2010 to 2013.

**(d) Currency risk**

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and certain of the general and administrative expenses settled in Hong Kong dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (e) Fair values

## (i) Assets measured at fair value

## (a) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet date on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at each balance sheet date RMB'000	Fair value measurements as at each balance sheet date categorized into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
<u>At June 30, 2013</u>				
Fixed assets (note 14):				
— Investment properties . . . . .	3,587,000	—	—	3,587,000
— Investment properties under developments . . . . .	190,000	—	—	190,000
<u>At December 31, 2012</u>				
Fixed assets (note 14):				
— Investment properties . . . . .	3,546,000	—	—	3,546,000
— Investment properties under developments . . . . .	190,000	—	—	190,000
<u>At December 31, 2011</u>				
Fixed assets (note 14):				
— Investment properties . . . . .	2,658,000	—	—	2,658,000
— Investment properties under developments . . . . .	217,000	—	—	217,000
Non-current assets classified as held for sale (note 20) . . . . .	20,706	—	—	20,706
<u>At December 31, 2010</u>				
Fixed assets (note 14):				
— Investment properties . . . . .	1,683,000	—	—	1,683,000
— Investment properties under developments . . . . .	209,000	—	—	209,000

During the six months ended June 30, 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (December 31, 2012: Nil; December 31, 2011: Nil; December 31, 2010: Nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the balance sheet dates in which they occur.

## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (e) Fair values (continued)

## (i) Assets measured at fair value (continued)

## (a) Fair value hierarchy (continued)

All of the Group's investment properties (including non-current assets classified as held for sale at December 31, 2011) and investment properties under developments were revalued as at December 31, 2010, 2011 and 2012 and June 30, 2013. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited ("DTZ"), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the finance director have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

## (b) Information about Level 3 fair value measurements

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Range (weighted average)</u>
<u>At June 30, 2013</u>			
Investment properties	Income capitalization method	Market monthly rental rate (RMB/sq.m.) Capitalization rate	33-264 (195) 4.25%-6.0% (4.95%)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	16,500-17,000 (16,771)
<u>At December 31, 2012</u>			
Investment properties	Income capitalization method	Market monthly rental rate (RMB/sq.m.) Capitalization rate	33-264 (192) 4.25%-6.0% (4.96%)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	15,000-16,500 (15,687)
<u>At December 31, 2011</u>			
Investment properties	Income capitalization method	Market monthly rental rate (RMB/sq.m.) Capitalization rate	33-215 (172) 4.25%-6.0% (4.81%)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	9,400-13,500 (10,963)
Non-current assets classified as held for sale	Income capitalization method	Market monthly rental rate (RMB/sq.m.) Capitalization rate	195-215 (205) 4.25%-4.5% (4.38%)
<u>At December 31, 2010</u>			
Investment properties	Income capitalization method	Market monthly rental rate (RMB/sq.m.) Capitalization rate	56-170 (119) 4.25%-6.0% (4.76%)
Investment properties under developments	Direct comparison approach	Market unit sale rate (RMB/sq.m.)	8,200-11,000 (9,322)

## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (e) Fair values (continued)

## (i) Assets measured at fair value (continued)

## (b) Information about Level 3 fair value measurements (continued)

The fair values of investment properties (including non-current assets classified as held for sale at December 31, 2011) is determined using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to capitalization rate.

The investment properties under developments have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They are determined using the direct comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties. The fair value measurement is positively correlated to the market unit sale rate.

The movements during the years/period in the balance of Level 3 fair value measurements are as follows:

	<u>Investment properties</u> RMB'000	<u>Investment properties under developments</u> RMB'000	<u>Non-current assets classified as held for sale</u> RMB'000
At January 1, 2010 .....	274,000	711,000	—
Additions .....	—	211,221	—
Transfer to investment properties .....	823,078	(823,078)	—
Changes in fair values recognized in profit or loss during the year .....	<u>585,922</u>	<u>109,857</u>	<u>—</u>
At December 31, 2010 .....	<u>1,683,000</u>	<u>209,000</u>	<u>—</u>
Total gains or losses for the year included in profit or loss ...	<u>585,922</u>	<u>109,857</u>	<u>—</u>
At January 1, 2011 .....	1,683,000	209,000	—
Additions .....	20,081	133,240	—
Transfer to investment properties .....	172,329	(172,329)	—
Transfer from inventories .....	8,938	—	—
Transfer to non-current assets classified as held for sale .....	(20,706)	—	20,706
Disposals .....	(22,268)	—	—
Changes in fair values recognized in profit or loss during the year .....	<u>816,626</u>	<u>47,089</u>	<u>—</u>
At December 31, 2011 .....	<u>2,658,000</u>	<u>217,000</u>	<u>20,706</u>
Total gains or losses for the year included in profit or loss ....	<u>828,205</u>	<u>47,089</u>	<u>—</u>

## 3 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (e) Fair values (continued)

## (i) Assets measured at fair value (continued)

## (b) Information about Level 3 fair value measurements (continued)

	Investment properties	Investment properties under developments	Non-current assets classified as held for sale
	RMB'000	RMB'000	RMB'000
At January 1, 2012	2,658,000	217,000	20,706
Additions	9,635	41,496	—
Transfer to investment properties	138,570	(138,570)	—
Transfer from inventories	32,477	—	—
Disposals	(59,260)	—	(20,706)
Changes in fair values recognized in profit or loss during the year	766,578	70,074	—
At December 31, 2012	<u>3,546,000</u>	<u>190,000</u>	<u>—</u>
Total gains or losses for the year included in profit or loss	<u>767,359</u>	<u>70,074</u>	<u>—</u>
At January 1, 2013	3,546,000	190,000	—
Additions	6,023	11,953	—
Transfer to investment properties	20,679	(20,679)	—
Disposals	(17,482)	—	—
Changes in fair values recognized in profit or loss during the period	31,780	8,726	—
At June 30, 2013	<u>3,587,000</u>	<u>190,000</u>	<u>—</u>
Total gains or losses for the period included in profit or loss	<u>27,689</u>	<u>8,726</u>	<u>—</u>

The gain/(loss) on disposal of investment properties and changes in fair values of investment properties and investment properties under developments are presented in “other net (loss)/income” and “net increase in fair value of investment properties” in the consolidated income statements respectively.

## (ii) Fair values of assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their values as at December 31, 2010, 2011 and 2012 and June 30, 2013.

The carrying values of trade and other receivables, cash and cash equivalents, trade and other payables and current portion bank loans are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

**4 TURNOVER**

Turnover represents income from sale of properties, rental income and income from construction earned during the Relevant Periods, net of business tax and other sales related taxes and discounts allowed, and is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of properties .....	2,515,400	3,172,677	6,296,738	1,468,963	2,967,480
Rental income .....	1,442	25,692	55,384	28,953	28,619
Construction income .....	334,817	249,105	235,538	68,502	336,106
	<u>2,851,659</u>	<u>3,447,474</u>	<u>6,587,660</u>	<u>1,566,418</u>	<u>3,332,205</u>

**5 OTHER REVENUE**

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Bank interest income .....	3,967	5,352	7,557	2,755	5,252
Design fee income .....	4,738	1,444	9,092	5,303	820
Government subsidies (note) .....	3,968	5,130	2,182	1,011	635
Forfeited deposits .....	2,407	2,126	7,870	4,992	2,560
Construction management service income .....	—	—	2,861	—	1,237
Others .....	1,088	2,749	4,213	1,206	832
	<u>16,168</u>	<u>16,801</u>	<u>33,775</u>	<u>15,267</u>	<u>11,336</u>

*Note:* During the Relevant Periods, the Group received government subsidies from different local government bureaus as a recognition of the Group's investment in the relevant districts.

**6 OTHER NET (LOSS)/INCOME**

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net gain/(loss) on disposal of fixed assets .....	50	11,574	891	114	(4,107)
Others .....	(247)	(258)	(369)	(130)	(765)
	<u>(197)</u>	<u>11,316</u>	<u>522</u>	<u>(16)</u>	<u>(4,872)</u>



## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended December 31,			Six months ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
(a) Finance costs:					
Interest on bank loans and other borrowings wholly repayable within five years . . . . .	250,629	307,032	394,284	212,568	210,386
Interest on bank loans and other borrowings wholly repayable after five years . . . . .	726	35,306	99,747	35,304	33,065
Other borrowing costs . . . . .	17,012	77,537	22,595	11,258	16,361
	268,367	419,875	516,626	259,130	259,812
Less: Amount capitalized ( <i>note</i> ) . . . . .	(263,320)	(323,591)	(346,408)	(172,879)	(196,311)
	5,047	96,284	170,218	86,251	63,501

*Note:* The borrowing costs have been capitalized at rates ranging from 4.1% to 6.6%, 4.9% to 10.3% and 4.9% to 9.3% per annum for the three years ended December 31, 2010, 2011 and 2012 respectively and 4.9% to 9.3% and 6.2% to 11.3% per annum for the six months ended June 30, 2012 and 2013 respectively.

	Year ended December 31,			Six months ended June 30,	
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
(b) Staff costs:					
Salaries, wages and other benefits . . . . .	94,376	137,737	167,786	80,384	99,057
Contributions to defined contribution retirement plans . . . . .	4,528	7,808	10,317	4,727	7,447
	98,904	145,545	178,103	85,111	106,504
Less: Amount capitalized . . . . .	(37,205)	(22,191)	(10,272)	(5,374)	(3,663)
	61,699	123,354	167,831	79,737	102,841
(c) Other items:					
Depreciation . . . . .	17,885	18,553	23,452	10,987	10,721
Less: Amount capitalized . . . . .	(11,107)	(9,339)	(8,314)	(4,740)	(2,224)
	6,778	9,214	15,138	6,247	8,497
Rentals receivable from investment properties . . . . .	(1,442)	(25,692)	(55,384)	(28,953)	(28,619)
Less: Direct outgoings . . . . .	276	57	1,219	673	551
	(1,166)	(25,635)	(54,165)	(28,280)	(28,068)
Cost of properties sold . . . . .	1,791,361	1,845,150	3,825,570	881,046	2,022,098
Cost of construction . . . . .	278,829	216,794	200,570	60,080	284,355
Auditors' remuneration . . . . .	1,021	1,664	3,550	841	1,080
Operating lease charges: minimum lease payments for land and buildings . . . . .	6,858	4,437	9,702	5,049	5,096

## 8 INCOME TAX

(a) Income tax in the consolidated income statements represents:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current tax</b>					
Provision for PRC Corporate Income Tax ("CIT") for the year/period . . . . .	190,840	305,899	454,628	109,925	170,127
Provision for LAT for the year/period . . . . .	62,068	138,896	334,116	70,864	102,255
Provision for withholding tax for the year/period . . .	—	4,500	—	—	—
	<u>252,908</u>	<u>449,295</u>	<u>788,744</u>	<u>180,789</u>	<u>272,382</u>
<b>Deferred tax</b>					
Origination and reversal of temporary differences . . . . .	108,601	112,506	169,574	71,149	(16,445)
	<u>361,509</u>	<u>561,801</u>	<u>958,318</u>	<u>251,938</u>	<u>255,937</u>

- (i) Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.
- (ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.
- (iii) Effective from January 1, 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

Certain PRC subsidiaries incorporated in Shenzhen and Shantou enjoyed a preferential tax rate of 22% and 24% for 2010 and 2011, respectively.

- (iv) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.
- (v) According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%. The Group has determined that its Hong Kong subsidiaries qualify for the 5% withholding tax rate.

## 8 INCOME TAX (continued)

- (b) Reconciliation between income tax expense and accounting profit before taxation at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation . . . . .	1,301,130	1,824,955	2,775,287	767,363	698,196
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned . . . . .	312,383	447,774	696,972	193,532	169,162
Tax effect of non-taxable income . . . . .	(481)	(120)	(260)	(412)	(311)
Tax effect of non-deductible expenses . . . . .	2,309	4,250	7,932	2,703	4,837
Utilization of previously unrecognized tax losses . . . . .	—	(390)	(1,545)	(851)	(67)
Effect of tax losses not recognized . . . . .	684	2,064	909	1,755	4,802
PRC dividend withholding tax . . . . .	—	4,500	—	—	—
LAT . . . . .	62,068	138,896	334,116	70,864	102,255
Tax effect of deductible LAT . . . . .	(15,454)	(35,173)	(79,806)	(15,653)	(24,741)
Actual income tax expense . . . . .	361,509	561,801	958,318	251,938	255,937

- (c) Income tax in the consolidated balance sheets represents:

## (i) Current taxation

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<i>CIT</i>				
At beginning of the year/period . . . . .	34,997	106,795	161,371	344,182
Provision for the year/period . . . . .	190,840	305,899	454,628	170,127
CIT tax paid . . . . .	(119,042)	(251,323)	(271,817)	(407,143)
At end of year/period . . . . .	106,795	161,371	344,182	107,166
<i>LAT</i>				
At beginning of the year/period . . . . .	(12,062)	4,032	53,252	216,302
Provision for the year/period . . . . .	62,068	138,896	334,116	102,255
LAT tax paid . . . . .	(45,974)	(89,676)	(171,066)	(111,228)
At end of year/period . . . . .	4,032	53,252	216,302	207,329
<i>Withholding tax</i>				
At beginning of the year/period . . . . .	—	—	4,500	4,500
Provision for the year/period . . . . .	—	4,500	—	—
At end of year/period . . . . .	—	4,500	4,500	4,500
	110,827	219,123	564,984	318,995
<i>Representing:</i>				
Tax recoverable . . . . .	(38,559)	(76,390)	(59,863)	(219,303)
Tax payable . . . . .	149,386	295,513	624,847	538,298
	110,827	219,123	564,984	318,995



**8 INCOME TAX (continued)**

## (d) Deferred tax assets not recognized:

Deferred tax assets have not been recognized in respect of the following item:

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Unused tax losses				RMB'000
— PRC ( <i>note</i> ) .....	5,010	11,704	9,161	28,101

*Note:* The Group has not recognized deferred tax assets in respect of unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. As at June 30, 2013, tax loss of RMB339,000, RMB2,086,000, RMB2,829,000, RMB3,637,000 and RMB19,210,000 will expire, if unused, by the end of 2014, 2015, 2016, 2017 and 2018, respectively.

## (e) Deferred tax liabilities not recognized

The Group did not provide for deferred tax liabilities on earnings generated by its PRC entities for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that they will not be distributed in the foreseeable future. As of June 30, 2013, temporary differences relating to such undistributed profits are RMB4,220,154,000 (December 31, 2012: RMB3,784,125,000; December 31, 2011: RMB1,640,583,000; December 31, 2010: RMB412,362,000).

**9 OTHER COMPREHENSIVE INCOME**

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Exchange differences on translation of financial statements of overseas entities .....	4	24,226	(67)	(2,810)	9,678

There is no tax effect relating to the above component of other comprehensive income.

## 10 DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods are as follows:

	Year ended December 31, 2010				
	Fees	Basic salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>					
Ji Haipeng .....	—	1,240	—	7	1,247
Ji Jiande .....	—	720	—	9	729
Lai Zhuobin .....	—	428	—	7	435
Xiao Xu .....	—	397	—	10	407
<i>Non-executive Directors</i>					
Kei Perenna Hoi Ting .....	—	—	—	—	—
Total .....	—	2,785	—	33	2,818
	Year ended December 31, 2011				
	Fees	Basic salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>					
Ji Haipeng .....	—	3,014	—	27	3,041
Ji Jiande .....	—	960	—	20	980
Lai Zhuobin .....	—	580	—	20	600
Xiao Xu .....	—	580	—	34	614
<i>Non-executive Directors</i>					
Kei Perenna Hoi Ting .....	—	—	—	—	—
Total .....	—	5,134	—	101	5,235
	Year ended December 31, 2012				
	Fees	Basic salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>					
Ji Haipeng .....	—	3,310	740	43	4,093
Ji Jiande .....	—	921	360	32	1,313
Lai Zhuobin .....	—	522	168	28	718
Xiao Xu .....	—	522	168	42	732
<i>Non-executive Directors</i>					
Kei Perenna Hoi Ting .....	—	—	—	—	—
Total .....	—	5,275	1,436	145	6,856

## 10 DIRECTORS' REMUNERATION (continued)

	Year ended June 30, 2012 (Unaudited)				
	Fees	Basic salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>					
Ji Haipeng .....	—	1,694	—	30	1,724
Ji Jiande .....	—	475	—	16	491
Lai Zhuobin .....	—	262	—	13	275
Xiao Xu .....	—	262	—	15	277
<i>Non-executive Directors</i>					
Kei Perenna Hoi Ting .....	—	—	—	—	—
Total .....	—	2,693	—	74	2,767
<b>Year ended June 30, 2013</b>					
	Fees	Basic salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive Directors</i>					
Ji Haipeng .....	—	2,037	—	30	2,067
Ji Jiande .....	—	658	—	24	682
Lai Zhuobin .....	—	352	—	24	376
Xiao Xu .....	—	352	—	24	376
<i>Non-executive Directors</i>					
Kei Perenna Hoi Ting .....	—	—	—	—	—
Total .....	—	3,399	—	102	3,501

*Notes:*

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.
- (iii) Mr. Zhang Huaqiao, Ms. Liu Ka Ying, Rebecca and Mr. Cai Suichang were appointed as the Company's Independents Non-executive Directors on November 18, 2013.

**11 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

The five highest paid individuals of the Group during the Relevant Periods include 2 directors for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind . . . . .	1,725	3,334	3,000	1,550	2,651
Discretionary bonuses . . . . .	—	—	750	—	—
Retirement scheme contributions . . . . .	16	89	107	47	44
	<u>1,741</u>	<u>3,423</u>	<u>3,857</u>	<u>1,597</u>	<u>2,695</u>

The above individuals' emoluments are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
HK\$Nil to HK\$1,000,000 . . . . .	3	—	—	3	2
HK\$1,000,001 to HK\$1,500,000 . . . . .	—	3	1	—	1
HK\$1,500,001 to HK\$2,000,000 . . . . .	—	—	2	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

**12 BASIC EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful as the proposed Capitalization Issue, pursuant to the shareholders' resolution dated November 18, 2013 (see Note 32), has not become effective as at the date of this report.

**13 SEGMENT REPORTING**

The Group manages its businesses by divisions, which are organized by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells residential properties and retail shops.
- Property leasing: this segment leases office units and retail shops to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.
- Construction contracts: this segment constructs office premises and residential buildings for external customers and for group companies. Currently the Group's activities in this regard are carried out in the PRC.



**13 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortization". To arrive at "adjusted EBITDA" the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013 is set out below.

*For the year ended December 31, 2010*

	<u>Property development</u>	<u>Property leasing</u>	<u>Construction contracts</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers .....	2,515,400	1,442	334,817	2,851,659
Inter-segment revenue .....	—	—	1,854,087	1,854,087
<b>Reportable segment revenue</b> .....	<u>2,515,400</u>	<u>1,442</u>	<u>2,188,904</u>	<u>4,705,746</u>
<b>Reportable segment profit (adjusted EBITDA)</b> ...	<u>587,541</u>	<u>1,165</u>	<u>40,774</u>	<u>629,480</u>
Bank interest income .....	3,360	—	601	3,961
Finance costs .....	(1,097)	—	(3,948)	(5,045)
Depreciation .....	(6,565)	—	(48)	(6,613)
Increase in fair value of investment properties .....	—	695,779	—	695,779

## 13 SEGMENT REPORTING (continued)

## (a) Segment results, assets and liabilities (continued)

For the year ended December 31, 2011

	<u>Property development</u> RMB'000	<u>Property leasing</u> RMB'000	<u>Construction contracts</u> RMB'000	<u>Total</u> RMB'000
Revenue from external customers .....	3,172,677	25,692	249,105	3,447,474
Inter-segment revenue .....	—	—	2,654,573	2,654,573
<b>Reportable segment revenue</b> .....	<u>3,172,677</u>	<u>25,692</u>	<u>2,903,678</u>	<u>6,102,047</u>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b> .....	<u>1,098,146</u>	<u>25,634</u>	<u>(23,220)</u>	<u>1,100,560</u>
Bank interest income .....	3,966	—	1,092	5,058
Finance costs .....	(59,518)	—	(12,352)	(71,870)
Depreciation .....	(8,701)	—	(48)	(8,749)
Increase in fair value of investment properties .....	—	863,715	—	863,715

For the year ended December 31, 2012

	<u>Property development</u> RMB'000	<u>Property leasing</u> RMB'000	<u>Construction contracts</u> RMB'000	<u>Total</u> RMB'000
Revenue from external customers .....	6,296,738	55,384	235,538	6,587,660
Inter-segment revenue .....	—	—	2,331,432	2,331,432
<b>Reportable segment revenue</b> .....	<u>6,296,738</u>	<u>55,384</u>	<u>2,566,970</u>	<u>8,919,092</u>
<b>Reportable segment profit (adjusted EBITDA)</b> ...	<u>2,114,429</u>	<u>54,165</u>	<u>10,874</u>	<u>2,179,468</u>
Bank interest income .....	5,503	—	1,481	6,984
Finance costs .....	(67,318)	—	(59,513)	(126,831)
Depreciation .....	(10,432)	—	(27)	(10,459)
Increase in fair value of investment properties .....	—	836,652	—	836,652

For the six months ended June 30, 2012 (Unaudited)

	<u>Property development</u> RMB'000	<u>Property leasing</u> RMB'000	<u>Construction contracts</u> RMB'000	<u>Total</u> RMB'000
Revenue from external customers .....	1,468,963	28,953	68,502	1,566,418
Inter-segment revenue .....	—	—	614,135	614,135
<b>Reportable segment revenue</b> .....	<u>1,468,963</u>	<u>28,953</u>	<u>682,637</u>	<u>2,180,553</u>
<b>Reportable segment profit (adjusted EBITDA)</b> ...	<u>458,741</u>	<u>28,280</u>	<u>4,126</u>	<u>491,147</u>
Bank interest income .....	1,842	—	625	2,467
Finance costs .....	(38,390)	—	(29,532)	(67,922)
Depreciation .....	(5,354)	—	(15)	(5,369)
Increase in fair value of investment properties .....	—	395,945	—	395,945

**13 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities (continued)**

For the six months ended June 30, 2013

	Property development	Property leasing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers .....	2,967,480	28,619	336,106	3,332,205
Inter-segment revenue .....	—	—	1,082,597	1,082,597
<b>Reportable segment revenue .....</b>	<u>2,967,480</u>	<u>28,619</u>	<u>1,418,703</u>	<u>4,414,802</u>
<b>Reportable segment profit (adjusted EBITDA) ...</b>	<u>753,120</u>	<u>28,068</u>	<u>27,100</u>	<u>808,288</u>
Bank interest income .....	3,275	—	1,724	4,999
Finance costs .....	(33,144)	—	(24,561)	(57,705)
Depreciation .....	(3,843)	—	(169)	(4,012)
Net increase in fair value of investment properties ..	—	40,506	—	40,506

**(b) Reconciliation of reportable segment revenue and profit or loss**

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>					
Reportable segment revenue .....	4,705,746	6,102,047	8,919,092	2,180,553	4,414,802
Elimination of inter-segment revenue .....	(1,854,087)	(2,654,573)	(2,331,432)	(614,135)	(1,082,597)
Consolidated turnover .....	<u>2,851,659</u>	<u>3,447,474</u>	<u>6,587,660</u>	<u>1,566,418</u>	<u>3,332,205</u>
<b>Profit</b>					
Reportable segment profit derived from group's external customers .....	629,480	1,100,560	2,179,468	491,147	808,288
Other revenue and other net (loss)/income .....	15,971	28,117	34,297	15,251	6,464
Depreciation .....	(6,778)	(9,214)	(15,138)	(6,247)	(8,497)
Finance costs .....	(5,047)	(96,284)	(170,218)	(86,251)	(63,501)
Net increase in fair value of investment properties .....	695,779	863,715	836,652	395,945	40,506
Unallocated head office and corporate expenses .....	(28,275)	(61,939)	(89,774)	(42,482)	(85,064)
Consolidated profit before taxation .....	<u>1,301,130</u>	<u>1,824,955</u>	<u>2,775,287</u>	<u>767,363</u>	<u>698,196</u>

**(c) Geographic information**

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

## 14 FIXED ASSETS

	Investment properties	Investment properties development	Investment properties under development	Properties under development for own use	Other land and buildings	Leasehold improvement	Furniture, fixtures and other fixed assets	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost or valuation:</b>									
At January 1,									
2010 .....	274,000	711,000	985,000	14,575	13,928	11,850	96,460	136,813	1,121,813
Additions .....	—	211,221	211,221	5,105	—	900	7,646	13,651	224,872
Transfer to									
investment									
properties .....	823,078	(823,078)	—	—	—	—	—	—	—
Transfer to other									
land and									
buildings .....	—	—	—	(19,680)	19,680	—	—	—	—
Disposals .....	—	—	—	—	—	—	(53)	(53)	(53)
Surplus on									
revaluation .....	585,922	109,857	695,779	—	—	—	—	—	695,779
At December 31,									
2010 .....	1,683,000	209,000	1,892,000	—	33,608	12,750	104,053	150,411	2,042,411
<b>Representing:</b>									
Cost .....	—	—	—	—	33,608	12,750	104,053	150,411	150,411
Valuation .....	1,683,000	209,000	1,892,000	—	—	—	—	—	1,892,000
	1,683,000	209,000	1,892,000	—	33,608	12,750	104,053	150,411	2,042,411
<b>Accumulated depreciation:</b>									
At January 1,									
2010 .....	—	—	—	—	1,113	4,724	35,596	41,433	41,433
Charge for the									
year .....	—	—	—	—	589	2,400	14,896	17,885	17,885
Written back on									
disposals .....	—	—	—	—	—	—	(34)	(34)	(34)
At December 31,									
2010 .....	—	—	—	—	1,702	7,124	50,458	59,284	59,284
<b>Net book value:</b>									
At December 31,									
2010 .....	1,683,000	209,000	1,892,000	—	31,906	5,626	53,595	91,127	1,983,127

## 14 FIXED ASSETS (continued)

	Investment properties development	Investment properties under development	Sub-total	Properties under development for own use	Other land and buildings	Leasehold improvement	Furniture, fixtures and other fixed assets	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Cost or valuation:</i>									
At January 1,									
2011 .....	1,683,000	209,000	1,892,000	—	33,608	12,750	104,053	150,411	2,042,411
Additions .....	20,081	133,240	153,321	—	464	9,895	12,671	23,030	176,351
Transfer to investment properties .....	172,329	(172,329)	—	—	—	—	—	—	—
Transfer from inventories .....	8,938	—	8,938	—	—	—	—	—	8,938
Disposals .....	(22,268)	—	(22,268)	—	—	—	(136)	(136)	(22,404)
Transfer to non-current assets classified as held for sale ..	(20,706)	—	(20,706)	—	—	—	—	—	(20,706)
Surplus on revaluation .....	816,626	47,089	863,715	—	—	—	—	—	863,715
At December 31,									
2011 .....	2,658,000	217,000	2,875,000	—	34,072	22,645	116,588	173,305	3,048,305
<i>Representing:</i>									
Cost .....	—	—	—	—	34,072	22,645	116,588	173,305	173,305
Valuation .....	2,658,000	217,000	2,875,000	—	—	—	—	—	2,875,000
	<u>2,658,000</u>	<u>217,000</u>	<u>2,875,000</u>	<u>—</u>	<u>34,072</u>	<u>22,645</u>	<u>116,588</u>	<u>173,305</u>	<u>3,048,305</u>
<i>Accumulated depreciation:</i>									
At January 1,									
2011 .....	—	—	—	—	1,702	7,124	50,458	59,284	59,284
Charge for the year .....	—	—	—	—	1,430	2,640	14,483	18,553	18,553
Written back on disposals .....	—	—	—	—	—	—	(123)	(123)	(123)
At December 31,									
2011 .....	—	—	—	—	3,132	9,764	64,818	77,714	77,714
<i>Net book value:</i>									
At December 31,									
2011 .....	<u>2,658,000</u>	<u>217,000</u>	<u>2,875,000</u>	<u>—</u>	<u>30,940</u>	<u>12,881</u>	<u>51,770</u>	<u>95,591</u>	<u>2,970,591</u>

## 14 FIXED ASSETS (continued)

	Investment properties	Investment properties under development	Sub-total	Properties under development for own use	Other land and buildings	Leasehold improvement	Furniture, fixtures and other fixed assets	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Cost or valuation:</i>									
At January 1,									
2012	2,658,000	217,000	2,875,000	—	34,072	22,645	116,588	173,305	3,048,305
Additions	9,635	41,496	51,131	—	—	13,478	8,971	22,449	73,580
Transfer to investment properties	138,570	(138,570)	—	—	—	—	—	—	—
Transfer from inventories	32,477	—	32,477	—	—	—	—	—	32,477
Disposals	(59,260)	—	(59,260)	—	—	—	(1,776)	(1,776)	(61,036)
Surplus on revaluation	766,578	70,074	836,652	—	—	—	—	—	836,652
At December 31,									
2012	3,546,000	190,000	3,736,000	—	34,072	36,123	123,783	193,978	3,929,978
<i>Representing:</i>									
Cost	—	—	—	—	34,072	36,123	123,783	193,978	193,978
Valuation	3,546,000	190,000	3,736,000	—	—	—	—	—	3,736,000
	3,546,000	190,000	3,736,000	—	34,072	36,123	123,783	193,978	3,929,978
<i>Accumulated depreciation:</i>									
At January 1,									
2012	—	—	—	—	3,132	9,764	64,818	77,714	77,714
Charge for the year	—	—	—	—	1,512	7,779	14,161	23,452	23,452
Written back on disposals	—	—	—	—	—	—	(1,364)	(1,364)	(1,364)
At December 31,									
2012	—	—	—	—	4,644	17,543	77,615	99,802	99,802
<i>Net book value:</i>									
At December 31,									
2012	3,546,000	190,000	3,736,000	—	29,428	18,580	46,168	94,176	3,830,176

## 14 FIXED ASSETS (continued)

	Investment properties development	Investment properties under development	Sub-total	Properties under development for own use	Other land and buildings	Leasehold improvement	Furniture, fixtures and other fixed assets	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost or valuation:</b>									
At January 1,									
2013	3,546,000	190,000	3,736,000	—	34,072	36,123	123,783	193,978	3,929,978
Additions	6,023	11,953	17,976	—	—	885	8,599	9,484	27,460
Transfer to investment properties	20,679	(20,679)	—	—	—	—	—	—	—
Disposals	(17,482)	—	(17,482)	—	—	—	(2,008)	(2,008)	(19,490)
Surplus on revaluation	31,780	8,726	40,506	—	—	—	—	—	40,506
Exchange difference	—	—	—	—	—	(57)	(82)	(139)	(139)
At June 30,									
2013	3,587,000	190,000	3,777,000	—	34,072	36,951	130,292	201,315	3,978,315
<b>Representing:</b>									
Cost	—	—	—	—	34,072	36,951	130,292	201,315	201,315
Valuation	3,587,000	190,000	3,777,000	—	—	—	—	—	3,777,000
	3,587,000	190,000	3,777,000	—	34,072	36,951	130,292	201,315	3,978,315
<b>Accumulated depreciation:</b>									
At January 1,									
2013	—	—	—	—	4,644	17,543	77,615	99,802	99,802
Charge for the year	—	—	—	—	772	3,225	6,724	10,721	10,721
Written back on disposals	—	—	—	—	—	—	(1,916)	(1,916)	(1,916)
Exchange difference	—	—	—	—	—	(11)	(1)	(12)	(12)
At June 30,									
2013	—	—	—	—	5,416	20,757	82,422	108,595	108,595
<b>Net book value:</b>									
At June 30,									
2013	3,587,000	190,000	3,777,000	—	28,656	16,194	47,870	92,720	3,869,720

**Notes:**

(i) The analysis of net book value of properties is as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC				
— under long leases	270,000	280,000	368,000	368,000
— under medium-term leases	1,653,906	2,625,940	3,397,428	3,437,656
	1,923,906	2,905,940	3,765,428	3,805,656

(ii) The Group's investment properties and investment properties under development were revalued as at December 31, 2010, 2011, 2012, and June 30, 2012 and 2013 by an independent firm of surveyors, DTZ, who have among their staff Fellows of The Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued.

**14 FIXED ASSETS (continued)**

The valuations of investment properties were carried out by DTZ using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties.

The Group's investment properties under development have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They were valued by DTZ using direct comparison approach by making reference to comparable sale evidence as available in the relevant market with adjustments for development costs to be expended to complete the properties.

- (iii) All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.
- (iv) The Group's certain investment properties, investment properties under development and properties under development for own use were pledged against the Group's bank loans, details of which is set out in note 22.

**15 INVENTORIES**

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Construction</i>				
Raw materials .....	29,054	10,679	11,867	5,195
<i>Property development</i>				
Properties held for development for sale .....	1,461,549	1,813,323	2,977,932	4,779,900
Properties under development for sale .....	5,263,834	8,232,878	7,781,690	9,584,979
Completed properties for sale .....	1,014,584	1,520,082	2,502,035	1,697,897
	<u>7,739,967</u>	<u>11,566,283</u>	<u>13,261,657</u>	<u>16,062,776</u>
	<u>7,769,021</u>	<u>11,576,962</u>	<u>13,273,524</u>	<u>16,067,971</u>

- (a) The analysis of carrying value of properties is as follows:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC				
— under long leases .....	7,409,565	11,259,061	13,261,657	16,062,776
— under medium-term leases .....	330,402	307,222	—	—
	<u>7,739,967</u>	<u>11,566,283</u>	<u>13,261,657</u>	<u>16,062,776</u>
Including:				
— Properties expected to be completed after more than one year .....	<u>3,151,059</u>	<u>5,377,389</u>	<u>330,887</u>	<u>1,918,287</u>

- (b) The Group's certain properties held for development for sale, properties under development for sale and completed properties for sale were pledged against the Group's bank loans and bank loans of related companies, details of which are set out in notes 22 and 27(b) respectively.



## 16 TRADE AND OTHER RECEIVABLES

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	
Trade receivables ( <i>note (v)</i> )	2,060	165,466	171,860	228,207
Amounts due from customers for contract work ( <i>note 17</i> )	254,598	—	—	—
Prepayments and other receivables	318,796	372,726	468,884	567,903
Land deposits ( <i>note (iii)</i> )	588,694	—	1,095,576	846,366
Amounts due from related companies ( <i>note (iv)</i> )	61,384	178,977	152,770	172,087
	<u>1,225,532</u>	<u>717,169</u>	<u>1,889,090</u>	<u>1,814,563</u>

*Notes:*

- (i) All of the trade and other receivables are expected to be recovered within one year.
- (ii) The Group's credit policy is set out in note 3(a).
- (iii) During the years ended December 31, 2009 and 2010, the Group entered into three land grant contracts for acquisition of the land in the PRC. As at December 31, 2010, a total of RMB588,694,000 was paid and recognized as deposits for the acquisition of those three pieces of land. During the year ended December 31, 2011, the acquisition of those three pieces of land was completed and respective land use rights certificates were obtained.

During the year ended December 31, 2012, the Group entered into four land grant contracts for acquisition of the land in the PRC. As at December 31, 2012, a total of RMB1,095,576,000 was paid and recognized as deposits for the acquisition of those four pieces of land. During the six months ended June 30, 2013, the acquisition of those four pieces of land was completed and respective land use rights certificates were obtained.

During the six months ended June 30, 2013, the Group entered into two land grant contracts for acquisition of the land in the PRC and as at June 30, 2013, a total of RMB846,366,000 was paid and recognized as deposit for the acquisition of the two pieces of land.

- (iv) The amounts due from related companies are interest-free, unsecured and recoverable on demand.
- (v) Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis, based on the invoice date, at the balance sheet dates:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	
Current or less than 1 month overdue	2,060	165,466	162,076	197,710
More than 1 month overdue and up to 3 months overdue	—	—	—	—
More than 3 months overdue and up to 6 months overdue	—	—	—	—
More than 6 months overdue and up to 1 year overdue	—	—	—	20,713
More than 1 year overdue	—	—	9,784	9,784
	<u>2,060</u>	<u>165,466</u>	<u>171,860</u>	<u>228,207</u>

- (vi) Receivables which were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired relate to independent customers, for which have a good track record of trading with the Group or sufficient rental deposits are held to cover potential exposure to credit risk. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

**17 CONSTRUCTION CONTRACTS**

The aggregate amount of costs incurred plus recognized profits less recognized losses to date, included in the gross amount due from customers for contract work at December 31, 2010 is RMB254,598,000.

**18 RESTRICTED AND PLEDGED DEPOSITS**

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted deposits .....	38,978	40,600	23,434	20,044
Pledged deposits .....	13,902	13,659	190,687	659,896
	<u>52,880</u>	<u>54,259</u>	<u>214,121</u>	<u>679,940</u>

The Group's certain bank deposits which were pledged as securities in respect of:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans .....	—	—	176,500	639,509
Mortgage loan facilities granted by the banks to purchasers of the Group's properties .....	13,902	13,659	14,187	20,387
	<u>13,902</u>	<u>13,659</u>	<u>190,687</u>	<u>659,896</u>

**19 CASH AND CASH EQUIVALENTS**

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand .....	900,822	959,681	2,536,868	2,314,728

Cash and bank balances at June 30, 2013 include RMB2,308,475,000 (December 31, 2012: RMB2,535,166,000; December 31, 2011: RMB958,864,000; December 31, 2010: RMB898,210,000) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

**20 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

In December 2011, the Group entered into certain sale and purchase agreements with independent third parties to dispose of 2 commercial units in Logan Century Center at total consideration of RMB21,936,000. The transactions were completed in January 2012.

Accordingly, the fair value of these 2 commercial units totaling RMB20,706,000 have been reclassified from "Investment properties" to "Non-current assets classified as held for sale" at December 31, 2011.

## 21 TRADE AND OTHER PAYABLES

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables ( <i>note (iii)</i> )	778,055	1,298,088	1,787,644	1,891,182
Other payables and accrued charges	209,173	528,499	355,078	286,544
Customer deposits received	257,565	29,743	3,918	31,498
Rental and other deposits received	75	8,537	9,864	9,475
Receipts in advance	2,652,297	3,937,220	6,360,457	8,815,523
Deposits for sales of investment properties	—	14,386	—	—
Other loans ( <i>note (i)</i> )	302,050	288,596	604,096	695,000
Amounts due to related companies ( <i>note (ii)</i> )	865,800	1,598,885	1,388,076	269,343
Amounts due to related parties ( <i>note (ii)</i> )	4,680	17,431	—	—
Amount due to a non-controlling shareholder ( <i>note (ii)</i> )	—	—	56,827	56,827
Amounts due to the shareholder ( <i>note (ii)</i> )	10,211	9,728	—	—
Amount due to the founder ( <i>note (ii)</i> )	—	11,998	—	7
	<u>5,079,906</u>	<u>7,743,111</u>	<u>10,565,960</u>	<u>12,055,399</u>

*Notes:*

- (i) Other loan in 2010 is secured loan (secured by a subsidiary's paid-in capital) amounting to RMB302,050,000, which is interest-bearing at 12% per annum and fully settled in 2011.

Other loan in 2011 is secured loan (secured by two pieces of land of RMB78,487,000 held by a subsidiary) amounting to RMB288,596,000, which is interest bearing at 15% per annum and fully settled in 2013.

Other loans in 2012 also included an unsecured loan amounting to RMB100,000,000, which is interest bearing at 9.5% per annum and fully settled in 2013, and an unsecured loan amounting to RMB200,000,000, which is interest bearing at 7.05% per annum and repayable within two years.

Other loans in 2013 also included unsecured loan amounting to RMB300,000,000, which is interest bearing at 9% per annum and repayable within two years, and a secured loan (secured by properties under development for sale of RMB1,154,352,000 held by a subsidiary) amounting to RMB195,000,000, which is interest bearing at 11.3% and repayable within two years.

- (ii) The amounts due to the related companies, related parties, a non-controlling shareholder, the shareholder and the founder are interest-free, unsecured and repayable on demand.
- (iii) Included in trade and other payables are trade payables with the following ageing analysis at the balance sheet dates:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 1 month or on demand	215,513	730,173	813,305	352,629
Due after 1 month but within 3 months	208,282	250,874	154,546	287,971
Due after 3 months but within 6 months	117,258	104,748	199,980	582,507
Due after 6 months but within 1 year	70,879	35,945	398,355	507,944
Due after 1 year	166,123	176,348	221,458	160,131
	<u>778,055</u>	<u>1,298,088</u>	<u>1,787,644</u>	<u>1,891,182</u>

## 22 BANK LOANS

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	
Bank loans				
— secured	3,585,509	4,861,225	4,690,011	7,189,138
— unsecured	1,292,716	874,285	1,324,224	164,377
	<u>4,878,225</u>	<u>5,735,510</u>	<u>6,014,235</u>	<u>7,353,515</u>

Bank loans are repayable as follows:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	
Within 1 year and included in current liabilities	709,000	1,557,500	1,831,000	2,907,370
After 1 year and included in non-current liabilities:				
After 1 year but within 2 years	2,405,300	1,455,780	2,431,580	1,282,500
After 2 years but within 5 years	1,722,000	2,140,245	1,072,000	2,511,800
After 5 years	41,925	581,985	679,655	651,845
	<u>4,169,225</u>	<u>4,178,010</u>	<u>4,183,235</u>	<u>4,446,145</u>
	<u>4,878,225</u>	<u>5,735,510</u>	<u>6,014,235</u>	<u>7,353,515</u>

## Notes:

- (i) The bank loans bear floating interest ranging from 4.1% to 6.6%, 4.9% to 10.3% and 2.0% to 9.3% per annum for each of the three years ended December 31, 2010, 2011 and 2012 respectively, and, 2.0% to 9.3% per annum for the six months ended June 30, 2013 respectively, and are secured by the following assets:

	At December 31,			At June 30, 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	
Investment properties	1,683,000	2,299,000	2,671,000	2,726,000
Investment properties under development	209,000	217,000	190,000	190,000
Properties held for development for sale	1,043,489	463,375	1,081,184	733,094
Properties under development for sale	4,418,238	5,349,566	3,499,997	4,319,534
Completed properties for sale	520,214	398,546	908,631	299,281
Other land and building	19,730	18,792	17,854	17,385
Pledged deposits	—	—	176,500	255,054
	<u>7,893,671</u>	<u>8,746,279</u>	<u>8,545,166</u>	<u>8,540,348</u>

Included in secured bank loans at December 31, 2012 and June 30, 2013 were loans of RMB540,000,000 and RMB470,000,000 pledged by assets provided by related parties respectively (note 28(b)(iii)).

- (ii) All of the Group's banking facilities are subject to the fulfillment of covenants relating to the Group's properties development status, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at December 31, 2010, 2011 and 2012 and June 30, 2013, none of the covenants relating to drawn down facilities had been breached.

**23 CAPITAL AND RESERVES****(a) Share capital**

As disclosed in note 1(b) above, the Financial Information has been prepared under the merger accounting method in that financial information of the companies now comprising the Group during the Relevant Periods was consolidated as if the Group had always been in existence.

The Company was incorporated on May 14, 2010 and the Reorganization of the Group was completed on April 1, 2013. For the purpose of this report, share capital as at December 31, 2010 represents the aggregate amount of the Company's share capital and paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

As at December 31, 2011 and 2012, except for Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd., all the companies comprising the Group are direct or indirect subsidiaries of the Company. For the purpose of this report, share capital as at December 31, 2011 and 2012 represents the Company's share capital of HK\$0.1. The paid-in capital of Guangdong Modern Construction Design and Consultation Co., Ltd. and Foshan Logan Sunshine Seaward Property Co., Ltd. totaling RMB12,930,000 are included in other reserve.

As at June 30, 2013, all the companies comprising the Group are direct or indirect subsidiaries of the Company. Therefore, the share capital as at June 30, 2013 represents the Company's share capital of HK\$0.1.

**(b) Nature and purpose of reserves****(i) Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

**(ii) PRC statutory reserves**

PRC statutory reserves include general reserve, statutory surplus reserve and statutory reserve fund.

*General reserve*

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

*Statutory surplus reserve*

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as

**23 CAPITAL AND RESERVES (continued)***(b) Nature and purpose of reserves (continued)***(ii) PRC statutory reserves (continued)***Statutory surplus reserve (continued)*

determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

**(iii) Other reserve**

The other reserve represents:

- (1) The difference between the consideration paid arising from the Reorganization and the paid-in capital of Shantou Jinfengyuen Realty Co., Ltd., Shantou Logan Realty Co., Ltd. and Shantou Jiarun Property Co., Ltd. and Shenzhen Yaukaisi Investment Co., Ltd.; and
- (2) The difference between the capital injection and paid-in capital of Shantou Jinfengyuen Realty Co., Ltd. and Shantou Logan Realty Co., Ltd..

*(c) Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

**24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS****Significant non-cash transactions**

During the year ended December 31, 2010, two pieces of land of RMB144,398,000 were injected as the capital of Shantou Jinfengyuen Realty Co., Ltd. and Shantou Logan Realty Co., Ltd.

**25 COMMITMENTS**

Commitments outstanding at balance sheet dates not provided for in the Financial Information were as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for .....	3,350,813	2,622,509	2,497,505	3,502,571
Authorized but not contracted for .....	18,376,818	14,853,955	15,851,589	16,994,643
	<u>21,727,631</u>	<u>17,476,464</u>	<u>18,349,094</u>	<u>20,497,214</u>

Capital commitments mainly related to development expenditure for the Group's properties under development and expenditure in respect of future investment and property development.

**26 SIGNIFICANT LEASING ARRANGEMENTS****(a) Lessor**

The Group leases out a number of building facilities under operating leases, consisting primarily of retail shops attached to some property development projects and office space. The leases typically run for an initial period of 3 to 15 years, with an option to renew the leases after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 14.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Within 1 year .....	1,601	53,198	58,855	60,281
After 1 year but within 5 years .....	7,765	215,035	183,812	157,466
After 5 years .....	19,128	16,990	14,938	14,478
	<u>28,494</u>	<u>285,223</u>	<u>257,605</u>	<u>232,225</u>

**(b) Lessee**

The Group leases office space under operating leases. The leases typically run for an initial period of 1 to 4 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Within 1 year .....	3,181	10,451	9,063	8,175
After 1 year but within 5 years .....	4,515	20,376	12,136	8,461
	<u>7,696</u>	<u>30,827</u>	<u>21,199</u>	<u>16,636</u>



## 27 CONTINGENT LIABILITIES

(a) *Guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties:*

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to financial institutions for mortgages facilities granted to purchasers of the Group's properties .....	687,825	1,743,876	1,564,451	2,343,208

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 3% to 5% of the mortgage loans granted to buyers, with prescribed capped amount. Such guarantees usually last for 3 months, according to the relevant record of the Group.

The management does not consider that the Group will sustain a loss under these guarantees during the period under guarantee, as the Group has not applied for individual property ownership certificates for these buyers and can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to banks. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the buyers default payments to banks.

(b) *Assets pledged against bank and other loans of related companies:*

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
Properties held for development for sale .....	84,222	84,222	86,264	86,264
Completed properties for sale .....	—	354,922	147,875	147,875
	84,222	439,144	234,139	234,139

The above assets of the Group pledged against bank and other loans of related companies totaling RMB490,000,000 as at June 30, 2013 (December 31, 2012: RMB530,000,000; December 31, 2011: RMB273,000,000; December 31, 2010: RMB147,000,000).

(c) *Guarantees given to financial institutions for bank and other loans granted to related companies*

The Group provided guarantees to the bank and other loans of related companies totaling RMB40,000,000 as at June 30, 2013 (December 31, 2012: RMB260,000,000; December 31, 2011: RMB260,000,000; December 31, 2010: RMB230,000,000).



## 28 MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions identified during the years/period and balances with these related parties at those dates are summarized as follows:

(a)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Purchases of construction raw materials payable to a related company, Shantou Longhuqu Long Feng Co., Ltd. (汕頭市龍湖區龍鋒實業有限公司)**	5,099	—	—	—	—

(b)

(i) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Short-term employee benefits	2,818	5,792	8,773	3,501	4,367
Post-employment benefits	—	—	—	—	—
	2,818	5,792	8,773	3,501	4,367

(ii) Construction income, design fee income, sales of materials and construction management service income:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Construction contracts income receivable from related companies (note (a))	239,233	239,261	235,538	68,502	336,106
Design fee income receivable from a related company (note (b))	4,738	486	7,419	5,303	820
Sales of construction raw materials to a related company (note (c))	—	—	782	184	286
Construction management service income receivable from a related company (note (d))	—	—	2,861	—	1,237
	243,971	239,747	246,600	73,989	338,449

Notes:

(a) The Group being engaged for the construction projects of Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司)\*, Nanning Logan Century Property Co., Ltd. (南寧市龍光世紀房地產有限公司)\*, Fangchenggangshi Tianjun Investment Co., Ltd. (防城港市天駿投資有限公司)\*, Shantou Tianyue Investment Co., Ltd.

**28 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(b) (continued)**

- (ii) Construction income, design fee income, sales of materials and construction management service income: (continued)

(汕頭市天悅投資有限公司)\*, Huizhou Daya Bay Investment Co., Ltd. (惠州大亞灣龍光投資有限公司)\*, Huizhou Daya Bay Tianhui Investment Co., Ltd. (惠州大亞灣天暉投資有限公司)\*, Shantou Jinjun Investment Consulting Co., Ltd. (汕頭市金駿投資諮詢有限公司)\*, Foshan Shunde Logan Property Co., Ltd. (佛山市順德區龍光房地產有限公司)\* and Guangxi King Kerry Estate Co., Ltd. (廣西金凱利置業有限公司)\*\*.

- (b) The Group provides construction design service to Guangxi King Kerry Estate Co., Ltd. (廣西金凱利置業有限公司).
- (c) The Group sells construction raw materials to Huizhou Daya Bay Investment Co., Ltd. (惠州大亞灣龍光投資有限公司).
- (d) The Group provides construction management service to Guangxi King Kerry Estate Co., Ltd. (廣西金凱利置業有限公司).
- (iii) As at December 31, 2012 and June 30, 2013, bank loans of the Group amounted to RMB540,000,000 and RMB410,000,000 respectively were pledged by land piece held by of a related company, Nanning Logan Century Property Co., Ltd. (南寧市龍光世紀房地產有限公司).

As at June 30, 2013, a bank loan of the Group amounted to RMB60,000,000 was pledged by property held by of a related company, Foshan Logan Property Co., Ltd. (佛山市龍光房地產有限公司)\*.

## 28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (b) (continued)

- (iv) Bank and other loans guarantees provided by related companies/parties, the shareholder and the founder:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Joint guarantees provided by Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司), Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) and Mr. Ji . . . . .	1,007,000	1,020,000	439,000	40,000
Joint guarantees provided by Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司), Mr. Ji and Mr. Yao Yaolin (Brother in law of Mr. Ji) . . . . .	942,300	673,000	448,500	424,500
Joint guarantees provided by Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司) and Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) . . . . .	750,000	230,000	185,000	453,000
Joint guarantees provided by Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) and Mr. Ji . . . . .	280,000	1,181,000	1,428,330	1,270,670
Joint guarantees provided by Mr. Ji and Ms. Kei . . . . .	—	485,285	291,225	—
Joint guarantees provided by Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) and Mr. Ji Jiande (Brother of Mr. Ji) . . . . .	—	—	300,000	300,000
Joint guarantees provided by Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司), Mr. Ji and Mr. Ji Jiande (Brother of Mr. Ji) . . . . .	—	—	—	200,000
Joint guarantees provided by Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司), Mr. Ji and Ms. Kei . . . . .	—	—	145,055	429,769
Joint guarantees provided by Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司), Shantou Tinda Laowu Co., Ltd. (汕頭市天達勞務有限公司)** and Mr. Ji . . . . .	—	140,000	750,000	620,000
Guarantees provided by Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司) . . . . .	795,000	830,000	830,000	900,000
Guarantees provided by Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) . . . . .	1,062,000	1,448,600	1,483,800	2,873,800
	<u>4,836,300</u>	<u>6,007,885</u>	<u>6,300,910</u>	<u>7,511,739</u>

## 28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (b) (continued)

(v) Assets pledged against bank and other loans of related companies:

	At December 31,			At
	2010	2011	2012	June 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guangdong Logan (Group) Co., Ltd (廣東龍光(集團)有限公司) and Shantou Tianyue Investment Co., Ltd. (汕頭市天悅投資有限公司) . . . . .	—	—	147,875	98,366
Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司) . . . . .	—	—	43,132	43,132
Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) . . . . .	—	354,922	—	—
Huizhou Daya Bay Investment Co., Ltd. (惠州大亞灣龍光投資有限公司) . . . . .	84,222	84,222	43,132	43,132
	<u>84,222</u>	<u>439,144</u>	<u>234,139</u>	<u>184,630</u>

(vi) As at December 31, 2010, 2011 and 2012, and June 30, 2013, the Group provided guarantees for the bank loans of Shantou Tianyue Investment Co., Ltd. (汕頭市天悅投資有限公司) amounted to RMB230,000,000, RMB80,000,000, RMB80,000,000 and RMB40,000,000, respectively.

As at December 31, 2011, the Group provided guarantees for the bank loans of Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) amounted to RMB180,000,000.

As at December 31, 2012, the Group provided guarantees for a trust loan of Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) and Shantou Tianyue Investment Co., Ltd. (汕頭市天悅投資有限公司) totally amounted to RMB180,000,000.

(vii) The Company intends that the assets pledged and guarantees against bank and other loans of related companies/the Group's bank and other loans as at June 30, 2013 in the above notes (iii) to (vi) will be released before listing.

## 28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (c) Balances with related companies/parties

As at the balance sheet dates, the Group had the following balances with related companies/parties:

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
(i) Amounts due from related companies				
Fangchenggangshi Tianjun Investment Co., Ltd. (防城港市天駿投資有限公司) . . . . .	9,160	20,472	16,472	17,052
Guangdong Logan Group Property Co., Ltd. (廣東龍光集團物業有限公司)* . . . . .	13,892	19,716	—	—
Nanning Logan Century Property Co., Ltd. (南寧市龍光世紀房地產有限公司) . . . . .	—	91,372	26,653	2,601
Huizhou Daya Bay Investment Co., Ltd. (惠州大亞灣龍光投資有限公司) . . . . .	21,104	37,126	69,029	28,939
Huizhou Daya Bay Tianhui Investment Co., Ltd. (惠州大亞灣天暉投資有限公司) . . . . .	17,000	9,860	8,260	—
Shantou Tianyue Investment Co., Ltd. (汕頭市天悅投資有限公司) . . . . .	—	—	3,600	—
Shenzhen Logan Real Estate Co., Ltd. (深圳市龍光置業代理有限公司)* . . . . .	228	431	280	—
Guangxi King Kerry Estate Co., Ltd. (廣西金凱利置業有限公司) . . . . .	—	—	617	94,370
Foshan Shunde Logan Property Co., Ltd. (佛山市順德區龍光房地產有限公司) . . . . .	—	—	26,229	26,229
Shantou Jinjun Investment Consulting Co., Ltd. (汕頭市金駿投資諮詢有限公司) . . . . .	—	—	1,630	2,896
	<u>61,384</u>	<u>178,977</u>	<u>152,770</u>	<u>172,087</u>

## 28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (c) Balances with related companies/parties (continued)

	At December 31,			At
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
(ii) Amounts due to related companies				
Foshan Logan Property Co., Ltd. (佛山市龍光房地產有限公司) . . . . .	217,410	1,018,336	—	—
Foshan Shunde Logan Property Co., Ltd. (佛山市順德區龍光房地產有限公司) . . . . .	3,348	187,664	—	—
Guangdong Logan (Group) Co., Ltd. (廣東龍光(集團)有限公司) . . . . .	142,372	97,900	—	1,090
Guangdong Logan Group Property Co., Ltd. (廣東龍光集團物業有限公司) . . . . .	3,662	3,115	—	44
Logan Real Estate Holdings Co., Ltd. (龍光地產股份有限公司) . . . . .	376,798	284,752	1,383,858	266,141
Nanning Logan Century Property Co., Ltd. (南寧市龍光世紀房地產有限公司) . . . . .	83,050	—	—	—
Shenzhen Logan Century Commerce Management Co., Ltd. (深圳市龍光世紀商業管理有限公司)* . . . . .	19,930	—	—	—
Shantou Logan Landscape Co., Ltd. (汕頭市龍光園林景觀有限公司)* . . . . .	2,900	2,900	—	—
Shantou Longhuqu Long Feng Co., Ltd. (汕頭市龍湖區龍鋒實業有限公司) . . . . .	6,617	4,218	4,218	1,749
Shantou Tianyue Investment Co., Ltd. (汕頭市天悅投資有限公司) . . . . .	9,713	—	—	—
King Kerry (Hong Kong) Investments Company Limited (金凱利(香港)投資有限公司)* . . . . .	—	—	—	319
	<u>865,800</u>	<u>1,598,885</u>	<u>1,388,076</u>	<u>269,343</u>
(iii) Amounts due to related parties				
Xie Shixi (Nephew of Mr. Ji) . . . . .	—	10,539	—	—
Yao Yaojia (Brother in law of Mr. Ji) . . . . .	4,680	6,892	—	—
	<u>4,680</u>	<u>17,431</u>	<u>—</u>	<u>—</u>
(iv) Amount due to a non-controlling shareholder				
Guangdong Nanhai Luolan Ceramics Enterprises Group (廣東南海羅南陶瓷企業集團) (the non-controlling shareholder of Foshan Sunshine Seaward Property Co., Ltd.) . . . . .	—	—	56,827	56,827
(v) Amount due to the shareholder				
Ms. Kei . . . . .	<u>10,211</u>	<u>9,728</u>	<u>—</u>	<u>—</u>
(vi) Amount due to the founder				
Mr. Ji . . . . .	<u>—</u>	<u>11,998</u>	<u>—</u>	<u>7</u>

The Company intends that balances with related parties as at June 30, 2013 in notes (i) to (vi) above will be settled before listing.

**28 MATERIAL RELATED PARTY TRANSACTIONS (continued)**

(d) The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business, and have confirmed that the non-continuing transactions stated above will not continue in the future after the listing of the Company's shares.

**(e) *Applicability of the Listing Rules relating to connected transaction***

The related party transactions in respect of construction income receivable from related companies (note 28(b)(ii)) constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules upon listing. The details are provided in section headed "Connected Transactions" in the Prospectus. The related party transactions in respect of design fee income receivable and construction management services income receivable from a related company (note 28(b)(ii)) constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules upon listing, however they are exempt from the disclosures requirements in Chapter 14A of the Listing Rules as detailed in the section headed "Connected Transactions" in the Prospectus.

*Notes:*

\* Related companies that are controlled by the founder.

\*\* Related companies that are substantially owned by the family members of the founder.

**29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS**

Up to the date of issue of this Financial Information, the HKICPA has issued a few amendments and a new standard which are not yet effective in respect of the financial periods included in the Relevant Periods, and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	<u>Effective for accounting periods beginning on or after</u>
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i> .....	January 1, 2014
HKFRS 9, <i>Financial instruments</i> .....	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

**30 FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on May 14, 2010 with authorized capital of HK\$380,000 divided into 3,800,000 of HK\$0.1 each. 1 fully paid share of HK\$0.1 was allotted and issued to Ms. Kei.

On November 2, 2012, the Company allotted and issued at par (i.e. HK\$0.1 per share) an aggregate of 999 shares, out of which 939 shares were allotted and issued to Ms. Kei and 20 shares were allotted and issued to each of Dragon Jubilee Investments Limited, Gao Run Holdings Limited and Thrive Ally Limited, all of which are companies incorporated in the BVI and are wholly owned by Ms. Kei.

**Company Balance Sheet**

	Note	At December 31,			At
		2010	2011	2012	June 30, 2013
		HKD'000	HKD'000	HKD'000	HKD'000
<b>Non-current assets</b>					
Fixed assets		—	—	3,252	2,853
Investments in subsidiaries		12,000	12,000	12,000	12,000
		<u>12,000</u>	<u>12,000</u>	<u>15,252</u>	<u>14,853</u>
<b>Current assets</b>					
Other receivables and prepayment		—	1,606	22	22
Rental and utility deposits		—	4,840	4,842	4,842
Cash and cash equivalents		1,879	331	388	1,953
		<u>1,879</u>	<u>6,777</u>	<u>5,252</u>	<u>6,817</u>
<b>Current liability</b>					
Other payables	(a)	(15,000)	(23,302)	(39,834)	(57,552)
<b>Net current liabilities</b>		<u>(13,121)</u>	<u>(16,525)</u>	<u>(34,582)</u>	<u>(50,735)</u>
<b>Total assets less current liabilities</b>		<u>(1,121)</u>	<u>(4,525)</u>	<u>(19,330)</u>	<u>(35,882)</u>
<b>NET LIABILITIES</b>		<u>(1,121)</u>	<u>(4,525)</u>	<u>(19,330)</u>	<u>(35,882)</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	(b)	—	—	—	—
Accumulated losses	(b)	(1,121)	(4,525)	(19,330)	(35,882)
		<u>(1,121)</u>	<u>(4,525)</u>	<u>(19,330)</u>	<u>(35,882)</u>

**(a) Other payables**

	At December 31,			At
	2010	2011	2012	June 30, 2013
	HKD'000	HKD'000	HKD'000	HKD'000
Other payable	—	2	436	252
Amount due to a subsidiary (note)	—	—	38,900	56,900
Amount due to a related company (note)	—	500	498	400
Amounts due to related parties (note)	3,000	22,000	—	—
Amount due to the founder (note)	—	800	—	—
Amount due to the shareholder (note)	12,000	—	—	—
	<u>15,000</u>	<u>23,302</u>	<u>39,834</u>	<u>57,552</u>

Note: The amounts due to a subsidiary, a related company, related parties, the shareholder and the founder are unsecured, interest free and repayable on demand.



**30 FINANCIAL INFORMATION OF THE COMPANY (continued)***(b) Capital and reserves*

Details of the changes in the company's individual components of equity between the beginning and the end of the period are set out below:

	<u>Share capital</u>	<u>Accumulated</u>	<u>Total</u>
	<u>HKD'000</u>	<u>losses</u>	<u>HKD'000</u>
	<u>HKD'000</u>	<u>HKD'000</u>	<u>HKD'000</u>
At May 14, 2010 .....	—	—	—
Shares issued upon incorporation .....	—	—	—
Total loss and comprehensive income for the period .....	—	(1,121)	(1,121)
At December 31, 2010 .....	—	(1,121)	(1,121)
Total loss and comprehensive income for the year .....	—	(3,404)	(3,404)
At December 31, 2011 .....	—	(4,525)	(4,525)
Total loss and comprehensive income for the year .....	—	(14,805)	(14,805)
At December 31, 2012 .....	—	(19,330)	(19,330)
Total loss and comprehensive income for the period .....	—	(16,552)	(16,552)
At June 30, 2013 .....	—	(35,882)	(35,882)

### 31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the following companies now comprising the Group for each of the three years ended December 31, 2010, 2011 and 2012, or since their respective dates of acquisition/establishment, where this is a shorter period, were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited during the Relevant Periods by the respective statutory auditors as indicated below:

<u>Name of subsidiaries</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Yuen Ming (Hong Kong) Investments Company Limited	Years ended December 31, 2010 and 2011	KPMG
	Year ended December 31, 2012	Sky Trend CPA Limited
Kam Wang (HK) Investments Company Limited	Period ended December 31, 2010	Sky Trend CPA Limited
	Years ended December 31, 2011 and 2012	
Jolly Gain (Hong Kong) Investments Limited	Period ended December 31, 2012	L. M. Ng & Co. Certified Public Accountants (Practising) (吳樂明會計師事務所)
Tai Ying (Hong Kong) Investments Limited	Period ended December 31, 2012	L. M. Ng & Co. Certified Public Accountants (Practising) (吳樂明會計師事務所)
Platinum Profit (Hong Kong) Investments Limited	Period ended December 31, 2012	L. M. Ng & Co. Certified Public Accountants (Practising) (吳樂明會計師事務所)
Golden Prosper (Hong Kong) Investments Limited	Period ended December 31, 2012	L. M. Ng & Co. Certified Public Accountants (Practising) (吳樂明會計師事務所)
Talent Union (Hong Kong) Investments Limited	Period ended December 31, 2012	L. M. Ng & Co. Certified Public Accountants (Practising) (吳樂明會計師事務所)
Shenzhen Youkaisi Investment Co., Ltd. (note) (深圳市優凱思投資有限公司)	Years ended December 31, 2010 and 2011	Shenzhen Huilong Certified Public Accountants (深圳惠隆會計師事務所)
	Year ended December 31, 2012	Shenzhen Huilong Certified Public Accountants (General Partnership) (深圳惠隆會計師事務所 (普通合伙))
Logan Construction Co., Ltd. (note) (龍光工程建設有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	ST Hua Qian Certified Public Accountants (汕頭市華乾會計師事務所)
Shantou Jiarun Property Co., Ltd. (note) (汕頭市佳潤房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	ST Hua Qian Certified Public Accountants (汕頭市華乾會計師事務所)

### 31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES (continued)

<u>Name of subsidiaries</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Shantou Jinfengyuan Realty Co., Ltd. ( <i>note</i> ) (汕頭市金峰園置業有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Guangdong Pan-China Certified Public Accountants (廣東天健會計師事務所)
Guangzhou Logan Property Co., Ltd. ( <i>note</i> ) (廣州市龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Foshan Dacheng Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)
Guangzhou Logan Realty Co., Ltd. ( <i>note</i> ) (廣州市龍光置業有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Foshan Dacheng Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)
Dongguan Logan Property Co., Ltd. ( <i>note</i> ) (東莞市龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Guangdong Pan-China Certified Public Accountants (廣東天健會計師事務所)
Hainan Logan Property Development Co., Ltd. ( <i>note</i> ) (海南省龍光房地產開發有限公司)	Period ended December 31, 2010 and year ended December 31, 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	GX Ziun Certified Public Accountants (廣西啓源會計師事務所)
Foshan Shunde Logan Realty Co., Ltd. ( <i>note</i> ) (佛山市順德區龍光置業房產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Foshan Dacheng Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)
Guangdong Modern Construction Design and Consultation Co., Ltd. ( <i>note</i> ) (廣東現代建築設計與顧問有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所 (普通合伙))

### 31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES (continued)

<u>Name of subsidiaries</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Zhongshan Logan Property Co., Ltd. ( <i>note</i> ) (中山市龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Zhongshan Zhongzhen Union CPA Co., Ltd. (中山市中正聯合會計師事務所有限公司)
Shantou Logan Property Co., Ltd. ( <i>note</i> ) (汕頭市龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	ST Hua Qian Certified Public Accountants (汕頭市華乾會計師事務所)
Shenzhen Chenrong Construction Materials Co., Ltd. ( <i>note</i> ) (深圳市宸榮建築材料有限公司)	Period ended December 31, 2010	Shenzhen Huilong Certified Public Accountants (深圳惠隆會計師事務所)
	Year ended December 31, 2011	Shenzhen Hautu Certified Public Accountants (Special General Partnership) (深圳市華圖會計師事務所(特殊普通合伙))
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所 (普通合伙))
Shenzhen Yongjing Decorating Construction Co. Ltd. ( <i>note</i> ) (深圳市潤景裝飾工程有限公司)	Period ended December 31, 2011	Shenzhen Hautu Certified Public Accountants (Special General Partnership) (深圳市華圖會計師事務所(特殊普通合伙))
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所 (普通合伙))
Huizhou Logan Property Co., Ltd. ( <i>note</i> ) (惠州市龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Guangdong Pan-China Certified Public Accountants (廣東天健會計師事務所)
Shenzhen Logan Media Planning Co., Ltd. ( <i>note</i> ) (深圳市龍光傳媒策劃有限公司)	Year ended December 31, 2010	Shenzhen Hautu Certified Public Accountants (深圳市華圖會計師事務所)
	Year ended December 31, 2011	Shenzhen Xingyuan Certified Public Accountants (Special General Partnership) (深圳市星源會計師事務所(特殊普通合伙))
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所 (普通合伙))

### 31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES (continued)

<u>Name of subsidiaries</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Huizhou Daya Bay Logan Property Co., Ltd. <i>(note)</i> (惠州大亞灣龍光房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Huizhou Fang Zheng Certified Public Accountants (惠州方正會計師事務所)
Zhuhai Logan Property Development Co., Ltd. <i>(note)</i> (珠海市龍光房地產開發有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Zhuhai Guorui Hengbin Accountants (珠海國睿衡斌會計師事務所有限公司)
Shantou Logan Realty Co., Ltd. <i>(note)</i> (汕頭市龍光置業有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	ST Hua Qian Certified Public Accountants (汕頭市華乾會計師事務所)
Nanning Logan Property Co., Ltd. <i>(note)</i> (南寧龍光房地產開發有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Gx Ziun Certified Public Accountants Ltd. (廣西啓源會計師事務所)
Hainan Jinjun Realty Co., Ltd. <i>(note)</i> (海南金駿置業有限公司)	Period ended December 31, 2011	Sanya Haicheng Certified Public Accountants (三亞海誠會計師事務所)
	Year ended December 31, 2012	Gx Ziun Certified Public Accountants Ltd. (廣西啓源會計師事務所)
Foshan Chancheng Logan Property Co., Ltd. <i>(note)</i> (佛山市禪城區龍光房地產有限公司)	Period ended December 31, 2012	Foshan Dacheng Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)
Shenzhen Logan Century Business Management Co. Ltd. <i>(note)</i> (深圳市龍光世紀商業管理有限公司)	Period ended December 31, 2011	Shenzhen Xingyuan Certified Public Accountants (Special General Partnership) (深圳市星源會計師事務所(特殊普通合伙))
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所(普通合伙))
Shenzhen Logan Dongzhen Realty Co., Ltd. <i>(note)</i> (深圳市龍光東圳置業有限公司)	Year ended December 31, 2010	Shenzhen Hautu Certified Public Accountants (深圳市華圖會計師事務所)
	Year ended December 31, 2011	Shenzhen Tinda United Certified Public Accountants (General Partnership) (深圳天大聯合會計師事務所(普通合伙))

## 31 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES (continued)

<u>Name of subsidiaries</u>	<u>Financial period</u>	<u>Statutory auditors</u>
	Year ended December 31, 2012	Huizhou Fang Zheng Certified Public Accountants (惠州方正會計師事務所)
Shenzhen Logan Property Co., Ltd. (note) (深圳市龍光房地產有限公司)	Year ended December 31, 2010	Shenzhen Tinda United Certified Public Accountants (深圳市天大聯合會計師事務所)
	Year ended December 31, 2011	Shenzhen Xingyuan Certified Public Accountants (Special General Partnership) (深圳市星源會計師事務所(特殊普通合伙))
	Year ended December 31, 2012	Shenzhen Hengchen Certified Public Accountants (General Partnership) (深圳恒晨會計師事務所 (普通合伙))
Nanning Logan Junchi Property Development Co., Ltd. (note) (南寧市龍光駿馳房地產開發有限公司)	Period ended December 31, 2012	Gx Ziun Certified Public Accountants Ltd. (廣西啓源會計師事務所)
Chengdu Logan Property Co., Ltd. (note) (成都市龍光房地產有限公司)	Period ended December 31, 2010 and year ended December 31, 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Haiyun Accountant Agency of Sichun Province Co., Ltd. (四州海韻會計師事務所有限公司)
Nanning Logan Jinjun Property Development Co., Ltd. (note) (南寧市龍光金駿房地產開發有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Gx Ziun Certified Public Accountants (廣西啓源會計師事務所)
Foshan Logan Sunshine Seaward Property Co., Ltd. (note) (佛山市龍光陽光海岸房地產有限公司)	Period ended December 31, 2012	Foshan Dacheng Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)
Huizhou Daya Bay Dongzhen Property Co., Ltd. (note) (惠州大亞灣東圳房地產有限公司)	Years ended December 31, 2010 and 2011	Shantou Regent Certified Public Accountants Ltd. Co. (汕頭市立真會計師事務所有限公司)
	Year ended December 31, 2012	Huizhou Fang Zheng Certified Public Accountants (惠州方正會計師事務所)

*Note:* The English translation of the names is for reference only. The official names of these entities are in Chinese.

**32 SUBSEQUENT EVENTS****Capitalization Issue**

Pursuant to written resolutions of the Company's shareholders passed on November 18, 2013, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the Global Offering set out in the section headed "History and Reorganization" in the Prospectus, the directors had authorized to allot and issue a total of 4,249,999,000 shares, by way of capitalization of the sum of HK\$424,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

**C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to June 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2013.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong