You should read the following discussion of our results of operations and financial condition in conjunction with our consolidated financial information as of and for each of the three years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, including the notes thereto, included in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are engaged primarily in the development and operation of large-scale business parks with distinctive industry themes. According to the Top Ten China Real Estate Research Group (中國房地產10強研究組)[1], we ranked among the "2013 Top Ten Brands of China Industrial Real Estate Companies (2013中國產業地產品牌價值TOP10)". The PRC commercial business park market emerged in the late 1990s to 2000 and has grown rapidly driven by significant demand from enterprises in a large number of industries for business parks, government policies in upgrading and restructuring of industries, increased level of urbanization, as well as development and business innovation of SMEs. According to the Savills Report, we ranked second in China as of December 31, 2013 among all commercial business park developers and operators in terms of the total GFA of completed projects, projects under development and projects planned for future development. See the subsection headed "Industry Overview – The PRC Commercial Business Park Market – Competitive Landscape" in this prospectus for detailed discussion about our ranking.

Our Business Model

Property Development

We have developed a portfolio of multi-theme business parks, and we are a market leader in the business park development sector, in Wuhan, Qingdao and Ezhou. Based on our accumulated industry knowledge, development capabilities and operational expertise in the development and operation of large-scale business parks in Wuhan, we replicate our business model in business park development in our other target cities. We have recently started to develop a business park project in Huangshi. We also expect to commence the development of our business park projects in Shenyang and Hefei and plan to further expand to our other target cities, including Beijing, Shanghai, Xi'an, Chongqing and Tianjin. Our business parks with distinctive

Note:

(1) The Top Ten China Real Estate Research Group (中國房地產10強研究組) comprises the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Tsinghua University Real Estate Research Institute (清華大學房地產研究所) and China Index Academy (中國指數研究院).

industry themes provide leading corporations, as well as fast-growing SMEs and start-up companies in a large number of industries with solutions to their needs for business space, operating environment, industry-specific supporting facilities as well as a wide range of business operation services. The themes of our large-scale business parks span a broad spectrum of industries, including, among others, software development, service outsourcing, financial back-office services, data centers, information technology, biotechnology, medical devices, energy conservation, environmental protection, ocean technology and creative industry.

We focus on, and have strong capabilities in, developing business parks with customized properties and features that meet the individualized demands of our customers. We proactively conduct extensive market researches on our target industries and the leading enterprises in the relevant industries with regard to their needs for locations, business spaces and operating environments. We initiate our sales and marketing process from the early stage of our projects, we endeavor to work closely with and guide our customers throughout the development process to improve the project design and customized features of our business parks so as to ensure that the particular demands of individual customers are fully addressed.

In line with local urban development plans in our target cities, we develop residential projects that are generally in proximity and complementary to our business park developments so as to develop our large-scale projects with a fully-functional living environment (產城一體). During the Track Record Period and up to December 31, 2013, we and our joint venture had three completed residential projects, namely the Romantic Town and the Lido Mason (Phase I) in Wuhan and the Lido Top View in Huangshi, and had two residential projects under development, namely the Lido 2046 and the Lido Mason (Phase II) in Wuhan. The Lido Mason projects (Phases I and II) are wholly owned and developed by our joint venture, Wuhan Mason. The standardized development process of residential projects is substantially similar to that of business park projects. See the subsection headed "Business – Property Development – Residential Property Development Process" in this prospectus for further discussion. With the foresight to understand the new urbanization trends in China, we have assisted local governments to develop the locations of our large-scale business parks and their surrounding areas into new city centers, which in turn offer more job opportunities and fully-functional living communities for new urban residents.

Other Business Activities

We also engage in a variety of other business operations and activities, each of which is an integral part of and essential to our business park development and operation business and contribute to our turnover and profits. These business operations and activities include:

- ***Business operation services for the companies in our business parks***. We provide enterprises in our business parks with a wide range of business operation services to facilitate their business operations and reduce their operational costs. In addition to property management and operation services, our business operation services also include centralized energy supply systems and services for the relevant districts, human resources and training services. Furthermore, we provide supporting facilities (including apartments, hotels, canteens, enterprise service centers, conference centers and employee activity centers), deliver group catering, property agency and advertising agency services, and organize sports games and leisure activities catering for the business needs of our customers as well as social and other needs of their employees.

- ***Construction contract***. We provide construction services for decorating and improving external parts and internal areas of buildings to customers in our business parks as well as property developments owned by third parties.

- ***Property leasing***. We engage in property leasing and strategically hold and lease out certain properties providing supporting services in our business parks as well as office properties suitable for general business uses to generate recurring rental income.

- ***Development management services for business parks owned by third parties***. As part of our strategic plan, we provide, on a selective basis, project planning and development management services primarily to local governments and leading enterprises for landmark or other large-scale business parks owned by them. Through such services, with minimal capital outlay on our part, we have gained significant expertise and strengthened our capabilities in the development and operation of large-scale business parks, enhanced our brand recognition in the business park development sector, developed long-standing relationships with the relevant local governments and leading enterprises, built up our talent reserve and gained access to and information on the enterprises and companies in their business parks, who may be attractive potential customers for our existing or future business parks.

Our Projects

We have benefited from increasing customer demands for high-quality business parks, government policies in upgrading and restructuring of industries, increased level of urbanization, as well as development and business innovation of SMEs in our target cities. During the Track Record Period and up to December 31, 2013, we and our joint venture have completed 11 business parks in Wuhan, Qingdao and Ezhou and three residential projects in Wuhan and Huangshi.

The following table sets forth an overview of the projects held by us as of December 31, 2013.

Project	Cities	Site Area	Total GFA	Saleable GFA	Property Market Value	Property Market Value Attributable to our Group
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(RMB'000*	*(RMB'000)*
Completed Projects	Wuhan, Qingdao, Ezhou, Huangshi	1,430,928(1)	2,249,006(1)	1,884,555(1)	2,962,700(1)	2,925,779(1)
Projects under Development	Wuhan, Qingdao, Ezhou, Huangshi	621,351(2)	1,059,634(2)	872,276(2)	3,432,100(2)	3,419,680(2)
Projects Planned for Future Development	Wuhan, Qingdao, Ezhou, Shenyang, Hefei	1,816,536	5,379,162	4,246,314	6,793,000	5,401,780
Potential Development Projects	Wuhan, Qingdao, Ezhou, Huangshi, Shenyang	2,463,806	5,063,151	4,587,343	Nil	Nil
Total		**6,332,621**	**13,750,953**	**11,590,488**	**13,187,800**	**11,747,239**

Notes:

(1) Excluding the site area of 36,105 sq.m., the GFA of 71,203 sq.m., the saleable GFA of 69,072 sq.m., the property market value of RMB125.3 million and the property market value attributable to our Group of RMB62.65 million, respectively, in respect of the Lido Mason (Phase I). The Lido Mason projects (Phases I and II) are wholly owned and developed by our joint venture, Wuhan Mason.

(2) Excluding the site area of 36,067 sq.m., the GFA of 80,524 sq.m., the saleable GFA of 60,298 sq.m., the property market value of RMB290.9 million and the property market value attributable to our Group of RMB145.45 million, respectively, in respect of the Lido Mason (Phase II).

BASIS OF PREPARATION AND PRESENTATION OF OUR FINANCIAL STATEMENTS

Reorganization

In preparation for the Global Offering, our Company was incorporated in the Cayman Islands on July 15, 2013 and became the holding company of the companies now comprising our Group pursuant to the Reorganization as set out in the subsection headed "Our History, Reorganization and Group Structure – Reorganization – Offshore Reorganization" in this prospectus. The ultimate control over all major affairs of our Company and other group companies involved in our Reorganization was vested on the Controlling Shareholders before and after the completion of the Reorganization. The acquisitions made as part of our Reorganization were transactions under common control and the merger basis of accounting has been applied for the preparation and presentation of our consolidated financial information. Our consolidated financial statements have been prepared as if our Group had always been in existence, and the net assets of our group companies are consolidated using the existing book values from the Controlling Shareholders' perspective. All intra-group transaction balances have been eliminated on consolidation.

Wuhan Minghong

Wuhan Optics Valley Union acquired the entire equity interest in Wuhan Minghong from Independent Third Parties in 2008. At the time of our acquisition of Wuhan Minghong, its primary assets were two projects, namely, Yishuiyuan Project (依水園項目) and Canglongdao Project (藏龍島項目). See the subsection headed "Risk Factors – Risks Relating to Our Businesses – We could be subject to risks relating to Wuhan Minghong and the Yishuiyuan Project operated by Wuhan Minghong's prior shareholders" in this prospectus for further details.

Pursuant to the equity transfer agreements and supplemental agreements we entered into with the prior shareholders of Wuhan Minghong, (i) we acquired the land use rights of the Canglongdao Project through the equity transfer of Wuhan Minghong, (ii) save for the Canglongdao Project, the prior shareholders would continue to wholly control and manage (including financial accounting, custody of relevant approvals and documents, and payment of taxes and other fees) all the businesses and projects of Wuhan Minghong (the "Prior Businesses") which they had controlled and managed prior to October 31, 2008, and (iii) Wuhan Minghong holds the Prior Businesses on behalf of the prior shareholders who agreed to personally assume and settle all relevant liabilities, penalties and proceedings related to the Prior Businesses and none of the assets in relation to the Canglongdao Project shall be used to settle any such liabilities, penalties or proceedings. Two project management departments were established in Wuhan Minghong to manage the two projects separately and annual tax filings of the two projects were made to the local tax bureau separately by us and the prior shareholders. Wuhan Minghong has held the assets of the Yishuiyuan Project on behalf of the prior shareholders but has not operated the project for itself. Although Wuhan Minghong has the legal titles in relevant assets, the prior shareholders have retained all the risks and rewards relating to the Yishuiyuan Project. In accordance with IFRS, the assets and liabilities of Wuhan Minghong other than those relating to the Canglongdao Project should not be included in the consolidated financial accounts of our Group since the acquisition. Pursuant to the relevant principles under the IFRS and based on the agreements relating to our acquisition of Wuhan Minghong and the separate management of the Yishuiyuan Project and the Canglongdao Project by the prior shareholders and our Group, respectively, we have excluded the Yishuiyuan Project from the consolidated financial accounts of our Group since the acquisition.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Growth, Industrial Development and Urbanization Level in China

The economic growth, industrial development and urbanization level have been the main driving forces behind the increasing production and commercial activities in China, which in turn has spurred demand for large-scale developments that integrate business parks and related operation services with a fully-functional living environment. China's economy experienced rapid growth in the past 30 years primarily driven by capital investments and product exports. In recent years, the PRC Government has been endeavoring to restructure and upgrade industries as part of its strategic efforts to stimulate domestic growth and adjust China's industrial structure. However, there remain significant uncertainties on whether the PRC Government can succeed in implementing its policy initiatives and continue to maintain the economic growth in China. In addition, we are susceptible to local economic conditions and industrial development in Wuhan, Qingdao, Shenyang, Hefei, Huangshi and Ezhou, where we currently have all of our operations. Although the potentials for economic growth and industrial development in these cities are believed to be substantial, these cities start from a relatively lower development stage, with significant infrastructural and ground work to be done. These factors will continue to have a significant impact on the number of our customers and potential customers and the pricing and profitability of our business parks and related operation services, which in turn will directly affect our results of operations.

Regulation of the Real Estate Industry in China

PRC governmental policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land supply, foreign exchange, pre-sale of properties, land usage, plot ratio, bank financing, taxation, and foreign investment. Since 2011, the PRC Government and various administrative bodies launched a series of measures to discourage speculation and control the growth of the PRC property market. The new control measures (including, among other things, higher minimum down payment requirements and other restrictions for purchase of residential properties and increases in bank lending rates for mortgage financings) have directly affected the sales volume and purchase prices of properties in our target cities. Furthermore, the PRC Government may, from time to time, adopt new industrial policies and economic measures to guide and further regulate the restructuring and upgrading of industries in China. New governmental policies and measures could adversely affect the demand for business parks from enterprises in relevant industries and reduce the level of construction activities and capital investments relating to business park developments. PRC regulatory measures in the real estate industry, especially in the business park development sector, will continue to impact our business and results of operations. See the subsections headed "Regulations – Laws and Regulations Relating to Real Estate Development – Development of a Real Estate Project" in this prospectus for further details on the relevant PRC regulations.

Fair Value of Investment Properties

Gains or losses arising from changes in the fair value of our investment properties may have a substantial effect on our profits. Our investment properties include office units, serviced apartments, commercial amenities and other supporting facilities held for rental income, capital appreciation or both. Our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as of each reporting date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties, as so determined at a particular date, may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by another qualified independent professional valuer using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and do not generate any cash inflow available for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. We cannot assure you that similar levels of any fair value gains we recognized with respect to our investment properties during the Track Record Period can be sustained in the future. See the subsection headed "– Discussion of Certain Statement of Financial Position Items – Investment Properties" in this section for further discussion.

Ability to Acquire Suitable Land at Desirable Cost

Our operating results and continuing growth will depend on our ability to secure high-quality development land at costs that can yield reasonable returns. Even though we currently maintain sufficient land reserves to fulfill our development requirements for the next three to five years, we continue to look for suitable sites for future development projects, on which our continuing growth will partially depend. There is limited supply of suitable land available for large-scale developments in Wuhan, Qingdao, Shenyang, Huangshi, Ezhou and our other target cities where we plan to expand our business. Competition among property developers for land has been intense in China and we expect the trend will continue. Furthermore, our results of operations are affected by land acquisition cost, which constitute a major component of our cost of sales. Over the years, land premiums have generally been increasing steadily and are expected to continue to rise in China as the PRC economy continues to develop. In addition, PRC governmental land supply policies and implementation measures (such as the statutory requirement of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights) may further intensify competition for undeveloped land and increase land acquisition costs. For example, in November 2009, the PRC Government raised the minimum down payment of land premium to 50% and required that land premium be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

Project Development Schedules

Our cash flows and turnover are affected by project development schedules. The number and GFA of properties that we can develop or complete during any particular period is limited due to the substantial capital and management resources required for land acquisition and project development. Our cash flows and turnover are affected by project development schedules due to the time lag between commencement of a project, pre-sales and completion and delivery of the properties. Project development schedules depend on a number of factors, including the performance and efficiency of our construction companies and our ability to finance construction work with bank borrowings and proceeds from customers of customized developments and pre-sold properties. Any delay in construction and obtaining relevant government licenses and approvals could materially and adversely affect our project development schedules.

Access to and Cost of Financing

Bank borrowing is an important source of funding for our property developments. As of December 31, 2010, 2011 and 2012 and September 30, 2013, our outstanding bank borrowings amounted to RMB369.0 million, RMB618.1 million, RMB1,209.2 million and RMB2,118.3 million, respectively. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, our aggregate interest expenses on bank borrowings (before capitalization of interests into properties under development) were RMB43.9 million, RMB67.3 million, RMB131.1 million and RMB114.4 million, respectively, and the annual interest rates of these bank borrowings, according to respective loan agreements, ranged from 5.31% to 7.04%, 5.4% to 7.05%, 5.4% to 8.32%, and 3.9% to 12%, respectively, for the same periods. The interest rates of our bank borrowings are generally floating with reference to the benchmark interest rate set by the PBOC, and any increase in this rate will increase the finance costs of our project developments. If lenders approve loans to us for the construction of specific projects, the relevant proceeds cannot be applied to the construction of another project and generally may not be renewed. See the subsection headed "Risk Factors – Risks Relating to Our Businesses – Our business, financial condition and results of operations may be materially and adversely affected if interest rates increase in the future" in this prospectus for further details. Moreover, the PRC Government from time to time has imposed restrictions on bank lending for property development. To the extent the PRC Government slows the development of the private property sector, either by restricting loans to the sector or increasing lending rates to the sector, our access to capital and cost of financing may be adversely affected. In addition, although we do not have bank borrowings in foreign currencies, any fluctuations in global credit markets, as were seen during the 2008-2009 global economic downturn, could materially and adversely affect us insofar as they impact interest rates and the availability of credit in China.

Fluctuations in Development Costs

Our results of operations are also affected by our development costs or construction costs which consist of contractual payments to our construction contractors to cover construction material costs and labor costs. The construction costs of our projects vary according to the gross floor area and height of buildings as well as the geology of construction sites. We generally outsource a significant majority of the construction work of our projects to third-party construction contractors that procure construction materials by themselves and under relevant construction contracts bear risks relating to the fluctuation of raw material prices, whereas Wuhan Jitian Construction undertakes the remaining portion of construction work. Construction costs fluctuate as a result of changes in the prices of key construction materials such as steel and concrete. Any increase in costs of construction materials will impact our cost of sales and gross profit margin for project development. Based on our best estimates, for illustrative purposes only, the following table shows the sensitivity of the gross profit margin for property development during the Track Record Period with regard to certain possible changes in steel and concrete costs recognized as our construction costs during the same period, assuming all other variables held constant:

	Changes in gross profit margin for property development			
	Year ended December 31,			Nine months ended September 30,
	2010	2011	2012	2013
Changes in costs of steel and concrete:				
+10.0%	-1.338%	-1.519%	-1.268%	-1.061%
+5.0%	-0.669%	-0.759%	-0.634%	-0.531%
+1.0%	-0.134%	-0.152%	-0.127%	-0.106%
-1.0%	0.134%	0.152%	0.127%	0.106%
-5.0%	0.669%	0.759%	0.634%	0.531%
-10.0%	1.338%	1.519%	1.268%	1.061%

Our profitability may be adversely affected if we cannot pass on any resulting increases in our costs to our customers. In addition, as we pre-sell some of our properties prior to their completion, we will be unable to pass any increased costs with respect to such properties to our customers if construction costs increase subsequent to the time of such pre-sale. We expect our development costs will continue to be influenced by fluctuations in the cost of construction materials and the rise in labor costs for our property developments.

Acquisition of Entities

Acquisitions, including our acquisitions of additional equity interests in associates and joint ventures to enable us to control them as subsidiaries, also affect our results of operations. We make selective acquisitions for operational and financial benefits to our Group, but do not rely solely on acquisitions for growth. In particular, we pursue those acquisitions that we believe will provide us with incremental revenue and complement our existing operations. For example, through a series of acquisitions, we acquired a total of 49% equity interest in Wuhan Xuefu which owned and developed Romantic Town, a residential project. We acquired a further 2% equity interest in Wuhan Xuefu at a consideration of RMB4.4 million and controlled it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that we had previously held was deemed to be disposed of to a third party at fair market value which resulted in the recognition of net gain on disposal of associates of RMB68.8 million for the year ended December 31, 2011. Also, the assets held by Wuhan Xuefu, consisting of completed properties held for sale, and the value of investment property held by Wuhan Xuefu have been accounted for based on an upward adjustment to fair market value upon the acquisition. Such adjustment resulted in an increase in the cost base of the completed properties held for sale by Wuhan Xuefu, which we recognized as part of cost of sales as the relevant properties were sold after the acquisition. The higher cost of sales with respect to such properties would in turn have a negative effect on overall gross profit margin we may achieve on the Romantic Town project. For the year ended December 31, 2011, we consolidated the turnover of RMB434.2 million from sales of properties in Romantic Town, representing approximately 37.1% of the total turnover from property development that year, and the carrying amount of the investment properties increased by RMB12.1 million as we consolidated the investment properties held by Wuhan Xuefu. See the subsection headed "– Results of Operations – Description of Certain Income Statement Items – Net Gain on Disposal of Associates" in this section for further discussion. Additionally, during the Track Record Period, we also acquired the equity interests in Optics Valley Software Park and Wuhan Jitian Construction and controlled them as wholly-owned subsidiaries, both of which contributed to our turnover and net profit after the respective acquisitions.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with IFRS, which require us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal period, and (ii) the reported amounts of income and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimation in the preparation of our consolidated financial statements.

Revenue Recognition

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

Our revenue represents income from sale of properties, business operation services, development management services, construction contract and property leasing, net of business tax and other sales related taxes, and is after deduction of any trade discounts.

Sale of Properties

Revenue from the sale of completed properties is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyers. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the buyers.

Revenue from sales of properties excludes business tax or other sales-related taxes, and is after the deduction of any trade discounts. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the statements of financial position as receipts in advance.

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.

Service Fee Income

Service fee income in relation to business operation services, development management services and construction services are recognized when such services are provided to customers.

Construction Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliable, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us 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. Grants that compensate us for the cost of an asset are initially recognized as deferred income and subsequently deducted from the carrying amount of the assets upon meeting the relevant conditions, if any, attaching to them.

Property Development

Inventories in respect of property development activities are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

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.

Properties under Development for Sale

The cost of properties under development for sale comprises specifically identified cost, including land use right, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed Properties Held for Sale

In the case of completed properties developed by our 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.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest 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.

Investment properties are stated in the statements of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined 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.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

RESULTS OF OPERATIONS

The table below sets forth a summary of our results of operations for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations					
Turnover	788,798	1,405,169	1,812,014	706,071	1,135,066
Cost of sales	(503,539)	(1,029,666)	(1,235,378)	(489,838)	(789,816)
	285,259	375,503	576,636	216,233	345,250
Gross profit					
Other income	621	1,449	7,450	2,044	4,588
Selling and distribution expenses	(15,460)	(20,745)	(39,154)	(26,225)	(33,246)
Administrative expenses	(48,137)	(85,103)	(118,287)	(84,187)	(90,014)
Other expenses	(2,397)	(710)	(482)	(278)	(334)
	219,886	270,394	426,163	107,587	226,244
Results from operating activities before changes in fair value of investment property					
Increase in fair value of investment properties	6,800	22,419	8,167	5,900	6,100
	226,686	292,813	434,330	113,487	232,344
Results from operating activities after changes in fair value of investment property					
Finance income	8,672	12,460	19,359	15,675	7,009
Finance costs	(1,492)	(9,042)	(1,592)	(1,243)	(12,170)
Net finance income	7,180	3,418	17,767	14,432	(5,161)
Share of profit/(losses) of associates	34,623	(4,468)	(386)	(351)	(323)
Share of profit/(losses) of joint ventures	(242)	(247)	(4,653)	(4,080)	36,731
Net gain on disposal of associate	–	68,847	–	–	–

	Year ended December 31,			Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	268,247	360,363	447,058	123,488	263,591
Income tax	(90,397)	(136,992)	(169,357)	(53,634)	(127,455)
Profit from continuing operations	177,850	223,371	277,701	69,854	136,136
Discontinued operation					
Profit from discontinued operation, net of tax	5,381	35,846	–	–	–
Profit for the year/period	183,231	259,217	277,701	69,854	136,136
Attributable to:					
Equity shareholders of the Company	116,662	147,146	211,276	51,564	119,044
Non-controlling interests	66,569	112,071	66,425	18,290	17,092
Profit for the year/period	**183,231**	**259,217**	**277,701**	**69,854**	**136,136**

Description of Certain Income Statement Items

Turnover

We generated turnover from sale of business parks and residential properties, business operation services, construction contract, property leasing and development management services. The following table illustrates our turnover by operating segment for the indicated periods.

	Year ended December 31,						Nine months ended September 30,			
	2010		2011		2012		2012		2013	
	Turnover RMB'000	*% of total*	*Turnover RMB'000*	*% of total*	*Turnover RMB'000*	*% of total*	*Turnover RMB'000* (Unaudited)	*% of total*	*Turnover RMB'000*	*% of total*
Property development	647,635	82.1%	1,171,429	83.4%	1,431,893	79.0%	495,567	70.2%	853,254	75.1%
Business park projects	*473,514*	*60.0%*	*727,138*	*51.8%*	*1,362,218*	*75.2%*	*432,671*	*61.3%*	*847,453*	*74.6%*
Residential projects	*174,121*	*22.1%*	*444,291*	*31.6%*	*69,675*	*3.8%*	*62,896*	*8.9%*	*5,801*	*0.5%*
Construction contract	48,977	6.2%	107,658	7.7%	195,056	10.8%	93,594	13.3%	142,531	12.6%
Business operation services	61,175	7.8%	89,098	6.3%	131,331	7.2%	86,409	12.2%	105,497	9.3%
Property leasing	8,199	1.0%	11,927	0.8%	17,635	1.0%	10,874	1.5%	17,613	1.6%
Development management services	22,812	2.9%	25,057	1.8%	36,099	2.0%	19,627	2.8%	16,171	1.4%
Total	**788,798**	**100.0%**	**1,405,169**	**100.0%**	**1,812,014**	**100.0%**	**706,071**	**100.0%**	**1,135,066**	**100.0%**

Property Development

(1) Overview

For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, over 75.0% of our turnover was derived from sales of properties. We recognize turnover from sales of properties after we have received the relevant proof of examination and acceptance of completion and the properties have been sold and delivered. The GFA of properties sold and delivered in any given period is driven primarily by property development schedules and market demand. The ASP is generally affected by overall market conditions and customer demands.

Consistent with industry practice, we typically enter into purchase contracts with customers for customized developments. Our customers make progress payments according to agreed milestone schedules. See the subsection headed "Business – Business Park Development Process – Sales and Marketing – Payment Arrangement" in this prospectus for further discussion. With respect to other properties under development, we enter into purchase contracts with customers after the properties satisfy the pre-sales conditions in accordance with PRC laws and regulations. See the subsection headed "Business – Business Park Development Process – Sales and Marketing – Pre-sale" in this prospectus for further discussion. In general, there is a time difference between (i) the time when we receive progress payments from customers under customization agreements or when we commence pre-sale of properties under development and (ii) the completion of such properties. We do not recognize any turnover from the customized development and pre-sale of our properties until such properties are completed (as evidenced by obtaining the proof of examination and acceptance of completion from the relevant authorities) and the possession of the properties has been delivered to the purchasers, even though we receive payments from customers at various stages prior to delivery. Before the delivery of a customized property or pre-sold property, payments received from customers are recorded as "Receipt in Advance" under "Current Liabilities – Trade and Other Payables" on our consolidated statements of financial position.

In addition, with respect to our customized developments, if customers are obligated to make further payments according to agreed milestone schedule after the delivery of properties, the remaining balance of payment is recorded as "Trade Receivables" under "Current Assets" in our consolidated statements of financial position. As our turnover from sales of properties is recognized upon the delivery of properties, the timing of delivery may affect not only the amount and growth rate of our turnover from property development, but may also cause changes in other payables and receivables to fluctuate from period to period.

Our turnover from sale of business parks and residential properties grew from RMB647.6 million in 2010 to RMB1,431.9 million in 2012, representing a 2010-2012 CAGR of 48.7%. The turnover from property development increased by RMB357.7 million, or 72.2%, from RMB495.6 million for the nine months ended September 30, 2012 to RMB853.3 million for the nine months ended September 30, 2013. The growth in our turnover from property development was primarily due to (i) an increase in the total GFA of properties sold to our customers as we developed and completed an increasing number of developments, and (ii) an increase in the ASP of business parks and residential properties as we developed our business park projects in a more mature and advanced stage with well-developed infrastructure and supporting facilities.

(2) Customized Developments

For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, the turnover from sale of customized properties in our business park projects was RMB283.5 million, RMB466.2 million, RMB1,027 million and RMB589.9 million, accounting for approximately 43.7%, 39.8%, 71.7% and 69.1% of the turnover from property development for the same periods. From the year ended December 31, 2010 to the year ended December 31, 2012, the turnover from sales of customized properties in our business park projects increased and the percentage of sales of customized properties to the turnover from property development increased as well, mainly attributable to the development and sale of customized properties in the Optics Valley Software Park (Phases II and V) and the Optics Valley Financial Harbour (Phases I and II). The turnover from sales of customized properties in our business park projects and the percentage of sales of customized properties to the turnover from property development for the nine months ended September 30, 2013 were relatively low primarily because (i) the Optics Valley Financial Harbour (Phase II) was developed in a more mature and advanced development stage and more SMEs and start-up companies were drawn to purchase the remaining ready-built office spaces in the project, after some leading banks and enterprises had purchased customized properties in the project and established their presence there; and (ii) the Wuhan Innocenter has been targeted to SMEs and start-up companies and primarily consists of ready-built office spaces with standardized facilities.

The summary below sets out a discussion of the gross profit margin, risk profile and liquidity position of our customized properties as compared to those of our other type of properties (including ready-built business space and residential properties) during the Track Record Period.

- ***Gross profit margin***. As we generally offered favorable terms to customers that purchased large-scale customized properties, the ASP of customized properties during the Track Record Period was relatively lower than that of other type of properties. Accordingly, the gross profit margin for sale of customized properties was relatively lower than that for sale of other type of properties.

- ***Risk profile***. As customers generally purchased customized properties of entire buildings and made full payments of the purchase prices on time, and the development process of customized properties was completed within a relatively short period of two years during the Track Record Period, the risk relating to development of customized properties was generally lower than that relating to development of other type of properties.

- ***Liquidity position***. As customers for customized properties typically made initial payments at signing of customization agreements and made progress payments according to milestone schedules during the Track Record Period, compared to other type of properties, we received cash payments in an earlier stage of the development process and the development of customized properties required less upfront development expenditures on our part.

(3) Contracted Sales

The following table summarizes our contracted sales in terms of GFA, sales amount and ASP during the Track Record Period and up to December 31, 2013:

	Year ended December 31,			Nine months ended September 30,		From October 1, 2013 up to December 31,
	2010	2011	2012	2012	2013	2013
Contracted sales *(RMB'000)*	1,215,926	1,290,684	1,320,245	1,031,123	802,802	584,368
Contracted GFA *(sq.m.)*	262,314	208,549	200,031	157,420	112,818	113,211
Contracted ASP *(RMB/sq.m.)*	4,635	6,188	6,600	6,550	7,116	5,162

We generally recognize contracted sales of properties in respect of a development project after we have entered into relevant agreements with customers. There was a general increase in the total contracted sales of properties in our projects during the Track Record Period and up to December 31, 2013 as we entered into agreements with customers in relation to development and sale of properties in an increasing number of projects. The total contracted sales for the year ended December 31, 2013 was mainly attributable to the development and sale of properties in the Qingdao Optics Valley Software Park (Phase I – 1.3 to 1.4 and 1.5), the Ezhou OVU Science and Technology City (Phase I – 1.1), the Optics Valley Financial Harbour (Phase II) and the Optics Valley Software Park (Phase V). Furthermore, there was a general increase in the contracted ASP of properties in our projects during the Track Record Period as we increased the prices of properties in our projects when we entered into relevant agreements with customers and given the fact that customers were willing to pay higher prices for these properties which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities. The contracted ASP of properties in the Ezhou OVU Science and Technology City (Phase I – 1.1) was relatively low as the development costs in Ezhou were generally low, which resulted in the contracted ASP of properties in our projects for the three months ended December 31, 2013 lower than that for the nine months ended September 30, 2013.

(4) Car Parking Spaces

We have constructed above-ground car parking spaces in the Lido Top View, a residential project, and applied for and obtained property ownership certificates in respect of the car parking spaces in accordance with local rules and regulations. We sell the car parking spaces in the project separately to customers and entered into formal purchase agreements with them, through which they were able to obtain relevant property ownership certificates in respect of the car parking spaces.

Furthermore, we constructed underground car parking spaces in four business park projects, including the Optics Valley Software Park (Phases I-IV) and (Phase VI) and the Optics Valley Financial Harbour (Phase I) and (Phase II), and a residential project, the Romantic Town. Prior to implementation of the Wuhan Interim Provisions on Development and Utilization of Underground Spaces 《武漢市地下空間開發利用管理暫行規定》on July 1, 2013, there had been no rules or regulations in Wuhan regulating the application of property ownership certificates in respect of underground car parking spaces. According to the local general practice in Wuhan before July 1, 2013, we did not have property ownership certificates in respect of the respective underground car parking spaces other than entitlements to use (使用權) such car parking spaces in accordance with relevant permits. When we sold above-ground properties in these projects to customers, in some cases, we entered into supplemental agreements with them and sold the entitlements to use the underground car parking spaces. Customers in these cases paid considerations for the ownership in respect of above-ground property development and the entitlement to use underground car parking spaces. In other cases, we gave the entitlements to use the underground car parking spaces for free to customers that purchased above-ground properties. In accordance with terms of formal purchase agreements, the saleable GFA of each project only includes the GFA of above-ground properties, in respect of which we have property ownership certificates, but excludes the GFA of underground car parking spaces.

Our PRC legal advisors, Jingtian & Gongcheng, have advised us that under PRC laws, the sale of entitlements to use a certain property is deemed as a property lease, the maximum term of which is 20 years, and such agreements do not violate the relevant PRC laws and regulations. When we sold the entitlements to use the underground car parking spaces to customers, the term of supplemental agreements was only 20 years and we would give customers for free the entitlements to use the underground car parking spaces after 20 years so that the total number of years they can use the underground car parking spaces corresponds to that in relevant property ownership certificate in respect of the above-ground properties.

Our Directors consider that in substance, substantially all the risks and rewards incidental to ownership of the underground car parking spaces were transferred upon signing of the agreements in accordance with relevant accounting rules under the IFRS. Therefore, income from the underground car parking spaces is recognized as "property development" in our consolidated financial statements for the Track Record Period. In respect of the projects where we only have the entitlements to use underground car parking spaces, the turnover from property development includes (i) the turnover from sales of above-ground properties, and (ii) in some applicable cases, the turnover from sales of entitlements to use underground car parking spaces. The ASP of each project is currently calculated as the turnover from property development divided by the GFA of above-ground properties of the project. The ASP could be lower if the saleable GFA of the project includes the GFA of underground car parking spaces.

Business Operation Services

Turnover derived from our business operation services is recognized when relevant services are provided. Wuhan Lido Property Management and its subsidiaries provide such services to customers in our business parks as well as property developments owned by third parties.

The turnover from business operation services increased by RMB27.9 million, or 45.6%, from RMB61.2 million for the year ended December 31, 2010 to RMB89.1 million for the year ended December 31, 2011, and further by RMB42.2 million, or 47.4%, to RMB131.3 million for the year ended December 31, 2012. The turnover from business operation services increased by RMB19.1 million, or 22.1%, from RMB86.4 million for the nine months ended September 30, 2012 to RMB105.5 million for the nine months ended September 30, 2013. The growth in our turnover from business operation services was primarily because we developed and completed an increasing number of business parks, expanded scope of our services and increased the number of customers in our business parks.

Construction Contract

Turnover derived from construction services is recognized in profit or loss in proportion to the completion stage of construction services in accordance with agreed progress schedules in construction agreements. Wuhan Lido Technology undertakes decoration and improvement work for external parts and interior areas of buildings in our business parks and property developments owned by third parties.

The turnover from construction contract increased by RMB58.7 million, or 119.8%, from RMB49.0 million for the year ended December 31, 2010 to RMB107.7 million for the year ended December 31, 2011, and further by RMB87.4 million, or 81.2%, to RMB195.1 million for the year ended December 31, 2012, primarily because Wuhan Lido Technology provided interior and external decoration and improvement services to an increasing number of development projects located in our business parks and the projects owned by third parties as a result of the recognition by customers of its technical expertise, strong construction capabilities and brand. The turnover from construction contract increased by RMB48.9 million, or 52.2%, from RMB93.6 million for the nine months ended September 30, 2012 to RMB142.5 million for the nine months ended September 30, 2013, primarily due to the above reason.

Property Leasing

Turnover derived from our property leasing business represents turnover received and receivable from our investment properties, which has historically been generated from the rental of office spaces, and recognized in profit or loss in equal installments over the accounting periods covered by the lease term. In the future, we expect that our turnover from investment properties will increase as we develop additional business parks and increase our holding of investment properties.

The turnover from property leasing increased by RMB3.7 million, or 45.1%, from RMB8.2 million for the year ended December 31, 2010 to RMB11.9 million for the year ended December 31, 2011, and further by RMB5.7 million, or 47.9%, to RMB17.6 million for the year ended December 31, 2012. The turnover from property leasing increased by RMB6.7 million, or 61.5%, from RMB10.9 million for the nine months ended September 30, 2012 to RMB17.6 million for the nine months ended September 30, 2013. The growth in the turnover from property leasing was primarily due to increases in the property value, average rental price and occupancy rate of the investment properties as we developed our business park projects in a more mature and advanced stage and customers had significant demand for leasing of office properties in our business parks, as well as due to an overall increase in rental prices in local markets.

Development Management Services

Turnover derived from our development management services is recognized when we have provided services covering the full spectrum or certain phases of development and operation of business park and residential projects owned by third parties. Our service fee is calculated based on a fixed and pre-negotiated percentage of the total investment amount of each relevant project.

The turnover from development management services increased by RMB2.3 million, or 10.1%, from RMB22.8 million for the year ended December 31, 2010 to RMB25.1 million for the year ended December 31, 2011, and further by RMB11.0 million, or 43.8%, to RMB36.1 million for the year ended December 31, 2012, primarily due to the development management services we provided for Wuhan Hi-Tech Medical Devices Business Park (Phase I), Wuhan Future Technology City (Phase I) and the Lido Mason (Phase I). The turnover from development management services decreased by RMB3.4 million, or 17.3%, from RMB19.6 million for the nine months ended September 30, 2012 to RMB16.2 million for the nine months ended September 30, 2013 primarily because we completed the major development phase of the Lido Mason (Phase I) in 2012 in accordance with project development schedule.

Cost of Sales

Overview

Cost of sales comprises primarily (i) cost of properties sold in respect of our property development business (mainly including land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services (mainly including construction costs for decoration and improvement services provided by Wuhan Lido Technology), and (iii) other costs relating to other service businesses (including business operation services, construction contract and development management services). For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, our cost of sales was approximately 63.8%, 73.3%, 68.2% and 69.6% of our turnover for the same periods, respectively. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2010		2011		2012		2012		2013	
	RMB'000	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Land acquisition costs	36,011	7.2%	83,003	8.1%	97,995	7.9%	33,310	6.8%	52,645	6.7%
Construction costs	361,424	71.8%	584,492	56.8%	812,488	65.8%	295,344	60.3%	485,818	61.5%
Capitalized interest	16,300	3.2%	40,415	3.9%	54,862	4.4%	12,805	2.6%	33,955	4.3%
Other costs	89,804	17.8%	321,756	31.2%	270,033	21.9%	148,379	30.3%	217,398	27.5%
Total	**503,539**	**100.0%**	**1,029,666**	**100.0%**	**1,235,378**	**100.0%**	**489,838**	**100.0%**	**789,816**	**100.0%**

Cost of Properties Sold

The cost of properties sold for our property development accounted for a significant part of our total cost of sales during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, the cost of properties sold accounted for 80.8%, 83.6%, 77.5% and 72.8% of our total cost of sales, respectively. The cost of properties sold consisted primarily of costs incurred directly for our property development activities, including land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies.

Construction Costs. Construction costs represent costs for the design and construction of a development project, consisting primarily of fees paid to our third-party contractors and designers and costs of construction materials. Our construction costs are affected by a number of factors such as prices of construction materials, locations and types of properties, choices of materials and investments in ancillary facilities. Historically, construction material costs, particularly the cost of steel and cement, have been a major factor affecting in our construction costs. Price movements of other supplies in relation to property development, including escalators, elevators, interior decoration materials and air conditioning systems, also impact our construction costs.

Land Acquisition Costs. Land acquisition costs represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and other land-related taxes and government surcharges. The land acquisition costs are recognized as part of cost of sales upon completion and delivery of the relevant properties.

Capitalized Interest. Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of a project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project, which typically precedes the receipt of a construction works commencement permit, until the completion of construction. Such capitalized interest are included as part of the cost of sales for the relevant property when we recognize the property sales.

Other Costs. Other costs mainly include fair value adjustment in relation to acquisition of project companies that held land use rights.

The following table sets forth a breakdown of our cost of properties sold for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
Land acquisition costs *(RMB'000)*	36,011	83,003	97,995	33,310	52,645
Construction costs *(RMB'000)*	332,824	542,466	716,799	260,867	464,515
Capitalized interest *(RMB'000)*	16,300	40,415	54,862	12,805	33,955
Other costs *(RMB'000)*	21,865	194,610	87,901	26,755	23,740
Total cost of properties sold *(RMB'000)*	406,999	860,493	957,556	333,737	574,855
GFA sold *(sq.m.)*	151,107	225,792	289,468	89,765	146,082
Average cost of properties sold *(RMB/sq.m.)*	2,693	3,811	3,308	3,718	3,935

There was a general increase in the cost of properties sold during the Track Record Period mainly attributable to the rising land costs as we acquired land parcels for development of an increasing number of projects and the rising costs of labor and raw materials driven by the general market conditions. The average cost of properties sold for the year ended December 31, 2011 was relatively high primarily because we controlled Wuhan Xuefu as a subsidiary through acquisition of a further 2% equity interest on November 23, 2011 and made an upward adjustment to the cost base of its completed properties held for sale, which we recognized as part of cost of sales as the relevant properties were sold in 2011 after the acquisition.

Gross Profit and Gross Profit Margin

The overall gross profit increased from RMB285.3 million for the year ended December 31, 2010 to RMB576.6 million for the year ended December 31, 2012 with a 2010-2012 CAGR of 42.2%. The overall gross profit increased by RMB129.1 million, or 59.7%, from RMB216.2 million for the nine months ended September 30, 2012 to RMB345.3 million for the nine months ended September 30, 2013. The growth in the overall gross profit during the Track Record Period was mainly attributable to (i) an increase in gross profit from property development as the GFA sold for business park and residential projects increased and the ASP, net of business tax, of the GFA sold for these projects increased as well, and (ii) increases in our other service businesses (including business operation services, construction contract and development management services) as we expanded scope of these services and developed new customers.

The overall gross profit margin decreased from 36.2% for the year ended December 31, 2010 to 26.7% for the year ended December 31, 2011, but increased to 31.8% for the year ended December 31, 2012, primarily due to the fluctuation of gross profit margin for property development. The overall gross profit margin remained stable at 30.6% for the nine months ended September 30, 2012 and at 30.4% for the nine months ended September 30, 2013 primarily because the gross profit margin for property development remained stable during the same period.

The gross profit from property development increased by RMB70.3 million, or 29.2%, from RMB240.6 million for the year ended December 31, 2010 to RMB310.9 million for the year ended December 31, 2011, and further by RMB163.4 million, or 52.6%, to RMB474.3 million for the year ended December 31, 2012. The gross profit from property development increased by RMB116.6 million, or 72.1%, from RMB161.8 million for the nine months ended September 30, 2012 to RMB278.4 million for the nine months ended September 30, 2013. The growth in gross profit from property development was primarily due to (i) a general increase in the GFA sold as we completed an increasing number of development projects, and (ii) an increase in the ASP of business park and residential properties, net of business tax, of the GFA sold for these projects as we increased the prices of properties sold and customers were willing to pay higher prices for properties of our projects which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities.

The gross profit margin for property development decreased from 37.2% for the year ended December 31, 2010 to 26.5% for the year ended December 31, 2011 primarily due to our acquisition of Wuhan Xuefu and control of it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that we had previously held was deemed to be disposed of to a third party at the fair market value. The assets held by Wuhan Xuefu, consisting of completed properties held for sale, and investment properties, have been accounted for based on an upward adjustment to fair market value upon the acquisition. Such adjustment resulted in an increase in the cost base of the completed properties held for sale by Wuhan Xuefu, which we recognized as part of cost of sales as the relevant properties were sold after the acquisition. The higher cost of sales with respect to such properties would in turn have a negative effect on the gross profit margin we may achieve on the Romantic Town project, which consequently adversely affected our overall gross profit margin for property development. See the subsection headed "– Key Factors Affecting Our

Results of Operations – Acquisition of Entities" in this section for further discussion. The gross profit margin for property development increased further to 33.1% for the year ended December 31, 2012, and largely remained stable at 32.7% for the nine months ended September 30, 2012 and 32.6% or the nine months ended September 30, 2013, primarily due to an increase in the total GFA sold as we completed an increasing number of business park and residential projects, and an increase in the ASP for our business parks as we increased the prices of properties sold in 2012 and 2013 and customers were willing to pay higher prices for properties of our projects which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities.

As we are primarily engaged in business park developments, there were clear definitions of land costs, construction costs and capitalized interest in relation to the property development in our Group's accounting system during the Track Record Period. Based on such itemized financial information, we were able to calculate the gross profit from property development. On the other hand, our property leasing and other service businesses (including business operation services, construction contract and development management services) were ancillary to our major property development business and the labor costs (mainly salaries and benefits of our management) were a major component in the relevant cost of sales for these ancillary businesses. During the Track Record Period, we did not require the management and staff to enter detailed breakdown information in timesheets for the purpose of allocating their time and costs into different projects among these ancillary business segments. As a result, the respective gross profits from these ancillary business segments and the relevant gross profit margins during the Track Record Period are not disclosed in this prospectus.

Other Income

Our other income primarily consisted of (i) government grants, (ii) net gain on disposal of other non-current assets, (iii) compensation income and (iv) others. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	–	786	4,723	141	3,312
Net gain on disposal of other non-current assets	–	–	1,380	1,209	4
Compensation income	–	1	500	349	91
Others	621	662	847	345	1,181
Total	**621**	**1,449**	**7,450**	**2,044**	**4,588**

We received government grants from local governmental authorities in Wuhan, Ezhou and Huangshi for the development of business parks focusing on the industries of financial back-office service, software development, service outsourcing, and energy conservation, in line with local economic and industrial development plans. Local governments have discretions to determine the amounts of government grants to us and, in making such determinations, relevant local governments generally take into account a series of factors, including the project development progress, the number of leading enterprises, SMEs and start-up companies that have established their businesses in our business parks, and whether our business parks focus on the industries promoted by them. As of the Latest Practicable Date, other than the general requirements that we would have to assist local governments to attract companies to establish presence in relevant development zones and our relevant project companies are registered in those zones, there were no unfulfilled conditions or contingencies for our receipt of the government grants. The following table sets forth a breakdown of government grants for the periods indicated:

		Year ended December 31,			**Nine months ended September 30,**	
City	**Category**	**2010**	**2011**	**2012**	**2012**	**2013**
			(RMB'000)		*(RMB'000)* (unaudited)	
Wuhan	subsidies for business park project focusing on financial back-office service, software development, service outsourcing and energy conservation industries, as well as circular economy enterprises, and subsidies for software development, sales and marketing, creative industries, energy conservation, and the Optics Valley Software Park Exhibition Center	–	786	4,383	–	3,312
Ezhou	subsidies for business park project focusing on high-technology industry	–	–	200	–	–
Huangshi	subsidies for development management service	–	–	140	141	–
Total		**–**	**786**	**4,723**	**141**	**3,312**

Our Directors expect that as we develop and operate business parks focusing on the industries promoted by relevant local governments in line with local development plans in our target cities, we will continue to receive government grants from the relevant local governments.

Net gain on disposal of other non-current assets was derived from the sale of antique and art work collections to two related parties, Wuhan Qianbao Property and Wuhan Lido Investment.

Compensation income primarily consisted of penalties due to failures by third party construction contractors to complete certain development work in accordance with agreed progress schedules under relevant construction agreements.

Others primarily consisted of (i) deductions from salaries for employees' absence from work, (ii) refund of prepaid tax payments from local tax bureau after liquidation of a group company, (iii) income from sale of waste materials after completion of construction work, (iv) forfeiture of quality assurance deposits due to failures by construction contractors to complete construction work of the Optics Valley Software Park (Phase IV) in accordance with agreed progress schedules and construction management requirements, and (v) payment from customers in relation to bank charges for bill payment.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprised advertising and promotional expenses, sales and marketing staff cost, travel and communication expenses, office administration expenses, depreciation expenses, and others.

Advertising and promotional expenses consisted primarily of fees associated with advertisements placed in various media outlets and expenses incurred in conducting marketing and other promotional activities for our business and projects, fees paid to third party professional agencies for sales planning and marketings, vehicle fees, utility and property management fees, maintenance fees, management fees for vacant properties, seasonal subsidies, and expenses for consumables. Sales and marketing staff cost consisted primarily of salaries and benefit expenses for sales and marketing personnel. Travel and communication expenses consisted primarily of transportation costs, communication expenses, and reception expenses. Depreciation expenses are primarily related to properties for sales and marketing activities. Other expenses primarily included miscellaneous fees and expenses for sales and marketing.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advertising and promotional expenses	5,212	6,278	17,384	11,709	20,404
Sales and marketing staff costs	7,125	10,874	15,294	9,581	8,151
Travel and communication expenses	975	1,761	3,086	2,363	1,806
Office administration expense	1,863	915	1,810	1,414	1,541
Depreciation expenses	226	710	535	484	422
Others	59	207	1,045	674	922
Total	**15,460**	**20,745**	**39,154**	**26,225**	**33,246**

Our selling and distribution expenses increased during the Track Record Period as we increased our sales and marketing employee headcount and engaged in more sales and marketing activities for the increasing number of developments. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, our selling and distribution expenses were approximately 2.0%, 1.5%, 2.2% and 2.9% of our total turnover for the same periods, respectively.

Administrative Expenses

Administrative expenses primarily comprised administrative staff costs, office administration expenses, travel, meeting and communication expenses, other indirect taxes, depreciation and amortization expenses, professional fees, and others.

Administrative staff costs consisted primarily of salaries and employee benefit expenses for our management, administrative, finance and accounting staff. Office administration expenses consisted primarily of business administrative expenses, vehicle fees, utility and property management fees, seasonal subsidies, and office rental fees. Travel, meeting and communication expenses consisted primarily of expenses incurred for attending business meetings, conferences and trainings by our management, directors and other administrative personnel, including transportation costs, communication expenses, reception expenses, board fees, labor union expenses and training expenses. Other indirect taxes consisted primarily of property taxes and land use taxes for our office buildings. Depreciation and amortization expenses were related primarily to properties, facilities, intangible assets and low-value consumables used for our general operations. Professional fees primarily consisted of fees paid to finance, accounting and legal professionals. Others included primarily year-end bonus payments that Wuhan Lido Technology made to employees.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Administrative staff costs	21,073	43,101	54,200	28,221	36,636
Office administration expenses	5,783	11,413	14,521	10,405	15,696
Travel, meeting and communication expenses	6,512	9,718	13,851	8,724	10,979
Other indirect taxes	4,708	8,170	10,345	4,807	9,468
Depreciation and amortization expenses	2,395	4,509	7,197	8,211	4,997
Professional fees	3,636	2,297	11,972	20,905	8,389
Others	4,030	5,895	6,201	2,914	3,849
Total	**48,137**	**85,103**	**118,287**	**84,187**	**90,014**

Our administrative expenses increased during the Track Record Period as we increased our administrative employee headcount and expanded our business operations services for the increasing number of developments. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, our administrative expenses were approximately 6.1%, 6.1%, 6.5% and 7.9% of our total turnover for the same periods, respectively.

Other Expenses

Other expenses comprised primarily of (i) net loss on disposal of property, plant and equipment, and (ii) others, which included primarily vehicle depreciation costs, payments for tax penalties due to delayed tax payments, compensation to employees for work-related injuries, and payment for a fine due to a breach of the original authorized area for a property development.

Increase in Fair Value of Investment Properties

We hold a small portion of properties developed for recurring rental income and capital appreciation purposes. Investment properties are properties held for rental income and are measured at cost on initial recognition. Subsequent to initial recognition, our investment properties are revalued at the end of relevant periods on an open market value or existing use basis by Savills Valuation, an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as fair value gains or losses in our consolidated income statements.

For the year ended December 31, 2010, we increased our holding in investment properties by transferring various portions of the Optics Financial Harbour (Phase I) from inventory to investment properties. For the years ended December 31, 2011 and 2012, we did not increase any holding in investment properties. For the nine months ended September 30, 2013, we sold some shopping units in the Romantic Town as a customer was willing to pay higher prices for the properties which were developed in a more mature and advanced development stage. The following table sets out the breakdown of our fair value gain on investment properties for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fair value gain in investment properties:					
Optics Valley Software Park (Phases I-IV) (光谷軟件園一至四期)	1,500	1,700	2,700	1,900	1,300
Optics Valley Financial Harbour (Phase I) (金融港一期)	–	14,455	800	600	600
Romantic Town (麗島漫城)	–	1,064	100	100	1,400
Lido Top View (麗島半山華府)	2,300	2,200	2,400	1,500	1,700
Lido Garden (麗島花園)	1,900	1,000	1,167	1,100	700
North Harbour Business Park (北港工業園)	1,100	2,000	1,000	700	400
Total	**6,800**	**22,419**	**8,167**	**5,900**	**6,100**

For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, the fair value gains on investment properties contributed to approximately 3.8%, 10.0%, 2.9% and 4.5% of our profit from continuing operations, respectively. The increase in fair value of our investment properties during the Track Record Period reflected a rise in the property prices of our investment properties over the same period. Such increase was also in line with the appreciation in land and property rental value in comparable urban areas where our relevant investment properties are located.

Finance Income

Finance income comprised primarily interest income on loans and receivables, net realized and unrealized gains on other investments, and net exchange gain as a result of currency conversion between RMB and Hong Kong dollars by HK 3A in normal course of business. The following table sets forth a breakdown of our finance income for the periods indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance income					
Interest income	1,943	10,241	15,533	12,891	5,711
Net realized and unrealized gains on other investments	6,729	2,219	3,602	2,784	1,298
Net foreign exchange gain	–	–	224	–	–
Total	**8,672**	**12,460**	**19,359**	**15,675**	**7,009**

Net realized and unrealized gains on other investments are primarily related to the investment in certain listed equity securities, the investment in financial trusts, and the purchase of short-term low-risk financial products for capital preservation, all of which were unrelated to us and subsequently sold at gains, as well as the investment in Wuhan Optics Valley Bio-industry Investment Fund Co., Ltd.* (武漢光谷生物產業創業投資基金有限公司).

Finance Costs

Finance costs comprised primarily interest on borrowings mainly in connection with our projects less interest expense capitalized into properties under development and investment properties, and net realized and unrealized losses on other investments. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance costs					
Interest expenses	(43,878)	(67,341)	(131,095)	(124,063)	(114,362)
Less: capitalized interest expenses	42,411	66,003	130,089	123,196	104,201
	(1,467)	(1,338)	(1,006)	(867)	(10,161)
Net foreign exchange loss	–	–	–	–	(1,212)
Net realized and unrealized losses on other investments	(25)	(7,704)	(586)	(376)	(797)
Total	**(1,492)**	**(9,042)**	**(1,592)**	**(1,243)**	**(12,170)**

Net realized and unrealized losses on other investments are primarily related to the investments in certain listed equity securities, all of which were unrelated to us and subsequently disposed of at losses.

Share of Profit/(Losses) of Associates

Share of profit/(losses) of associates primarily consisted of our proportional share of profits or losses of the following three entities during the Track Record Period:

(i) Wuhan Xuefu: As a result of a series of share acquisitions from 2004 to 2009, we acquired a total of 49% equity interest in the project company. We acquired a further 2% equity interest at a consideration of RMB4.4 million and controlled it as a subsidiary in November 2011;

(ii) Wuhan Integrated Circuit Design Technology Co., Ltd.* (武漢集成電路設計工程技術有限公司): We held a 12.34% equity interest in the company upon its inception and acquired a further 3.37% equity interest for the purpose of long-term investment in 2007. The company is engaged in programming, simulation, synthesis, implementation, verification and testing of integrated circuits; and

(iii) Huangshi High-tech Accelerator Co., Ltd.* (黃石高新科技企業加速器發展有限公司): We established the company in 2012 jointly with the local government and held a 23.00% equity interest in the company as part of our efforts to assist in the development of SMEs. The company provides investment and consulting services.

We had share of profit of associates of RMB34.6 million for the year ended December 31, 2010, which primarily consisted of our share of profits of Wuhan Xuefu from sales of properties in the Romantic Town for that year in proportion to the 49% equity interests we held in the associate company. We had share of loss of associates of RMB4.5 million for the year ended December 31, 2011, which consisted of (i) our proportional share of losses in Wuhan Xuefu in relation to development costs incurred for the Romantic Town, prior to our acquisition of the company as a subsidiary in November 2011, and (ii) our proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd. We had share of loss of associates of RMB386,000 for the year ended December 31, 2012 and RMB323,000 for the nine months ended September 30, 2013, which primarily consisted of our proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd.

Share of Profit/(Losses) of Joint Ventures

Share of profit/(losses) of joint ventures primarily consisted of our proportional share of losses of the following two entities during the Track Record Period:

(i) ***Wuhan Mason***. We acquired a 50% equity interest in the project company from Tianjin Meitong Development Ltd. (天津美通發展有限公司) and an individual, both being Independent Third Parties, and Wuhan Qianbao Property in March 2010, at a total consideration of RMB10.8 million. Wuhan Mason incurred selling and distribution expenses as well as administrative expenses in 2012 and the nine months ended September 30, 2013 when it commenced the sale of properties in the Lido Mason (Phase I) which is owned by Wuhan Mason and we have provided development management services for. We shared profits from sales of properties in the project in the second half of 2013 after completion of the project; and

(ii) ***Wuhan Zhihui Bio-tech Co., Ltd. (武漢智薈生物科技股份有限公司)***. We established the company jointly with Wuhan Kernel Bio-Tech in 2011, holding a 50% equity interest in the company. The company was principally engaged in the manufacture, sale, and research and development of feed stock, feed additives, biological products for environmental purification, and bio-fertilizers. We established the company jointly with Wuhan Kernel Bio-Tech mainly to manufacture and sell feed stock, feed additives and other products through its network. We disposed of our 50% equity interest in the company, together with our 81.0% equity interest in Wuhan Kernel Bio-Tech, to an Independent Third Party in late 2011 as part of our strategic plan to focus on business park development.

Share of loss of joint ventures increased by RMB5,000 from RMB242,000 for the year ended December 31, 2010 to RMB247,000 for the year ended December 31, 2011, and further to RMB4.7 million for the year ended December 31, 2012, mainly attributable to the selling and distribution expenses, and administrative expenses incurred by Wuhan Mason in connection with development and sale of properties in the Lido Mason (Phase I). We had share of profit of a joint venture of RMB36.7 million for the nine months ended September 30, 2013, which was attributable to sales of properties in the Lido Mason (Phase I) for that period in proportion to our 50% equity interest in Wuhan Mason.

Net Gain on Disposal of Associates

We had held a 49% equity interest in Wuhan Xuefu immediately before we acquired a further 2% equity interest and controlled it as a subsidiary in November 2011, which is a "step acquisition" under the IFRS. In accordance with relevant accounting treatment, the 49% non-controlling equity interest in Wuhan Xuefu that we had held prior to obtaining control is deemed to be disposed of to a third party and subsequently repurchased by us on the acquisition date. The remeasurement of fair value of the 49% non-controlling equity interest in Wuhan Xuefu under this treatment in November 2011 resulted in the net gain on disposal of associates of RMB68.8 million for the year ended December 31, 2011. See the subsection headed "– Key Factors Affecting Our Results of Operations – Acquisition of Entities" in this section for further discussion.

Income Tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax includes PRC enterprise income tax and LAT payable by our PRC subsidiaries. The following table sets forth the components of our income tax expenses for the periods indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC enterprise income tax for the year/period	53,222	98,455	113,053	36,455	69,917
PRC land appreciation tax for the year/period	46,254	80,939	81,753	31,892	66,678
	99,476	179,394	194,806	68,347	136,595
Deferred taxation					
Origination and reversal of temporary differences	(9,079)	(42,402)	(25,449)	(14,713)	(9,140)
Tax expenses from continuing operations	90,397	136,992	169,357	53,634	127,455
Tax expenses from discontinued operation	–	11,632	–	–	–
Total income tax expenses	**90,397**	**148,624**	**169,357**	**53,634**	**127,455**

PRC Enterprise Income Tax

Pursuant to the PRC enterprise income tax law, our PRC income tax rate for our PRC subsidiaries is 25% effective from January 1, 2008.

PRC Land Appreciation Tax

All appreciation arising from the sale or transfer of land use right, and buildings and their attached facilities in the PRC is subject to land appreciation tax at progressive rates ranging from 30% to 60% of the appreciation value as determined in accordance with relevant tax laws. Under PRC tax laws and regulations, our properties in the PRC are subject to land appreciation tax on the appraised value of the land and the improvements on the land upon the sale of such properties. We are required to pay 1% to 3% of our sales and pre-sales proceeds as prepaid land appreciation tax.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized for deductible temporary differences, carried-forward unused tax credits and unused tax losses. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Hong Kong Profits Tax

We did not provide for any Hong Kong profits tax as we had no business operations services subject to Hong Kong profits tax during the Track Record Period.

Cayman Islands Tax

The Cayman Islands currently levy no taxes on corporations based on profits, income, gains or appreciations. Therefore, we are not subject to any Cayman Islands income tax.

Effective Tax Rate

As a result of the foregoing, our effective tax rate, representing income tax expense divided by profit before taxation, was 33.7%, 38.0%, 37.9% and 48.4% for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, respectively.

Profit from Discontinued Operations (Net of Income Tax)

Profit from discontinued operations was derived from our prior bio-pesticide manufacturing business. We held an approximately 81.0% equity interest in Wuhan Kernel Bio-Tech which operated the bio-pesticide manufacturing business. As part of our strategic efforts to focus on the business park development and operation, we conducted arm's length negotiations and entered into an agreement with an Independent Third Party on September 22, 2011 to dispose of our equity interest in Wuhan Kernel Bio-Tech. The terms and conditions of the agreement were on normal commercial terms. The consideration was RMB102.8 million with reference to the financial condition, production technologies and product portfolio of Wuhan Kernel Bio-Tech. The disposal was completed on November 17, 2011. See the subsection headed "Our History, Reorganization and Group Structure – Disposal of Wuhan Kernel Bio-Tech" in this prospectus for further discussion.

Profit Attributable to Non-controlling Interests

Non-controlling interests mainly represent equity interests in our subsidiaries held by various entities and are presented in the consolidated statement of financial position under equity, separately from equity attributable to the equity shareholders of our Company. See note 33(d) of the Accountants' Report in Appendix I to this prospectus for further details. We had profit attributable to non-controlling interests of RMB66.6 million, RMB112.1 million, RMB66.4 million and RMB17.1 million for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, respectively, representing 36.3%, 43.2%, 23.9% and 12.6% of our profit for the same periods. The profit attributable to non-controlling interests for the year ended December 31, 2011 was relatively high primarily due to our acquisition the additional equity interests of Wuhan Xuefu and control of it as a subsidiary in November 2011. See the subsection headed "– Key Factors Affecting Our Results of Operations – Acquisition of Entities" in this section for further discussion. The profit attributable to non-controlling interests for the nine months ended September 30, 2013 was relatively low primarily due to our acquisition of the remaining non-controlling interests of Wuhan Optics Valley Union as part of the Reorganization.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Turnover

Our turnover increased by RMB429.0 million, or 60.8%, from RMB706.1 million for the nine months ended September 30, 2012 to RMB1,135.1 million for the nine months ended September 30, 2013. The major contributor to our turnover in these two periods was sales of properties in our projects.

Property Development

The following table sets forth the summary of turnover information from sales of properties for the periods indicated.

	Nine months ended September 30,											
	2012						2013					
Project	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[(1)]	% of total segment turnover	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[(1)]	% of total segment turnover
	(RMB'000)	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*		*(RMB'000)*	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*	
Business Park Projects												
Optics Valley Financial Harbour (Phase II – Buildings B1-B7, B9-B15 and B19) (光谷金融港二期B1-B7, B9-B15和B19棟)	34,810	14,921	42.9%	5,378	6,473	7.0%	766,983	245,832	32.1%	132,876	5,772	89.9%
Wuhan Innocenter (Phase I) (武漢研創中心一期)	–	–	–	–	–	–	77,499	31,132	40.2%	11,302	6,857	9.1%
Optics Valley Software Park (Phase VI) (光谷軟件園六期)	–	–	–	–	–	–	2,702	73	2.7%	579	4,667	0.3%
Optics Valley Financial Harbour (Phase I) (光谷金融港一期)	254,626	73,412	28.8%	49,301	5,165	51.4%	–	–	–	–	–	–
Optics Valley Software Park (Phase V – Building B1) (光谷軟件園五期B1棟)	143,235	49,968	34.9%	25,655	5,583	28.9%	–	–	–	–	–	–
Residential Projects												
Romantic Town (麗島漫城)	48,453	16,144	33.3%	6,625	7,314	9.8%	3,857	811	21.0%	689	5,598	0.5%
Lido Top View (麗島半山華府)	13,186	7,225	54.8%	2,503	5,268	2.7%	–	(7)	–	–	–	–
Other properties[(2)]	1,257	160	12.7%	303	4,149	0.2%	2,213	558	25.2%	636	3,480	0.2%
Total	**495,567**	**161,830**	**32.7%**	**89,765**	**5,521**	**100.0%**	**853,254**	**278,399**	**32.6%**	**146,082**	**5,841**	**100.0%**

Notes:

(1) In accordance with terms of formal purchase agreements, the saleable GFA of each project only includes the GFA of above-ground properties, in respect of which we have property ownership certificates, but excludes the GFA of underground car parking spaces. Accordingly, the ASP of each project is currently calculated as the turnover from property development divided by the GFA of above-ground properties of the project. The ASP could be lower if the saleable GFA of the project includes the GFA of underground car parking spaces. See the subsection headed " – Results of Operations – Description of Certain Income Statement Items – Property Development" in this section for further discussion.

(2) Other properties refer to residential properties of our Group where development and sale of such properties were completed prior to the Track Record Period with outstanding balance settled during the Track Record Period.

Our turnover generated from sales of properties increased by RMB357.7 million, or 72.2%, from RMB495.6 million for the nine months ended September 30, 2012 to RMB853.3 million for the nine months ended September 30, 2013, primarily due to:

(i) an increase by RMB732.2 million in turnover from sales of properties in the Optics Valley Financial Harbour (Phase II – Buildings B1-B7, B9-B15 and B19) from RMB34.8 million for the nine months ended September 30, 2012 to RMB767.0 million for the nine months ended September 30, 2013, mainly because the GFA sold for the project increased by 127,498 sq.m. from 5,378 sq.m. for the nine months ended September 30, 2012 to 132,876 sq.m. for the nine months ended September 30, 2013 as we completed more properties in the project in accordance with development schedules, whereas the ASP, net of business tax, of the GFA sold for this project decreased by 10.8% from RMB6,473 per sq.m. for the nine months ended September 30, 2012 to RMB5,772 per sq.m. for the nine months ended September 30, 2013 as we offered competitive terms to our customers and entered into the relevant customization agreement with them; and

(ii) the turnover of RMB77.5 million from sales of properties in the Wuhan Innocenter (Phase I) as we completed the project and recognized the turnover for 11,302 sq.m. of the GFA sold for the nine months ended September 30, 2013; and

partially offset by

(i) a decrease by RMB254.6 million in turnover from sales of properties in the Optics Valley Financial Harbour (Phase I) as we completed the project and sold most properties in the project in 2012 in accordance with construction progress schedules;

(ii) a decrease by RMB143.2 million in turnover from sales of properties in the Optics Valley Software Park (Phase V – Building B1) as we completed the project and sold most properties in the project in 2012 in accordance with construction progress schedules; and

(iii) a decrease by RMB44.6 million in turnover from sales of properties in the Romantic Town from RMB48.5 million for the nine months ended September 30, 2012 to RMB3.9 million for the nine months ended September 30, 2013 as we sold shopping units in the project with a relatively higher ASP for the nine months ended September 30, 2012 and residential properties with a relatively lower ASP for the nine months ended September 30, 2013.

The total GFA sold increased by 43.3% from 89,765 sq.m. for the nine months ended September 30, 2012 to 146,082 sq.m. for the nine months ended September 30, 2013 as we completed an increasing number of business park projects, in particular, the Optics Valley Financial Harbour (Phase II – Buildings B1-B7, B9-B15 and B19) and the Wuhan Innocenter (Phase I). The overall ASP, net of business tax, of the total GFA sold for our business park and residential projects increased by 5.8% from RMB5,521 per sq.m. for the nine months ended September 30, 2012 to RMB5,841 per sq.m. for the nine months ended September 30, 2013, primarily because we increased the prices of properties sold in 2013 due to rising development costs and customers were willing to pay higher prices for properties of our projects which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities.

Business Operation Services

Our turnover generated from business operation services increased by RMB19.1 million, or 22.1%, to RMB105.5 million for the nine months ended September 30, 2013 from RMB86.4 million for the nine months ended September 30, 2012 because we developed and completed an increasing number of business parks, expanded scope of our services and increased the number of customers in our business parks.

Construction Contract

Our turnover generated from construction contract increased by RMB48.9 million, or 52.2%, from RMB93.6 million for the nine months ended September 30, 2012 to RMB142.5 million for the nine months ended September 30, 2013, primarily because Wuhan Lido Technology provided decoration and improvement services to an increasing number of development projects in our business parks and projects owned by third parties.

Property Leasing

Our turnover generated from rental income increased by RMB6.7 million, or 61.5%, from RMB10.9 million for the nine months ended September 30, 2012 to RMB17.6 million for the nine months ended September 30, 2013, primarily due to an increase in rental income from apartment buildings in the Optics Valley Financial Harbour (Phase I) as the property value and average rental price of investment properties in our business parks increased and customers had significant demand for leasing of office properties in our business parks, as well as due to an overall increase in rental prices.

Development Management Services

The following table sets forth the summary of turnover information with respect of our development management services for the periods indicated:

	Nine months ended September 30,			
	2012		2013	
Project	**Turnover**	**% of total segment turnover**	**Turnover**	**% of total segment turnover**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*
Lido Mason (Phase I) (麗島美生)	7,106	36.2%	2,189	13.5%
Wuhan Future Technology City (Phase I) (武漢未來科技城一期)	5,084	25.9%	4,562	28.2%
Wuhan National Biotech Innovation Business Park (Phase I) (武漢國家生物產業創新基地一期)	5,931	30.2%	5,322	32.9%
Wuhan Hi-Tech Medical Devices Business Park (Phase I) (武漢高科醫療器械園一期)	1,506	7.7%	1,859	11.5%
Other residential projects	–	–	2,239	13.9%
Total	**19,627**	**100.0%**	**16,171**	**100.0%**

Our turnover generated from our development management services decreased by RMB3.4 million, or 17.3%, to RMB16.2 million for the nine months ended September 30, 2013 from RMB19.6 million for the nine months ended September 30, 2012, primarily due to a decrease by RMB4.9 million, or 69.0%, in turnover from development management services for the Lido Mason (Phase I) from RMB7.1 million for the nine months ended September 30, 2012 to RMB2.2 million for the nine months ended September 30, 2013 as we completed the major development stage of the projects in 2012 in accordance with relevant project development schedule.

Cost of Sales

Our cost of sales increased by RMB300.0 million, or 61.2%, from RMB489.8 million for the nine months ended September 30, 2012 to RMB789.8 million for the nine months ended September 30, 2013, primarily due to (i) an overall increase in cost of properties sold as a result of the increase in the total GFA of the business park projects sold to our customers, and (ii) an increase in costs relating to our service businesses as we provided different services to an increasing number of customers.

Cost of Properties Sold

Cost of properties sold increased by 72.3% from RMB333.7 million for the nine months ended September 30, 2012 to RMB574.9 million for the nine months ended September 30, 2013. The increase in cost of properties sold was primarily due to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold to our customers mainly in respect of the Optics Valley Financial Harbour (Phase II – Buildings B1-B7, B9-B15 and B19) and the Wuhan Innocenter (Phase I) as we developed and completed an increasing number of developments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by RMB129.1 million, or 59.7%, from RMB216.2 million for the nine months ended September 30, 2012 to RMB345.3 million for the nine months ended September 30, 2013. Our overall gross profit margin remained stable at 30.6% for the nine months ended September 30, 2012 and at 30.4% for the nine months ended September 30, 2013.

Other Income

Our other income increased by RMB2.6 million from RMB2.0 million for the nine months ended September 30, 2012 to RMB4.6 million for the nine months ended September 30, 2013, primarily due to (i) an increase of approximately RMB3.2 million in government grants we received from local governmental authorities in Wuhan for the development of business parks focusing on the industries promoted by these authorities, and (ii) an increase in others mainly in relation to unclaimed refunds to property purchasers after expiry of relevant statutory periods.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB7.0 million, or 26.7%, from RMB26.2 million for the nine months ended September 30, 2012 to RMB33.2 million for the nine months ended September 30, 2013, primarily due to an increase in our advertising and promotional expenses as we engaged in more sales, marketing and advertising activities for the increasing number of projects.

Administrative Expenses

Our administrative expenses increased by RMB5.8 million, or 6.9%, from RMB84.2 million for the nine months ended September 30, 2012 to RMB90.0 million for the nine months ended September 30, 2013, primarily because (i) administrative staff costs increased as we increased our administrative employee headcount from 330 as of September 30, 2012 to 387 as of September 30, 2013 as we expanded our general operation for the increasing number of projects we developed and completed, and (ii) our office administration expenses, as well as travel, meeting and communication expenses, increased due to our expanded general operation scale.

Other Expenses

Our other expenses increased by RMB56,000, or 20.1%, from RMB278,000 for the nine months ended September 30, 2012 to RMB334,000 for the nine months ended September 30, 2013. The increase was primarily due to an increase in net loss on disposal of property, plant and equipment of RMB96,000, partially offset by a decrease in others of RMB32,000 mainly because Wuhan Lido Property Management compensated an employee in relation to a work-related injury in the first half of 2012.

Increase in Fair Value of Investment Properties

Fair value gains on our investment properties decreased by RMB0.2 million, or 3.4%, from RMB5.9 million for the nine months ended September 30, 2012 to RMB6.1 million for the nine months ended September 30, 2013. Fair value gains were recorded in both periods primarily due to the increasing property prices of our investment properties as overall rental prices in local markets generally increased.

Finance Income

Our finance income decreased by RMB8.7 million, or 55.4%, from RMB15.7 million for the nine months ended September 30, 2012 to RMB7.0 million for the nine months ended September 30, 2013, primarily because (i) our interest income on loans and receivables by RMB7.2 million, or 55.8%, from RMB12.9 million for the nine months ended September 30, 2012 to RMB5.7 million for the nine months ended September 30, 2013 mainly attributable to the interest income we received from Hubei Science & Technology Investment in 2012 on the relevant loan for land acquisition, and (ii) the net realized and unrealized gains on other investments decreased by RMB1.5 million, or 53.6%, from RMB2.8 million for the nine months ended September 30, 2012 to RMB1.3 million for the nine months ended September 30, 2013, as we sold certain listed equity securities.

Finance Costs

Our finance costs increased by RMB11.0 million from RMB1.2 million for the nine months ended September 30, 2012 to RMB12.2 million for the nine months ended September 30, 2013, primarily due to a decrease in capitalized interest expenses as the interest expenses in relation to the Optics Valley Software Park (Phase VI) project were not capitalized in the relevant period of 2013.

Share of Profit/(Losses) of Associates

Share of loss of associates decreased by RMB28,000, or 8.0%, from RMB351,000 for the nine months ended September 30, 2012 to RMB323,000 for the nine months ended September 30, 2013, primarily due to our proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd.

Share of Profit/(Losses) of Joint Ventures

We had share of loss of joint ventures of RMB4.1 million for the nine months ended September 30, 2012, mainly attributable to our proportional share of losses in Wuhan Mason according to our 50% equity interest in the company. Wuhan Mason generated losses primarily due to selling and distribution expenses and administrative expenses incurred in connection with sale of properties in the Lido Mason (Phase I) and most of such expenses were incurred in 2012. We had share of profit of joint ventures of RMB36.7 million for the nine months ended September 30, 2013, which primarily consisted of our share of profits of Wuhan Mason from sales of properties in the Lido Mason (Phase I) for that period in proportion to our 50% equity interest in that company.

Net Gain on Disposal of Associates

Net gain on disposal of associates remained as nil for the nine months ended September 30, 2012 and 2013. See the subsection headed "– Results of Operations – Description of Certain Income Statement Items – Net Gain on Disposal of Associates" in this section for further discussion.

Income Tax

Our income tax expenses increased by RMB73.9 million, or 137.9%, from RMB53.6 million for the nine months ended September 30, 2012 to RMB127.5 million for the nine months ended September 30, 2013. The increase in income tax was primarily due to (i) an increase in PRC corporate income tax of RMB33.5 million, (ii) an increase in PRC land appreciation tax of RMB34.8 million as our pre-tax profit increased in line with the growth in the profit from our property development, and (iii) an decrease in deferred taxation of RMB5.6 million.

Profit from Continuing Operation

As a result of the foregoing, our profit from continuing operation increased by RMB66.2 million, or 94.7%, from RMB69.9 million for the nine months ended September 30, 2012 to RMB136.1 million for the nine months ended September 30, 2013.

Profit from Discontinued Operation (Net of Income Tax)

Our profit from discontinued operation (net of income tax) remained as nil for the nine months ended September 30, 2012 and 2013. See subsection headed "– Results of Operations – Description of Certain Income Statement Items – Profit from Discontinued Operations (Net of Income Tax)" in this section for further discussion.

Profit for the Period

As a result of the foregoing, our profit for the period increased by RMB66.2 million, or 94.7%, from RMB69.9 million for the nine months ended September 30, 2012 to RMB136.1 million for the nine months ended September 30, 2013.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Turnover

Our turnover increased by RMB406.9 million, or 29.0%, from RMB1,405.2 million for the year ended December 31, 2011 to RMB1,812.0 million for the year ended December 31, 2012. The major contributor to our turnover in these two years was sales of properties in our projects.

Property Development

The following table sets forth the summary of turnover information from sales of properties for the periods indicated:

	Year ended December 31,											
	2011						2012					
Project	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[(1)]	% of total segment turnover	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[(1)]	% of total segment turnover
	(RMB'000)	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*		*(RMB'000)*	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*	
Business Park Projects												
Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11) (光谷金融港二期 B1, B3-B5和B9-B11 棟)	–	–	–	–	–	–	323,470	127,444	39.4%	65,220	4,960	22.6%
Optics Valley Software Park (Phase VI) (光谷軟件園六期)	–	–	–	–	–	–	299,380	45,355	15.1%	60,152	4,977	20.9%
Optics Valley Software Park (Phase V – Buildings B1-B2) (光谷軟件園五期B1-B2 棟)	247,469	64,643	26.1%	52,010	4,758	21.1%	318,669	131,446	41.2%	63,682	5,004	22.3%
Optics Valley Software Park (Phases I-IV) (光谷軟件園一至四期)[(2)]	–	–	–	–	–	–	6,559	4,586	69.9%	895	7,330	0.5%
Optics Valley Financial Harbour (Phase I) (光谷金融港一期)	475,249	174,630	36.7%	104,075	4,566	40.6%	409,640	141,786	34.6%	87,543	4,679	28.6%
Residential Projects												
Lido Top View (麗島半山華府)	10,051	4,603	45.8%	1,838	5,468	0.8%	18,274	9,941	54.4%	3,130	5,839	1.3%
Romantic Town (麗島漫城)	434,241	66,058	15.2%	66,399	6,540	37.1%	51,401	15,197	29.6%	7,395	6,951	3.6%
Other properties[(3)]	4,419	1,003	22.7%	1,470	3,006	0.4%	4,500	666	14.8%	1,451	3,101	0.2%
Total	**1,171,429**	**310,937**	**26.5%**	**225,792**	**5,188**	**100.0%**	**1,431,893**	**476,421**	**33.3%**	**289,468**	**4,947**	**100.0%**

Notes:

(1) In accordance with terms of formal purchase agreements, the saleable GFA of each project only includes the GFA of above-ground properties, in respect of which we have property ownership certificates, but excludes the GFA of underground car parking spaces. Accordingly, the ASP of each project is currently calculated as the turnover from property development divided by the GFA of above-ground properties of the project. The ASP could be lower if the saleable GFA of the project includes the GFA of underground car parking spaces. See the subsection headed " – Results of Operations – Description of Certain Income Statement Items – Property Development" in this section for further discussion.

(2) The turnover from sales of properties in the Optics Valley Software Park (Phases I-IV) includes, among others, that from sales of properties in the Optics Valley Software Park (Phases I-IV) and that from sales of properties in the Optics Valley Software Park Exhibition Center (Phase I).

(3) Other properties refer to residential properties of our Group where development and sale of such properties were completed prior to the Track Record Period with outstanding balances settled during the Track Record Period.

Our turnover generated from sales of properties increased by RMB260.5 million, or 22.2%, from RMB1,171.4 million for the year ended December 31, 2011 to RMB1,431.9 million for the year ended December 31, 2012, primarily due to:

(i) the turnover of RMB323.5 million from sales of properties in the Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11) as we completed the project and recognized the turnover for 65,220 sq.m. of the GFA sold for the year ended December 31, 2012;

(ii) the turnover of RMB299.4 million from sales of properties in the Optics Valley Software Park (Phase VI) as we consolidated the turnover for 60,152 sq.m. of the GFA sold in respect of the completed project for the year ended December 31, 2012 after we acquired a 50% equity interest in Optics Valley Software Park and controlled it as a wholly-owned subsidiary; and

(iii) an increase by RMB71.2 million, or 28.8%, in turnover from sales of properties in the Optics Valley Software Park (Phase V – Buildings B1-B2) from RMB247.5 million for the year ended December 31, 2011 to RMB318.7 million for the year ended December 31, 2012, mainly because the GFA sold for the project increased by 11,672 sq.m. from 52,010 sq.m. for the year ended December 31, 2011 to 63,682 sq.m. for the year ended December 31, 2012 as we completed more properties in the project in accordance with development schedules in 2012, and the ASP, net of business tax, of the GFA sold for this project increased by 5.2% from RMB4,758 per sq.m. for the year ended December 31, 2011 to RMB5,004 per sq.m. for the year ended December 31, 2012 as we increased the prices of properties sold in 2012 due to rising development costs and the fact that customers were willing to pay higher prices for properties in the project which was developed in a more mature and advanced development stage in 2012 with well-developed infrastructure and supporting facilities; and

partially offset by:

(i) a decrease by RMB382.8 million, or 88.2%, in turnover from sales of properties in the Romantic Town from RMB434.2 million for the year ended December 31, 2011 to RMB51.4 million for the year ended December 31, 2012, mainly because the GFA sold for the project decreased by 59,004 sq.m. from 66,399 sq.m. for the year ended December 31, 2011 to 7,395 sq.m. for the year ended December 31, 2012 as we controlled Wuhan Xuefu as a subsidiary in 2011 and sold most residential properties of the project in that year, which was partially offset by an increase in the ASP, net of business tax, of the GFA sold for this project by 6.3% from RMB6,540 per sq.m. for the year ended December 31, 2011 to RMB6,951 per sq.m. for the year ended December 31, 2012 as a result of a general increase in the prices of residential units sold in 2012 due to rising development costs and the fact that customers were willing to pay higher prices for these residential units in the project; and

(ii) a decrease by RMB65.6 million, or 13.8%, in turnover from sales of properties in the Optics Valley Financial Harbour (Phase I) from RMB475.2 million for the year ended December 31, 2011 to RMB409.6 million for the year ended December 31, 2012, mainly because the GFA sold for the project decreased by 16,532 sq.m. from 104,075 sq.m. for the year ended December 31, 2011 to 87,543 sq.m. for the year ended December 31, 2012 as we sold more customized developments of the project to large customers and office space for general business use to retail customers in 2011 in accordance with development schedule, which was partially offset by an increase in the ASP, net of business tax, of the GFA sold for this project by 2.9% from RMB4,566 per sq.m. for the year ended December 31, 2011 to RMB4,697 per sq.m. for the year ended December 31, 2012 as we increased the prices of properties sold in 2012 due to rising development costs and customers were willing to pay higher prices for properties in the project.

The total GFA sold increased by 51.4% from 225,792 sq.m. for the year ended December 31, 2011 to 289,468 sq.m. for the year ended December 31, 2012 as we completed an increasing number of business park and residential projects. The overall ASP, net of business tax, of the total GFA sold for our business park and residential projects decreased slightly from RMB5,188 per sq.m. for the year ended December 31, 2011 to RMB4,947 per sq.m. for the year ended December 31, 2012, primarily because the contribution of the Romantic Town that had the relatively higher ASP of residential properties sold decreased from 37.1% of our turnover from property development for the year ended December 31, 2011 to only 3.6% of the turnover for the year ended December 31, 2012.

Business Operation Services

Our turnover generated from business operation services increased by RMB42.2 million, or 47.4%, to RMB131.3 million for the year ended December 31, 2012 from RMB89.1 million for the year ended December 31, 2011 because we developed and completed an increasing number of business parks and expanded scope of our services and increased the number of customers in our business parks.

Construction Contract

Our turnover generated from construction contract increased by RMB87.4 million, or 81.2%, from RMB107.7 million for the year ended December 31, 2011 to RMB195.1 million for the year ended December 31, 2012, primarily because Wuhan Lido Technology provided building interior and external decoration and improvement services to an increasing number of development projects in our business parks and projects owned by third parties as a result of the recognition by customers of its technical expertise, strong construction capabilities and brand.

Property Leasing

Our turnover generated from rental income increased by RMB5.7 million, or 47.9%, from RMB11.9 million for the year ended December 31, 2011 to RMB17.6 million for the year ended December 31, 2012, primarily because the property value and average rental price of investment properties increased as we developed our business park projects in a more mature and advanced stage and customers had significant demand for leasing of office properties in our business parks, as well as due to an overall increase in rental prices.

Development Management Services

The following table sets forth the summary of turnover information with respect of our development management services for the periods indicated:

	Year ended December 31,			
	2011		**2012**	
Project	**Turnover**	**% of total segment turnover**	**Turnover**	**% of total segment turnover**
	(RMB'000)		*(RMB'000)*	
Lido Mason (Phase I) (麗島美生)	6,447	25.7%	14,755	40.9%
Wuhan Hi-Tech Medical Devices Business Park (Phase I) (武漢高科醫療器械園一期)	1,470	5.9%	4,941	13.7%
Wuhan Future Technology City (Phase I) (武漢未來科技城一期)	4,381	17.5%	6,705	18.6%
Wuhan National Biotech Innovation Business Park (Phase I) (武漢國家生物產業創新基地一期)	7,719	30.8%	7,832	21.7%
Lido Liuyuan (麗島柳園)	4,595	18.3%	–	–
Other residential projects	445	1.8%	1,866	5.1%
Total	**25,057**	**100.0%**	**36,099**	**100.0%**

Our turnover generated from our development management services increased by RMB11.0 million, or 43.8%, to RMB36.1 million for the year ended December 31, 2012 from RMB25.1 million for the year ended December 31, 2011 primarily due to:

(i) an increase by RMB8.4 million, or 131.3%, in turnover from development management services for the Lido Mason (Phase I) from RMB6.4 million for the year ended December 31, 2011 to RMB14.8 million for the year ended December 31, 2012, primarily due to (i) a general increase in our service fees from 2011 to 2012 in accordance with relevant project development and payment schedules, and (ii) to a lesser extent, an additional sales agency fee paid to us in 2012 according to contractual terms.

(ii) an increase by RMB3.4 million, or 226.7%, in the turnover from development management services for the Wuhan Hi-Tech Medical Devices Business Park (Phase I) from RMB1.5 million for the year ended December 31, 2011 to RMB4.9 million for the year ended December 31, 2012, primarily due to (i) a bonus payment from the Wuhan Municipal Government in 2012 for completion of a certain part of the project, and (ii) a service fee we received in 2012 for commencement of a certain development phase in accordance with relevant project development and payment schedules; and

(iii) an increase by RMB2.3 million, or 52.3%, in turnover from development management services for the Wuhan Future Technology City (Phase I) from RMB4.4 million for the year ended December 31, 2011 to RMB6.7 million for the year ended December 31, 2012, primarily due to a general increase in our service fees from 2011 to 2012 in accordance with relevant project development and payment schedules; and

which were partially offset by a decrease by RMB4.6 million in turnover from development management services for the Lido Liuyuan from RMB4.6 million for the year ended December 31, 2011 to nil for the year ended December 31, 2012 as we completed a certain follow-up phase of the project in accordance with relevant contractual terms during 2011.

Cost of Sales

Our cost of sales increased by RMB205.7 million, or 20.0%, from RMB1,029.7 million for the year ended December 31, 2011 to RMB1,235.4 million for the year ended December 31, 2012, primarily due to (i) an overall increase in cost of properties sold as a result of the increase in the total GFA of the business park and residential projects sold to our customers, and (ii) increases in costs relating to our service businesses as we provided these services to an increasing number of customers.

Cost of Properties Sold

Cost of properties sold increased by 11.3% from RMB860.5 million for the year ended December 31, 2011 to RMB957.6 million for the year ended December 31, 2012. The increase in cost of properties sold was primarily due to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold to our customers mainly in respect of the Optics Valley Financial Harbour (Phase II – Buildings B1, B3-B5 and B9-B11), the Optics Valley Software Park (Phase V – Buildings B1-B2) and (Phase VI), and the Lido Top View as we developed and completed an increasing number of developments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by RMB201.1 million, or 53.6%, from RMB375.5 million for the year ended December 31, 2011 to RMB576.6 million for the year ended December 31, 2012. Our overall gross profit margin increased from 26.7% for the year ended December 31, 2011 to 31.8% for the year ended December 31, 2012 primarily because the ASPs of business park and residential projects increased from 2011 to 2012 and the gross profit from sales of properties in the Optics Valley Software Park (Phase VI) contributed to our overall gross profit after we controlled the Optics Valley Software Park as a wholly-owned subsidiary and consolidated relevant turnover in 2012.

Other Income

Our other income increased by RMB6.0 million from RMB1.5 million for the year ended December 31, 2011 to RMB7.5 million for the year ended December 31, 2012, primarily due to (i) an increase of approximately RMB3.9 million in government grants we received from local governmental authorities in Wuhan, Ezhou and Huangshi for the development of business parks focusing on the industries promoted by these authorities, (ii) net gain on disposal of other non-current assets of RMB1.4 million from the sale of antique and art work collections to two related parties, Wuhan Qianbao Property and Wuhan Lido Investment, (iii) compensation income of RMB499,000 as third party construction contractors failed to complete certain development phases of the projects in accordance with agreed progress schedules and paid penalties to us pursuant to contractual terms, and (iv) an increase in others mainly in relation to sale of waste materials after completion of construction work.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB18.5 million, or 89.4%, from RMB20.7 million for the year ended December 31, 2011 to RMB39.2 million for the year ended December 31, 2012, primarily because (i) our advertising and promotional expenses increased as we engaged in more sales, marketing and advertising activities and hired more sales agents to promote our increasing number of projects, (ii) sales and marketing staff costs increased as we increased our sales and marketing employee headcount from 56 as of December 31, 2011 to 75 as of December 31, 2012 for the increasing number of projects we developed, and (iii) our travel and communication expenses increased as our expanded our sales and marketing operation scale.

Administrative Expenses

Our administrative expenses increased by RMB33.2 million, or 39.0%, from RMB85.1 million for the year ended December 31, 2011 to RMB118.3 million for the year ended December 31, 2012, primarily because (i) administrative staff costs increased as we increased our administrative employee headcount from 226 as of December 31, 2011 to 272 as of December 31, 2012 for the increasing number of projects we developed and completed, (ii) our office administration expenses, as well as travel, meeting and communication expenses, increased as we expanded our general operation scale, and (iii) we increased fees paid to finance, accounting and legal professionals for our expanded business.

Other Expenses

Our other expenses decreased by RMB228,000, or 32.1%, from RMB710,000 for the year ended December 31, 2011 to RMB482,000 for the year ended December 31, 2012. The decrease was primarily due to a decrease in net loss on disposal of property, plant and equipment of RMB453,000, partially offset by an increase in others of RMB277,000. Others of RMB65,000 for the year ended December 31, 2011 included only vehicle depreciation costs. Others of RMB342,000 for the year ended December 31, 2012 mainly included (i) a compensation of RMB160,000 by Wuhan Lido Property Management to employees in relation to a work-related injury, and (ii) donation expenditure of RMB70,000.

Increase in Fair Value of Investment Properties

Fair value gains on our investment properties decreased by RMB14.2 million, or 63.4%, from RMB22.4 million for the year ended December 31, 2011 to RMB8.2 million for the year ended December 31, 2012. Fair value gains were recorded in both years primarily due to the increasing property prices of our investment properties as overall rental prices in local markets generally increased.

Finance Income

Our finance income increased by RMB6.9 million, or 55.2%, from RMB12.5 million for the year ended December 31, 2011 to RMB19.4 million for the year ended December 31, 2012, primarily because (i) our interest income on loans and receivables increased by RMB5.3 million, or 52.0%, from RMB10.2 million for the year ended December 31, 2011 to RMB15.5 million for the year ended December 31, 2012, and (ii) the net realized and unrealized gains on other investments increased by RMB1.4 million, or 63.6%, from RMB2.2 million for the year ended December 31, 2011 to RMB3.6 million for the year ended December 31, 2012, mainly attributable to the purchase of short-term low-risk financial products for capital preservation, which we subsequently sold at gains.

Finance Costs

Our finance costs decreased by RMB7.4 million, or 82.2%, from RMB9.0 million for the year ended December 31, 2011 to RMB1.6 million for the year ended December 31, 2012, primarily due to a decrease in the net realized and unrealized losses on other investments by RMB7.1 million, or 92.2%, from RMB7.7 million for the year ended December 31, 2011 to RMB586,000 for the year ended December 31, 2012, mainly attributable to the disposal of listed and newly issued equity securities at losses.

Share of Profit/(Losses) of Associates

Share of loss of associates decreased by RMB4.1 million, or 91.1%, from RMB4.5 million for the year ended December 31, 2011 to RMB386,000 for the year ended December 31, 2012. We had share of loss of associates of RMB4.5 million for the year ended December 31, 2011, which consisted of (i) our proportional share of losses in Wuhan Xuefu in relation to development costs incurred for the Romantic Town prior to our acquisition of the company as a subsidiary in November 2011, and (ii) our proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd. We had share of loss of associates of RMB386,000 for the year ended December 31, 2012, primarily due to our proportional share of losses in Wuhan Integrated Circuit Design Technology Co., Ltd.

Share of Profit/(Losses) of Joint Ventures

Share of loss of joint ventures increased by RMB4.5 million from RMB247,000 for the year ended December 31, 2011 to RMB4.7 million for the year ended December 31, 2012. Share of loss of joint ventures represented our proportional share of losses in Wuhan Mason according to our 50% equity interest in the company. Wuhan Mason generated losses primarily due to selling and distribution expenses and administrative expenses incurred in connection with sale of properties in the Lido Mason (Phase I) in 2012.

Net Gain on Disposal of Associates

Net gain on disposal of associates decreased from RMB68.8 million for the year ended December 31, 2011 to nil for the year ended December 31, 2012 as a result of our acquisition of a further 2% equity interest in Wuhan Xuefu at a consideration of RMB4.4 million and controlled it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that we had previously held was deemed to be disposed of to a third party at the fair market value. See the subsection headed "– Key Factors Affecting Our Results of Operations – Acquisition of Entities" in this section for further discussion.

Income Tax

Our income tax expenses increased by RMB32.4 million, or 23.6%, from RMB137.0 million for the year ended December 31, 2011 to RMB169.4 million for the year ended December 31, 2012. The increase in income tax was primarily due to (i) an increase in PRC corporate income tax of RMB14.6 million, (ii) an increase in PRC land appreciation tax of RMB0.9 million as our pre-tax profit increased in line with the growth in the profit from our property development, and (iii) a decrease in deferred taxation of RMB17.0 million.

Profit from Continuing Operation

As a result of the foregoing, our profit from continuing operation increased by RMB54.3 million, or 24.3%, from RMB223.4 million for the year ended December 31, 2011 to RMB277.7 million for the year ended December 31, 2012.

Profit from Discontinued Operation (Net of Income Tax)

Our profit from discontinued operation (net of income tax) decreased from RMB35.8 million for the year ended December 31, 2011 to nil for the year ended December 31, 2012 because we disposed of our 81.0% equity interest in Wuhan Kernel Bio-pesticides, which operated our prior bio-pesticide manufacturing business, to an Independent Third Party, on normal commercial terms at a consideration of RMB102.8 million. See the subsection headed "– Results of Operations – Description of Certain Income Statement Items – Profit from Discontinued Operations (Net of Income Tax)" in this section for further discussion.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB18.5 million, or 7.1%, from RMB259.2 million for the year ended December 31, 2011 to RMB277.7 million for the year ended December 31, 2012.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Turnover

Our turnover increased by RMB616.4 million, or 78.1%, from RMB788.8 million for the year ended December 31, 2010 to RMB1,405.2 million for the year ended December 31, 2011. The major contributor to our turnover in these two years was sales of properties in our business park and residential projects.

Property Development

The following table sets forth the summary of turnover information from sales of properties for the respective periods as indicated:

	Year ended December 31,											
	2010						2011					
Project	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[1]	% of total segment turnover	Turnover	Gross profit	Gross profit margin	GFA sold	ASP[1]	% of total segment turnover
	(RMB'000)	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*		*(RMB'000)*	*(RMB'000)*		*(sq.m.)*	*(RMB/sq.m.)*	
Business Park Projects												
Optics Valley Financial Harbour (Phase I) (光谷金融港一期)	172,964	73,655	42.6%	42,898	4,032	26.7%	475,249	174,630	36.7%	104,075	4,566	40.6%
Optics Valley Software Park (Phase V – Buildings B1-B2) (光谷軟件園五期B1-B2棟)	–	–	–	–	–	–	247,469	64,643	26.1%	52,010	4,758	21.1%
Optics Valley Software Park (Phases I-IV) (光谷軟件園一至四期)[2]	292,083	100,263	34.3%	60,224	4,850	45.1%	–	–	–	–	–	–
Residential Projects												
Romantic Town (麗島漫城)	–	–	–	–	–	–	434,241	66,058	15.2%	66,399	6,540	37.1%
Lido Top View (麗島半山華府)	174,121	63,779	36.6%	45,271	3,846	26.9%	10,051	4,603	45.8%	1,838	5,468	0.9%
Other properties[3]	8,467	2,938	34.7%	2,714	3,120	1.3%	4,419	1,003	22.7%	1,470	3,006	0.3%
Total	**647,635**	**240,635**	**37.2%**	**151,107**	**4,286**	**100.0%**	**1,171,429**	**310,937**	**26.5%**	**225,792**	**5,188**	**100.0%**

Notes:

(1) In accordance with terms of formal purchase agreements, the saleable GFA of each project only includes the GFA of above-ground properties, in respect of which we have property ownership certificates, but excludes the GFA of underground car parking spaces. Accordingly, the ASP of each project is currently calculated as the turnover from property development divided by the GFA of above-ground properties of the project. The ASP could be lower if the saleable GFA of the project includes the GFA of underground car parking spaces. See the subsection headed " – Results of Operations – Description of Certain Income Statement Items – Property Development" in this section for further discussion.

(2) The turnover from sales of properties in the Optics Valley Software Park (Phases I-IV) includes, among others, that from sales of properties in the Optics Valley Software Park (Phases I-IV) and that from sales of properties in the Optics Valley Software Park Exhibition Center (Phase I).

(3) Other properties refer to residential properties of our Group where development and sale of such properties were completed prior to the Track Record Period with outstanding balances settled during the Track Record Period.

Our turnover generated from sales of properties increased by RMB523.8 million, or 80.9%, from RMB647.6 million for the year ended December 31, 2010 to RMB1,171.4 million for the year ended December 31, 2011, primarily due to:

(i) the turnover of RMB434.2 million from sales of properties in the Romantic Town as we controlled Wuhan Xuefu as a subsidiary through acquisition of a further 2% equity interest of it on November 23, 2011 and consolidated the turnover for 66,399 sq.m. of the GFA sold from the acquisition date until December 31, 2011;

(ii) an increase by RMB302.2 million, or 174.7%, in turnover from sales of properties in the Optics Valley Financial Harbour (Phase I) from RMB173.0 million for the year ended December 31, 2010 to RMB475.2 million for the year ended December 31, 2011, mainly because the GFA sold for the project increased by 61,177 sq.m. from 42,898 sq.m. for the year ended December 31, 2010 to 104,075 sq.m. for the year ended December 31, 2011 as we sold more customized developments to large customers and ready-built business space to retail customers in 2011, and the ASP, net of business tax, of the GFA sold for this project increased by 13.2% from RMB4,032 per sq.m. for the year ended December 31, 2010 to RMB4,566 per sq.m. for the year ended December 31, 2011 as we increased the prices of properties sold in 2011 due to rising development costs and also because customers were willing to pay higher prices for properties of the project which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities; and

(iii) the turnover of RMB247.5 million from sales of properties in the Optics Valley Software Park (Phase V – Buildings B1-B2) as we completed the project and recognized the turnover for 52,010 sq.m. of the GFA sold in the project for the year ended December 31, 2011; and

partially offset by:

(i) a decrease by RMB164.0 million, or 94.2%, in turnover from sales of properties in the Lido Top View from RMB174.1 million for the year ended December 31, 2010 to RMB10.1 million for the year ended December 31, 2011, primarily because the GFA sold for the project decreased by 43,433 sq.m. from 45,271 sq.m. for the year ended December 31, 2010 to 1,838 sq.m. for the year ended December 31, 2011 as we sold the remaining shop and residential units of the project in 2011, after we had sold most of residential properties of the project in 2010, while the ASP, net of business tax, of the GFA sold for this project increased by 42.2% from RMB3,846 per sq.m. for the year ended December 31, 2010 to RMB5,468 per sq.m. for the year ended December 31, 2011 as a result of a general increase in the prices of properties sold in 2011 due to rising development costs and the fact that customers were willing to pay higher prices for properties in the project which was developed in a more mature and advanced development stage in 2011; and

(ii) a decrease in turnover from sales of properties in the Optics Valley Software Park (Phases I to IV) from RMB292.1 million for the year ended December 31, 2010 to nil for the year ended December 31, 2011, as we sold and delivered most properties of the project to purchasers by 2010 and did not sell the remaining portion of the project for the year ended December 31, 2011.

The total GFA sold increased by 49.4% from 151,107 sq.m. for the year ended December 31, 2010 to 227,477 sq.m. for the year ended December 31, 2011 as a result of our acquisition and control of Wuhan Xuefu as a subsidiary in November 2011. The overall ASP, net of business tax, of the total GFA sold for our business park and residential projects increased by 21.0% from RMB4,286 per sq.m. for the year ended December 31, 2010 to RMB5,188 per sq.m. for the year ended December 31, 2011, primarily because (i) the ASP of residential properties in the Romantic Town that contributed to 37.1% of our turnover from property development for the year ended December 31, 2011 after we had acquired Wuhan Xuefu as a subsidiary was relatively higher due to the location, advanced development stage, and high quality construction of the project, and (ii) we increased the prices of properties sold in respect of our projects in 2011 due to rising development costs and customers were willing to pay higher prices for properties of our projects which were developed in a more mature and advanced stage.

Business Operation Services

Our turnover generated from our business operation services increased by RMB27.9 million, or 45.6%, from RMB61.2 million for the year ended December 31, 2010 to RMB89.1 million for the year ended December 31, 2011 because we developed and completed an increasing number of business parks, expanded scope of our services and increased the number of customers in our business parks.

Construction Contract

Our turnover generated from construction contract increased by RMB58.7 million, or 119.8%, from RMB49.0 million for the year ended December 31, 2010 to RMB107.7 million for the year ended December 31, 2011, primarily because (i) Wuhan Lido Technology provided building interior and external decoration and improvement services to an increasing number of development projects in our business parks and projects owned by third parties as a result of the recognition by customers of its technical expertise, strong construction capabilities and brand, and (ii) we consolidated turnover from Wuhan Jitian Construction after we acquired the entire equity interest in the company.

Property Leasing

Our turnover generated from rental income increased by RMB3.7 million, or 45.1%, from RMB8.2 million for the year ended December 31, 2010 to RMB11.9 million for the year ended December 31, 2011, primarily because the property value and average rental price of investment properties increased as we developed our business park projects in a more mature and advanced stage and customers had significant demand for leasing of office properties in our business parks, as well as due to an overall increase in rental prices.

Development Management Services

The following table sets forth the summary of turnover information for our development management services for the respective periods as indicated:

	Year ended December 31,			
	2010		2011	
Project	**Turnover**	**% of total segment turnover**	**Turnover**	**% of total segment turnover**
	(RMB'000)		*(RMB'000)*	
Wuhan Future Technology City (Phase I) (武漢未來科技城一期)	–	–	4,381	17.5%
Lido Mason (Phase I) (麗島美生一期)	4,218	18.5%	6,447	25.7%
Wuhan Hi-Tech Medical Devices Business Park (Phase I) (武漢高科醫療器械園一期)	750	3.3%	1,470	5.9%
Wuhan National Biotech Innovation Business Park (Phase I) (武漢國家生物產業創新基地一期)	7,848	34.4%	7,719	30.8%
Lido Liuyuan (麗島柳園)	8,437	37.0%	4,595	18.3%
Others residential projects	1,559	6.8%	445	1.8%
Total	**22,812**	**100.0%**	**25,057**	**100.0%**

Our turnover generated from our development management services increased by RMB2.3 million, or 10.1% from RMB22.8 million for the year ended December 31, 2010 to RMB25.1 million for the year ended December 31, 2011, primarily due to:

(i) the turnover of RMB4.4 million from development management services for the Wuhan Future Technology City (Phase I) for the year ended December 31, 2011 after the project development commenced in accordance with relevant project development schedule; and

(ii) an increase by RMB2.2 million, or 52.4%, in turnover from development management services for the Lido Mason (Phase I) from RMB4.2 million for the year ended December 31, 2010 to RMB6.4 million for the year ended December 31, 2011, primarily because our service fees generally increased from 2010 to 2011 in accordance with relevant project development and payment schedules;

which were partially offset by a decrease by RMB3.8 million, or 45.2%, in turnover from development management services for the Lido Liuyuan from RMB8.4 million for the year ended December 31, 2010 to RMB4.6 million for the year ended December 31, 2011, mainly because we received our service fees in accordance with relevant project development and payment schedules and most of the project had been completed in 2010.

Cost of Sales

Our cost of sales increased by RMB526.2 million, or 104.5%, from RMB503.5 million for the year ended December 31, 2010 to RMB1,029.7 million for the year ended December 31, 2011, primarily due to (i) an overall increase in cost of properties sold as a result of the increase in the total GFA of the business park and residential projects sold to our customers, and (ii) increases in costs relating to our services businesses as we provided services to an increasing number of customers.

Cost of Properties Sold

Cost of properties sold increased by 111.4% from RMB407.0 million for the year ended December 31, 2010 to RMB860.5 million for the year ended December 31, 2011. The increase in cost of properties sold was primarily due to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold to our customers mainly in respect of the Romantic Town, the Optics Valley Financial Harbour (Phase I) and the Optics Valley Software Park (Phase V – Buildings B1-B2) as we developed an increasing number of developments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB90.2 million, or 31.6%, from RMB285.3 million for the year ended December 31, 2010 to RMB375.5 million for the year ended December 31, 2011. Our overall profit margin decreased from 36.2% for the year ended December 31, 2010 to 26.7% for the year ended December 31, 2011 primarily due to our acquisition of Wuhan Xuefu and control of it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that we had previously held was deemed to be disposed of to a third party at the fair market value. The assets held by Wuhan Xuefu, consisting of completed properties held for sale and investment properties, have been accounted for based on an upward adjustment to fair market value upon the acquisition. Such adjustment resulted in an increase in the cost base of the completed properties held for sale by Wuhan Xuefu, which we recognized as part of cost of sales as the relevant properties were sold after the acquisition. The higher cost of sales with respect to such properties would in turn have a negative effect on overall gross profit margin we may achieve on the Romantic Town project, which adversely affected our overall gross profit margin. See the subsection headed "– Key Factors Affecting Our Results of Operations – Acquisition of Entities" in this section for further discussion.

Other Income

Our other income increased by RMB828,000, or 133.3%, from RMB621,000 for the year ended December 31, 2010 to RMB1.4 million in the year ended December 31, 2011, primarily due to the government grants of RMB786,000 were received from local governmental authorities in Wuhan as tax incentives for our development projects.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB5.2 million, or 33.5%, from RMB15.5 million for the year ended December 31, 2010 to RMB20.7 million for the year ended December 31, 2011, primarily because (i) sales and marketing staff costs increased as we increased our sales and marketing employee headcount from 38 as of December 31, 2010 to 56 as of December 31, 2011 for the increasing number of projects we developed, (ii) our advertising and promotional expenses increased as we engaged in more sales, marketing and advertising activities and hired more sales agents to promote our increasing number of projects, and (iii) our travel and communication expenses increased due to our expanded sales and marketing operation scale.

Administrative Expenses

Our administrative expenses increased by RMB37.0 million, or 76.9%, from RMB48.1 million for the year ended December 31, 2010 to RMB85.1 million for the year ended December 31, 2011, primarily because (i) administrative staff costs increased as we increased our administrative employee headcount from 145 as of December 31, 2010 to 226 as of December 31, 2011 for the increasing number of projects we developed, and (ii) our office administration expenses, as well as travel, meeting and communication expenses, increased as we expanded our general operation scale.

Other Expenses

Our other expenses decreased by RMB1.7 million, or 70.8%, from RMB2.4 million for the year ended December 31, 2010 to RMB710,000 for the year ended December 31, 2011. Others of RMB2.4 million for the year ended December 31, 2010 included primarily (i) payment for a tax penalty of RMB677,000 on Wuhan Optics Valley Union due to a delayed tax payment, (ii) payment for a tax penalty of RMB651,000 on Huangshi OVU Development due to a delayed tax payment, (iii) payment for a fine of RMB533,000 on Wuhan Optics Valley Union as the total GFA of an apartment building in the Optics Valley Financial Harbour (Phase I) exceeded the original authorized area, and (iv) compensation of RMB350,000 by Wuhan Lido Technology to an employee in relation to a work-related injury. Others of RMB530,000 for the year ended December 31, 2011 included only vehicle depreciation costs.

Increase in Fair Value of Investment Properties

Fair value gains on our investment properties increased by RMB15.6 million, or 229.4%, from RMB6.8 million for the year ended December 31, 2010 to RMB22.4 million for the year ended December 31, 2011, primarily due to the increasing property prices of our investment properties as overall rental prices in local markets generally increased. We transferred various portions of the Optics Financial Harbour (Phase I) from inventory to investment properties for the year ended December 31, 2010 and did not increase any holding in investment properties since then.

Finance Income

Our finance income increased by RMB3.8 million, or 43.7%, from RMB8.7 million for the year ended December 31, 2010 to RMB12.5 million for the year ended December 31, 2011, primarily due to an increase in our interest income on loans and receivables by RMB8.3 million, or 436.8%, from RMB1.9 million for the year ended December 31, 2010 to RMB10.2 million for the year ended December 31, 2011 as we developed an increasing number of development projects, partially offset by a decrease in net realized and unrealized gains on other investments by RMB4.5 million, or 67.2%, from RMB6.7 million for the year ended December 31, 2010 to RMB2.2 million for the year ended December 31, 2011 as we invested in certain listed equity securities in 2010 and starting in 2011, purchased short-term low-risk financial products for capital preservation.

Finance Costs

Our finance costs increased by RMB7.5 million, or 500%, from RMB1.5 million for the year ended December 31, 2010 to RMB9.0 million for the year ended December 31, 2011, primarily due to a significant increase in the net realized and unrealized losses on other investments from RMB25,000 for the year ended December 31, 2010 to RMB7.7 million for the year ended December 31, 2011, mainly attributable to the disposal of listed and newly issued equity securities at losses.

Share of Profit/(Losses) of Associates

We had share of profit of associates of RMB34.6 million for the year ended December 31, 2010, primarily due to our share of profits of Wuhan Xuefu from sales of properties in the Romantic Town for that year in proportion to the 49% equity interest we held in the company. We had share of loss of associates of RMB4.5 million for the year ended December 31, 2011, primarily due to our proportional share of losses in Wuhan Xuefu and Wuhan Integrated Circuit Design Technology Co., Ltd.

Share of Profit/(Losses) of Joint Ventures

Share of loss of joint ventures increased by RMB5,000 from RMB242,000 for the year ended December 31, 2010 to RMB247,000 for the year ended December 31, 2011. Share of loss of joint ventures represented our proportional share of losses in Wuhan Mason according to our 50% equity interest in the company, primarily attributable to the selling and distribution expenses and administrative expenses incurred by Wuhan Mason for the Lido Mason (Phase I) in 2010 and 2011 before it completed the project.

Net Gain on Disposal of an Associate

Net gain on disposal of an associate increased from nil for the year ended December 31, 2010 to RMB68.8 million for the year ended December 31, 2011 as a result of our acquisition of a further 2% equity interest in Wuhan Xuefu at a consideration of RMB4.4 million and controlled it as a subsidiary in November 2011. From an accounting perspective, the 49% non-controlling equity interest in Wuhan Xuefu that we had previously held was deemed to be disposed of to a third party at the fair market value. See the subsection headed "– Key Factors Affecting Our Results of Operations – Acquisition of Entities" in this section for further discussion.

Income Tax

Our income tax expenses increased by RMB46.6 million, or 51.5%, from RMB90.4 million for the year ended December 31, 2010 to RMB137.0 million for the year ended December 31, 2011. The increase in income tax was primarily due to: (i) an increase in PRC corporate income tax of RMB45.2 million, and (ii) an increase in PRC land appreciation tax of RMB34.7 million as our pre-tax profit increased in line with the growth in the profit from our property development, which were partially offset by an increase in deferred taxation of RMB34.5 million.

Profit from Continuing Operation

As a result of the foregoing, our profit from continuing operation increased by RMB45.5 million, or 25.6%, from RMB177.9 million for the year ended December 31, 2010 to RMB223.4 million for the year ended December 31, 2011.

Profit from Discontinued Operation (Net of Income Tax)

Our profit from discontinued operation (net of income tax) of our prior bio-pesticide manufacturing business increased by RMB30.4 million, or 563%, from RMB5.4 million for the year ended December 31, 2010 to RMB35.8 million for the year ended December 31, 2011. See the subsection headed "– Results of Operations – Description of Certain Income Statement Items – Profit from Discontinued Operations (Net of Income Tax)" in this section for further discussion.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB76.0 million, or 41.5%, from RMB183.2 million for the year ended December 31, 2010 to RMB259.2 million for the year ended December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

We use cash primarily to pay for construction costs, land costs (principally payment of land premiums), infrastructure costs, finance costs incurred in connection with our property developments, service our indebtedness, and to fund our working capital and normal recurring expenses. To date, we have primarily financed our expenditures through internally generated cash flows, being primarily cash generated through pre-sale and sale of our properties (including progress payments from customers of our customized developments and sales deposits from customers of our pre-sold properties), and proceeds from bank loans and other borrowings.

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

	Year ended December 31,			Nine months ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from/(used in) operating activities	541,460	(86,371)	(309,144)	(65,025)	(715,449)
Net cash generated from/(used in) investing activities	(168,271)	192,321	120,199	184,579	18,098
Net cash generated from/(used in) financing activities	137,549	(155,440)	275,082	386,320	616,472
Net increase/(decrease) in cash and cash equivalents	510,738	(49,490)	86,137	505,874	(80,879)
Cash and cash equivalents at beginning of year/period	400,648	911,322	861,762	861,762	947,899
Effect of foreign exchange rate changes	(64)	(70)	–	5	(9)
Cash and cash equivalents at end of year/period	911,322	861,762	947,899	1,367,641	867,011

Operating Activities

Our cash inflow from operating activities is primarily generated from proceeds from sales of our properties (including progress payments from customers of our customized developments and sales deposits from customers of our pre-sold properties). Our cash used in our operating activities mainly reflects (i) our expenditures for property developments, (ii) prepayments for land use rights certificates in respect of our projects planned for future development, and (iii) income tax payments.

For the nine months ended September 30, 2013, our net cash used in operating activities was RMB715.4 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB236.2 million. The difference of RMB951.6 million was primarily attributable to (i) an increase in properties under development, completed properties held for sales and inventories of RMB730.9 million mainly in relation to funds used for the development and sale of the Creative Capital, the Lido 2046, the Wuhan Innocenter, the Optics Valley Financial Harbour (Phase II), the Optics Valley Software Park (Phase V) and the Qingdao Optics Valley Software Park, and (ii) a decrease in trade and other payables of RMB60.3 million mainly because we increasingly used Wuhan Lido Technology, rather than third party contractors, for decoration and improvement work in relation to project development, partially offset by a decrease in trade receivables of RMB11.0 million primarily as a result of payment for outstanding balances by customers.

For the year ended December 31, 2012, our net cash used in operating activities was RMB309.1 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB437.0 million. The difference of RMB746.1 million was primarily attributable to (i) an increase in properties under development, completed properties held for sales and inventories of RMB993.6 million mainly in relation to funds used for the development and sale of the Creative Capital, the Lido 2046, the Wuhan Innocenter, the Optics Valley Financial Harbour (Phase II), the Optics Valley Software Park (Phase V), and the Qingdao Optics Valley Software Park, and (ii) a decrease in trade and other payables of RMB81.3 million mainly because we paid construction contractors and other suppliers in relation to the Optics Valley Financial Harbour (Phase II) as a certain phase of the project was completed in 2012 in accordance with the development schedule, and partially offset by a decrease in trade and other receivables of RMB490.2 million primarily as a result of payment for outstanding balances by customers.

For the year ended December 31, 2011, our net cash used in operating activities was RMB86.4 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB294.4 million. The difference of RMB380.8 million was primarily attributable to (i) an increase in properties under development, completed properties held for sales and inventories of RMB419.5 million mainly in relation to funds used for the development and sale of the Lido 2046, the Optics Valley Financial Harbour (Phase I) and (Phase II), the Optics Valley Software Park (Phase V), the Creative Capital and the Wuhan Innocenter, and (ii) an increase in trade and other receivables of RMB35.8 million primarily as we expanded our operation scale and the trade receivable balance with our customers increase, partially offset by an increase in trade and other payables of RMB289.5 million mainly in relation to an increase in the proceeds of progress payments from customers of our customized developments and an increase in the proceeds of sales deposits from customers of our pre-sold properties.

For the year ended December 31, 2010, our net cash inflow from operating activities was RMB541.5 million, while our net cash inflow from operating activities after adjustment for non-cash items but before changes in working capital was RMB233.1 million. The difference of RMB308.4 million was primarily attributable to (i) an increase in trade and other payables of RMB373.9 million mainly in relation to an increase in the proceeds of progress payments from customers of our customized developments and an increase in the proceeds of sales deposits from customers of our pre-sold properties, and (ii) a decrease in trade and other receivables of RMB77.0 million primarily as a result of payment for outstanding balances by customers, partially offset by an increase in properties under development, completed properties held for sales and inventories of RMB58.9 million mainly in relation to funds used for the development and sale of the Optics Valley Financial Harbour (Phase II), the Creative Capital, the Lido 2046 and the Optics Valley Software Park (Phase V).

Investing Activities

Our cash inflow from investing activities reflects primarily proceeds from our disposal of the approximately 81.0% equity interest in Wuhan Kernel Bio-Tech, net cash inflow in connection with our acquisition of subsidiaries, net cash inflow as a result of our acquisition of other investments, dividends received from our associate company, Wuhan Xuefu, loan repayments from our joint venture, Wuhan Mason, and interest received. Our net cash used in investing activities primarily includes cash outflow in connection with acquisition of property, plant and equipment for our expanded property developments, acquisition of other investments, and loan advanced to Wuhan Mason.

For the nine months ended September 30, 2013, our net cash generated from investing activities was RMB18.1 million, which was primarily attributable to proceeds from sales of other investments of RMB33.3 million in relation to sale of trading securities and other financial investment products, partially offset by acquisition of property, plant and equipment in the amount of RMB21.1 million mainly including construction in progress for our expanded property developments.

For the year ended December 31, 2012, our net cash generated from investing activities was RMB120.2 million, which was primarily attributable to (i) net cash inflow in total of RMB91.9 million in connection with our acquisitions of the Energy Conservation Technology Park, the Wuhan Financial Harbour Development and the Optics Valley Software Park as subsidiaries, (ii) loan repayment of RMB45.0 million from our joint venture, Wuhan Mason, (iii) proceeds from disposal of non-current asset of RMB48.7 million in relation to sale of antique and art work collections to two related parties, Wuhan Qianbao Property and Wuhan Lido Investment, (iv) interest received of RMB15.5 million, and (v) proceeds from sales of other investments of RMB15 million in relation to sale of trading securities and other financial investment products, partially offset by (i) acquisition of other investments of RMB50 million primarily in relation to investment in financial products, and (ii) acquisition of property, plant and equipment in the amount of RMB44.8 million mainly including construction in progress and motor vehicles for our expanded property developments.

For the year ended December 31, 2011, our net cash generated from investing activities was RMB192.3 million, which was primarily attributable to (i) net cash inflow in total of RMB167.4 million in connection with our acquisition of Wuhan Xuefu and Wuhan Jitian Construction as subsidiaries, (ii) proceeds from our disposal of the equity interest in Wuhan Kernel Bio-Tech in the amount of RMB93.1 million, and (iii) dividends received from our associate company, Wuhan Xuefu, in the amount of RMB24.5 million before we acquired the company as a subsidiary in November 2011, and partially offset by (i) acquisition of other non-current assets in the amount of RMB31.9 million in relation to acquisition of the antique and art work collections, (ii) acquisition of property, plant and equipment in the amount of RMB31.0 million mainly including construction in progress and motor vehicles for our expanded property developments, and (iii) loan in the amount of RMB30 million to our joint venture, Wuhan Mason.

For the year ended December 31, 2010, our net cash used in investing activities was approximately RMB168.3 million, which was primarily attributable to (i) an increase in investment in our joint venture, Wuhan Mason of RMB124.5 million, (ii) acquisition of other investments in the amount of RMB19.6 million in relation to acquisition of trading securities and other financial investment products, and (iii) loan in the amount of RMB15.0 million to Wuhan Mason.

Financing Activities

Our cash inflow from financing activities is mainly generated from bank loans and other borrowings as well as capital contributions from equity holders. Our cash used in financing activities consists primarily of repayment of bank loans and other borrowings, dividend payments, and interest payments.

For the nine months ended September 30, 2013, our net cash generated from financing activities was RMB616.5 million, which was primarily attributable to (i) proceeds from loans and borrowings of RMB1,381.3 million, and (ii) proceeds from loans from Hubei Science & Technology Investment in the amount of RMB63.7 million, partially offset by (i) repayment of bank and other loans of RMB472.2 million, (ii) interest and other borrowing costs paid of RMB114.4 million, (iii) dividend paid of RMB50.5 million, (iv) acquisition of equity interest from non-controlling equity holders in the amount of RMB258.5 million in relation to acquisition of minority equity interests in the Optics Valley Software Park and the Wuhan Optics Valley Union, and (v) repayment of loans from Hubei Science & Technology Investment in the amount of RMB141.8 million.

For the year ended December 31, 2012, our net cash generated from financing activities was RMB275.1 million, which was primarily attributable to (i) proceeds from loans and borrowings of RMB1,198.0 million, (ii) proceeds from loans from Hubei Science & Technology Investment in the amount of RMB236.9 million, (iii) a decrease in restricted cash of RMB217.9 million as we had pledged cash deposits against certain trade and other payables and subsequently replaced the collateral with properties under development for sale and completed properties held for sale, and (iv) capital contribution from equity holders of RMB33.2 million mainly in relation to capital contributions from minority shareholders of Energy Conservation Technology Park, and partially offset by (i) repayment of bank and other loans of RMB606.9 million, (ii) repayment of loans from Hubei Science & Technology Investment in the amount of RMB527.1 million, (iii) interest and other borrowing costs paid of RMB127.0 million, and (iv) dividend paid of RMB85.1 million.

For the year ended December 31, 2011, our net cash used in financing activities was RMB155.4 million, which was primarily attributable to (i) an increase in restricted cash of RMB220.0 million as we pledged cash deposits against certain trade and other payables in relation to our developments, (ii) repayment for bank and other loans of RMB215.9 million, (iii) repayment of loans from Hubei Science & Technology Investment in the amount of RMB214.6 million, (iv) interest and other borrowing costs paid of RMB74.1 million, and (v) dividend paid of RMB33.8 million, and partially offset by (i) proceeds of RMB490.0 million from loans and borrowings, and (ii) proceeds from loans from Hubei Science & Technology Investment in the amount of RMB142.8 million.

For the year ended December 31, 2010, our net cash used in financing activities was RMB137.5 million, which was primarily attributable to (i) proceeds from loans and borrowings of RMB310.0 million, (ii) proceeds from loans from Hubei Science & Technology Investment in the amount of RMB174.6 million, and (iii) capital contribution from equity holders of RMB51.7 million mainly in relation to capital contributions from minority shareholders of the Wuhan Optics Valley Union and the OV Energy Conservation Technology, and partially offset by (i) acquisition of equity interest from non-controlling equity holders in the amount of RMB192.3 million in relation to acquisition of minority equity interests in OV Financial Harbour Development, (ii) repayment for bank and other loans of RMB112.8 million, (iii) interest and other borrowing costs paid of RMB45.1 million, and (iv) dividend paid of RMB34.1 million.

DISCUSSION OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Investment Properties

The following table sets forth the fair value of our investment properties during the Track Record Period:

	Investment property
	RMB'000
At January 1, 2010	240,400
Fair value adjustment	6,800
As of December 31, 2010	247,200
Representing:	
Cost	87,374
Valuation	159,826
	247,200
At January 1, 2011	247,200
Transfer from inventory	9,481
Acquisition of a subsidiary	12,100
Fair value adjustment	22,419
As of December 31, 2011	291,200
Representing:	
Cost	108,955
Valuation	182,245
	291,200
At January 1, 2012	291,200
Additions	433
Fair value adjustment	8,167
As of December 31, 2012	299,800
Representing:	
Cost	109,388
Valuation	190,412
	299,800
At January 1, 2013	299,800
Fair value adjustment	6,100
Transfer to assets held for sale	(6,710)
As of September 30, 2013	299,190
Representing:	
Cost	102,678
Valuation	196,512
	299,190

During the Track Record Period, the carrying amount of investment properties as of the end of each relevant reporting period increased. The carrying amount of investment properties as of December 31, 2010 as compared to that as of January 1, 2010 increased by RMB6.8 million, primarily due to fair value adjustment of RMB6.8 million reflecting a rise in the property prices of our investment properties.

The carrying amount of investment properties increased by RMB44 million, or 17.8%, from RMB247.2 million as of December 31, 2010 to RMB291.2 million as of December 31, 2011, primarily due to: (i) transfer from inventory of RMB9.5 million as we transferred an apartment building in the Optics Financial Harbour (Phase I) to investment properties, (ii) acquisition of a subsidiary of RMB12.1 million as we controlled Wuhan Xuefu as a subsidiary through acquisition of a further 2% equity interest in November 2011 and consolidated the shopping units in the Romantic Town held by the subsidiary as investment properties, and (iii) fair value adjustment of RMB22.4 million reflecting a rise in the property prices of our investment properties.

The carrying amount of investment properties increased by RMB8.6 million, or 3.0%, from RMB291.2 million as of December 31, 2011 to RMB299.8 million as of December 31, 2012, primarily due to: (i) addition of RMB433,000 as we made renovation, decoration and other improvements to increase the property value of investment properties, and (ii) fair value adjustment of RMB8.2 million reflecting a rise in the property prices of our investment properties.

The carrying amount of investment properties decreased by RMB0.6 million, or 0.2%, from RMB299.8 million as of December 31, 2012 to RMB299.2 million as of September 30, 2013, primarily due to the transfer of assets of RMB6.7 million from investment property to assets held for sale in our accounts, as a third-party customer was willing to pay higher prices for, and we sold, some shopping units in the Romantic Town which was developed in a more mature and advanced development stage.

Property under Development

Our property under development comprises (i) properties under development that are expected to be completed and available for sale within one year in accordance with project development schedules, primarily consisting of properties under development in the Optics Valley Financial Harbour (Phase II), the Optics Valley Software Park (Phase V), the Creative Capital, the Qingdao Optics Valley Software Park and the Wuhan Innocenter; (ii) properties held for future development for sale, which we did not yet obtain relevant construction works commencement permit but held for future development, primarily consisting of properties held for future development in the Lido 2046, the Creative Capital, and the Optics Valley Financial Harbour (Phase II); and (iii) properties under development for sale, which we expect to complete and sell after more than one year, primarily consisting of properties under development in the Lido 2046, the Creative Capital, and the Wuhan Innocenter.

The following table sets forth certain data with respect to our property under development as of the dates indicated:

	As of December 31,			As of September 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected to be recovered within one year				
– Properties under development for sale	213,911	828,532	782,940	1,818,041
Expected to be recovered after more than one year				
– Properties held for future development for sale	660,431	587,962	117,673	161,936
– Properties under development for sale	–	288,408	829,237	644,546
	660,431	876,370	946,910	806,482
Total	**874,342**	**1,704,902**	**1,729,850**	**2,624,523**

The carrying amount of properties under development increased by RMB830.6 million, or 95.0%, from RMB874.3 million as of December 31, 2010 to RMB1,704.9 million as of December 31, 2011, further by RMB25.0 million, or 1.46% to RMB1,729.9 million as of December 31, 2012, and further by RMB894.6 million, or 51.7%, to RMB2,624.5 million as of September 30, 2013, primarily due to the development of the Optics Valley Software Park (Phases I-IV) and (Phase V), the Optics Valley Financial Harbour (Phase II), the Wuhan Innocenter (Phase I) and (Phase II), and the Lido 2046.

Properties under development with an aggregate carrying value of RMB293.3 million, RMB313.5 million, RMB543.1 million and RMB527.5 million as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively, were pledged for certain bank loans granted to us. See the subsection headed "– Indebtedness, Contingent Liabilities and Net Current Assets – Indebtedness" in this section for further discussion.

Completed Properties Held for Sale

Completed properties held for sale consisted of certain completed properties in our business park and residential projects which remained unsold at the end of each financial period. Such completed properties held for sale are stated at cost which is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties.

The carrying amount of completed properties held for sale decreased by RMB18.3 million, or 5.6%, from RMB327.3 million as of December 31, 2010 to RMB309.0 million as of December 31, 2011, primarily due to a decrease in completed properties held for sale in respect of the Optics Valley Software Park (Phase I to IV). The carrying amount of completed properties held for sale increased by RMB632.2 million, or 204.6%, to RMB941.2 million as of December 31, 2012 from RMB309.0 million as of December 31, 2011, primarily due to increases in completed properties held for sale in respect of the Optics Valley Financial Harbour (Phase II) and the Wuhan Innocenter. The carrying amount of completed properties held for sale decreased by RMB94.5 million, or 10.0%, from RMB941.2 million as of December 31, 2012 to RMB846.7 million as of September 30, 2013, primarily due to a decrease in completed properties held for sale in respect of the Optics Valley Financial Harbour (Phase II).

Completed properties held for sale with an aggregate carrying value of RMB33.2 million, RMB34.6 million, RMB34.8 million and nil as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively, were pledged for certain bank loans granted to us. See the subsection headed "– Indebtedness, Contingent Liabilities and Net Current Assets – Indebtedness" in this section for further discussion.

Trade and Other Receivables

Our trade and other receivables comprised amounts due from third parties (including trade receivables and bills receivable), amounts due from non-controlling equity holders, amounts due from related parties, prepayment, and prepaid business tax and other tax. The following table sets forth certain data with respect to our trade and other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from third parties				
– Trade receivables	52,496	54,932	136,712	69,723
– Bills receivable	380	–	–	–
Amounts due from non-controlling equity holders	47	136,644	32,258	21,729
Amounts due from related parties	21,343	20,299	5,318	3,265
Prepayment				
– for properties held for development	–	39,700	668,078	699,045
– for construction cost and raw materials	7,158	15,602	111,718	123,827
Prepaid business tax and other tax	2,127	56,186	66,653	72,038
Others	33,338	39,544	80,794	99,128
Total	**116,889**	**362,907**	**1,101,531**	**1,088,755**

Our trade receivables due from third parties increased by RMB2.4 million, or 4.6%, from RMB52.5 million as of December 31, 2010 to RMB54.9 million as of December 31, 2011, and further by RMB81.8 million, or 149.0%, to RMB136.7 million as of December 31, 2012, mainly in relation to (i) an increase in the outstanding balance for decoration and improvement services that Wuhan Lido Technology provided for building external and interior areas in our business parks and property developments owned by third parties, and (ii) an increase in the number of customized developments for which customers were required to make remaining progress payments according to agreed milestone schedules after delivery of properties as we developed an increasing number of customized projects. Our trade receivables due from third parties decreased by RMB67.0 million, or 49.0%, from RMB136.7 million as of December 31, 2012 to RMB69.7 million as of September 30, 2013, primarily because Wuhan Lido Technology provided decoration and improvement services increasingly to our project companies, rather than external customers, as we strengthened our vertically integrated business model along the value-chain of the business park development industry. Our bill receivable of RMB380,000 as of December 31, 2010 was related to a bill of exchange accepted by Wuhan Kernel Bio-Tech, the company we disposed of in 2011. All trade and other receivables are denominated in RMB and are neither past due nor impaired.

Our trade receivables were primarily related to proceeds from the sales of properties. Proceeds from the sales of properties are settled by full payments or paid by installments in accordance with the terms of the relevant sale and purchase agreements. If a full payment is made, the settlement is normally required on the same day for signing of the sales contract. If payments are made in installments, 50% of the purchase price is typically required to be paid by the purchaser to us upon signing of the sale and purchase agreement, while the remaining amount is required to be paid within one year after signing of the sale and purchase agreement. The title of a property is typically transferred to the purchaser only upon the full payment of the purchase price by the purchaser.

Our prepayments were primarily related to land acquisition prices prepaid to the relevant local land authorities, and prepayments for construction material procurement and engaging contractors. Our prepayments fluctuated during the Track Record Period, mainly attributable to prepayments for land acquisition prices, construction material procurement and engaging contractors in relation to our property developments.

Our prepaid business tax and other tax were primarily related to business tax and other tax prepaid on customized developments and pre-sold properties. Our prepaid business tax and other tax fluctuated during the Track Record Period, in accordance with project development schedules as we developed an increasing number of projects.

The amounts due from related parties primarily consist of (i) trade receivables in relation to construction services Wuhan Lido Technology provided to Wuhan Mason and Wuhan Xuefu, (ii) our loans to Mr. Huang Liping and his controlled entity, Wuhan Qianbao Property, and (iii) amount due from other equity holders. The amounts due from related parties as of December 31, 2011 decreased by RMB1.0 million, or 4.7%, from RMB21.3 million as of December 31, 2010 to RMB20.3 million as of December 31, 2011, primarily due to (i) a decrease in trade receivable in relation to construction services Wuhan Lido Technology provided to Wuhan Xuefu from 2010 to 2011, and (ii) a decrease in our loan balance with Mr. Huang Liping. The amounts due from related parties decreased by RMB15.0 million, or 73.9%, from RMB20.3 million as of December 31, 2011 to RMB5.3 million as of December 31, 2012 primarily due to (i) a decrease in advances to Wuhan Qianbao Property, and (ii) a decrease in amount due from other equity holders. The amounts due from related parties as of September 30, 2013 decreased by RMB2 million, or 37.7%, to RMB3.3 million as compared to that as of December 31, 2012, primarily due to a decrease in amount due from other equity holders. The amounts due from related parties as set forth in the table above are unsecured, interest free and have no fixed terms of repayment. Except for the construction services Wuhan Lido Technology provided to Wuhan Mason in normal course of property development business, all the other amounts due from related parties will be fully settled before the Listing.

The amounts due from non-controlling equity holders consist primarily of our advances to Hubei Science & Technology Investment and to Wuhan East Lake High Technology, respectively, in relation to certain property development projects. The amounts due from non-controlling equity holders fluctuated during the Track Record Period, as we made advances to Hubei Science & Technology Investment and to Wuhan East Lake High Technology, respectively, in relation to business park development. The amounts due from non-controlling equity holders will be fully settled prior to the Listing.

The others consist primarily of our advances to construction companies in relation to property development, advances to employees, and performance bonds in relation to development management projects. Others increased during the Track Record Period, primarily due to an increase in advances to construction companies as we engaged more contractors for the increasing number of projects we developed, and an increase in performance bonds in relation to an increasing number of development management projects we were engaged.

The aging analysis of our trade receivables and bills receivable as of the dates indicated is as follows:

	As of December 31,			**As of September 30,**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	20,518	992	92,087	8,660
Over 1 to 3 months	1,897	3,310	1,955	2,008
Over 3 to 6 months	486	14,320	16,593	9,682
Over 6 months	29,975	36,310	26,077	49,373
Total	**52,876**	**54,932**	**136,712**	**69,723**

Our trade receivable and bills receivable aged over six months as of September 30, 2013 accounted for approximately 50.0% of the total balance of our trade receivable and bills receivable as of the same date, primarily because according to agreed milestone schedules under the relevant customization agreements, as of the relevant reporting date, the customers were required, but had yet, to make remaining progress payments for a number of customized properties which had been delivered to them.

The average trade receivables turnover days were 24 days, 14 days, 27 days and 17 days for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, respectively. The average trade receivables turnover days are calculated by dividing the average of opening and ending balance of trade receivables for the relevant period by the corresponding turnover for the period and then multiplying by the number of days in that period. The average trade receivables turnover days for the year ended December 31, 2011 was relatively low, primarily because we consolidated the turnover of RMB434.2 million from sales of properties in Romantic Town for the year ended December 31, 2011, representing approximately 37.1% of the total turnover from property development that year, and there was no balance of trade receivables for the residential project pursuant to payment terms of the relevant sale and purchase agreements. The average trade receivables turnover days for the year ended December 31, 2012 was relatively high, primarily because we offered favorable terms and granted longer credit period to certain customers in respect of large-scale customized properties they purchased.

The following table sets forth the details of our trade and other receivables and prepayments as of September 30, 2013 set out above which had been subsequently settled as of January 31, 2014:

	Amounts as of September 30, 2013 subsequently settled as of January 31, 2014	**Percentage settled as of January 31, 2014**
	(RMB'000)	*(%)*
Amounts due from third parties		
– Trade receivables	21,848	31.3%
Amounts due from non-controlling equity holders	417	1.9%
Amounts due from related parties	623	19.1%
Others	14,803	14.9%
Total	**37,691**	**19.4%**

Trade and Other Payables

Our trade and other payables comprised amounts due to third parties (including trade payables, receipts in advance, accrued payroll, and other payables and accruals), amounts due to non-controlling equity holders, and amounts due to related parties (including amounts due to other related parties and dividend payable to the shareholders). The following table sets forth certain data with respect to our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to third parties				
– Trade payables	238,620	626,674	731,661	803,226
– Notes payables	–	–	–	7,410
– Receipts in advance	550,323	1,020,538	1,263,451	991,509
– Accrued payroll	22,637	29,954	23,309	2,100
– Other payables and accruals	181,082	181,490	193,366	338,562
Subtotal	992,662	1,858,656	2,211,787	2,142,807
Amounts due to non-controlling equity holders	454,962	412,687	491,212	320,750
Amounts due to related parties	67,907	23,675	102,325	202,348
	522,869	436,362	593,537	523,098
Total	**1,515,531**	**2,295,018**	**2,805,324**	**2,665,905**

Our trade payables due to third parties increased by RMB388.1 million, or 162.7%, from RMB238.6 million as of December 31, 2010 to RMB626.7 million as of December 31, 2011, by RMB105.0 million, or 16.8%, to RMB731.7 million as of December 31, 2012, and further by RMB71.5 million, or 9.8%, to RMB803.2 million as of September 30, 2013. Our trade payables mainly represented the amounts due to contractors. Payment to contractors is made in installments according to agreed progress milestones. We normally retain 5% as retention payment. Included in our trade payables were retention payables which were expected to be settled after more than one year and amounted to RMB30.4 million, RMB31.0 million, RMB28.5 million and RMB4.8 million as of December 31, 2010 and 2011 and 2012 and September 30, 2013, respectively.

Our receipts in advance consisted primarily of progress payments from customers of our customized developments and earnest money deposits from customers in respect of our pre-sold properties. Proceeds of progress payments with respect to our customized developments and proceeds of sale deposits with respect to pre-sold properties are recognized as turnover when the construction of relevant properties is completed, such properties are delivered to purchasers and a large majority of the sales proceeds is paid to us by the purchaser as significant risks and rewards of ownership are transferred to the purchaser. Our receipts in advance increased by RMB470.2 million, or 85.4%, from RMB550.3 million as of December 31, 2010 to RMB1,020.5 million as of December 31, 2011, and further by RMB243.0 million, or 23.8%, to RMB1,263.5 million as of December 31, 2012, primarily because we received from customers more progress payments in respect of customized properties in business park projects and more earnest money deposits in respect of pre-sold properties as we developed an increasing number of projects during the relevant reporting periods. Our receipts in advance decreased by RMB272.0 million, or 21.5%, from RMB1,263.5 million as of December 31, 2012 to RMB991.5 million as of September 30, 2013 as we recognized turnover from sale of customized properties in the Optics Valley Financial Harbour (Phase II) and the Wuhan Innocenter (Phase I) for the nine months ended September 30, 2013.

Our accrued payroll consisted primarily of employee salaries, annual performance-based bonus payments and other benefits. We generally estimate annual bonus payments in the fourth quarter of each year based on our forecast of financial performance that year and make the bonus payments to our employees around the Chinese New Year holiday in the next year. Our accrued payroll increased by RMB7.4 million, or 32.7%, from RMB22.6 million as of December 31, 2010 to RMB30.0 million as of December 31, 2011, primarily due to an increase in our employee headcount as we developed an increasing number of projects and an increase in average compensation levels in our target cities as driven by the general market conditions. Our accrued payroll decreased by RMB6.7 million, or 22.3%, from RMB30.0 million as of December 31, 2011 to RMB23.3 million as of December 31, 2012, primarily because we overestimated the accrued payroll for 2011 and used the extra amount to offset against the accrued payroll for 2012. Our accrued payroll decreased by RMB21.2 million, or 91.0%, from RMB23.3 million as of December 31, 2012 to RMB2.1 million as of September 30, 2013, as annual bonus payments were generally estimated in the fourth quarter of each year and paid in early next year around Chinese New Year and thus were not included as our payables as of September 30, 2013.

The amounts due to related parties as of December 31, 2010 and 2011 primarily consist of other payables to related parties, and dividend payable to related entities as shareholders. The amounts due to related parties decreased by RMB44.3 million, or 65.1%, from RMB68.0 million as of December 31, 2010 to RMB23.7 million as of December 31, 2011, primarily due to a decrease in other payables to Wuhan Xuefu and Wuhan Qianbao Property from 2010 to 2011. The amounts due to related parties increased by RMB78.6 million, or 331.6%, from RMB23.7 million as of December 31, 2011 to RMB102.3 million as of December 31, 2012, primarily due to an increase in dividend payables and an increase in other payables to Mr. Huang Liping during the same period. The amounts due to related parties increased by RMB100.0 million, or 97.8%, from RMB102.3 million as of December 31, 2012 to RMB202.3 million as of September 30, 2013, primarily due to an increase in other payables to Wuhan Mason. The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment. Save for the shareholder loans from Hubei Science & Technology Investment which is a fully exempted connected transaction, all the other amounts due to non-controlling equity holders will be fully settled before the Listing.

The amounts due to non-controlling equity holders consist primarily of (i) principal, interest and other payables under entrusted loan arrangements on normal commercial terms, whereby we were the ultimate fund user for the unsecured loan which Hubei Science & Technology Investment borrowed from a third party bank and we were responsible for all payments actually incurred by Hubei Science & Technology Investment, (ii) receipt in advance from Hubei Science & Technology Investment in respect of certain properties to be delivered, and (iii) shareholder loans from Hubei Science & Technology Investment to Energy Conservation Technology Park and Wuhan Financial Harbour Development in relation to business park development in proportion to its equity interests in the respective project companies. Save for the amount of RMB1.9 million due to Wuhan Mason in the normal course of development management service business, all the other amounts due to related parties will be fully settled before the Listing.

Our other payables and accruals consisted primarily of fees payable to contractors in relation to development management projects, fees payable for operation of our projects, payable to contractors in respect of quality assurance deposits, payable to customers in respect of decoration and improvement deposits and rental deposits, payable to property purchaser in respect of deposits, and business tax payable. Our other payables and accruals remained relatively stable from 2010 to 2011. Our other payables and accruals increased by RMB11.9 million, or 6.6%, from RMB181.5 million as of December 31, 2011 to RMB193.4 million as of December 31, 2012, primarily due to an increase in fees payable to contractors in relation to development management projects, and an increase in fees payable for operation of our projects.

Our other payables and accruals further increased by RMB145.2 million, or 75.1%, to RMB338.6 million as of September 30, 2013. Of the RMB145.2 million increase, RMB49.8 million was mainly related to the Reorganization involving the acquisition of equity interests in Wuhan Optics Valley Union by certain individual shareholders and their indirect acquisition of equity interests in our Company correspondingly through a trust. The remaining amount of RMB95.4 million was mainly related to fees payable to contractors in relation to development management projects and fees payable for operation of our projects.

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

	As of December 31,			As of September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	136,399	95,462	379,902	562,438
Over 1 to 12 months	24,018	468,783	111,392	201,059
Over 12 months	78,203	62,429	240,367	47,139
Total	**238,620**	**626,674**	**731,661**	**810,636**

The average trade and notes payables turnover days were 171 days, 219 days, 213 days and 277 days for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, respectively. The average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the relevant period by the corresponding cost of sales in the period and then multiplying by the number of days in that period. There was an increasing trend of average trade payables turnover days during the Track Record Period primarily because we increasingly gained more bargaining power to negotiate with construction contractors and suppliers for longer credit terms in our favor, and we have increasingly developed high-rise buildings which require longer development cycles and a longer period of turnover days. The average trade payables turnover days for the year ended December 31, 2012 was relatively low primarily because we paid construction contractors and other suppliers in relation to the Optics Valley Financial Harbour (Phase II) as a certain phase of the project was completed in accordance with the development schedule in 2012.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of/for the year ended December 31,			As of/for the nine months ended September 30,
	2010	2011	2012	2013
Return on equity(1)	20.4%	19.4%	20.0%	12.6%
Current ratio(2)	1.37	1.38	1.47	1.51
Quick ratio(3)	63.2%	58.6%	64.0%	55.3%
Net debt to equity ratio(4)	-62.1%	-21.2%	18.8%	87.1%
Gearing ratio(5)	42.3%	53.7%	87.1%	147.5%

Notes:

(1) Profit from continuing operations/total equity x 100%. The return on equity ratio as of September 30, 2013 was annualized.

(2) Current assets/current liabilities.

(3) (Current assets - inventories)/current liabilities.

(4) Net debt/total equity x 100%; net debt comprises short-term borrowings and long-term borrowings minus cash and cash equivalents.

(5) Total debt/total equity x 100%; total debt comprises short-term borrowings and long-term borrowings.

Our return on equity ratio remained relatively stable during the three years ended December 31, 2012, mainly because our net profit increased during the same period primarily as a result of an increase in the total GFA completed and sold in respect of our business park and residential projects and an increase in the ASP, net of business tax, of the total GFA sold for our projects which were developed in a more mature and advanced stage with well-developed infrastructure and supporting facilities. Our return on equity decreased to 12.6% for the nine months ended September 30, 2013 while we completed a number of projects and recognized revenue in accordance with project development schedules in the fourth quarter of 2013.

Our current ratio increased from 1.37 as of December 31, 2010 to 1.38 as of December 31, 2011, further to 1.47 as of December 31, 2012, and further to 1.51 as of September 30, 2013, mainly attributable to an increase in our current assets primarily as a result of increases in properties under development and completed properties held for sale as we developed an increasing number of projects while the terms of a majority of loans and other borrowings for our property development were more than one year and our current liabilities increased at a slower pace compared to current assets.

Our quick ratio fluctuated during the Track Record Period. Our quick ratio decreased from 63.2% as of December 31, 2010 to 58.6% as of December 31, 2011, and from 64.0% as of December 31, 2012 to 55.3% as of September 30, 2013, primarily due to increases in properties under development and completed properties held for sale as we developed an increasing number of projects. Our quick ratio increased from 58.6% as of December 31, 2011 to 64.0% as of December 31, 2012, as we sold completed properties held for sale to customers and recognized revenue.

Our net debt to equity ratio increased from -62.1% as of December 31, 2010 to -21.2% as of December 31, 2011, further to 18.8% as of December 31, 2012, and further to 87.1% as of September 30, 2013, primarily because we increased banks loans and other borrowings for our development projects during the Track Record Period.

Our gearing ratio increased from 42.3% as of December 31, 2010 to 53.7% as of December 31, 2011, further to 87.1% as of December 31, 2012, and further to 147.5% as of September 30, 2013, primarily because we increased bank loans and other borrowings for an increasing number of development projects during the Track Record Period.

INDEBTEDNESS, CONTINGENT LIABILITIES AND NET CURRENT ASSETS

Indebtedness

Our borrowings during the Track Record Period were denominated in Renminbi. The following table sets forth a breakdown of our current and non-current bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2010	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current					
Secured					
– Bank Loans	30,000	–	100,000	772,500	732,500
– Other Borrowings	–	30,000	–	–	–
– Current portion of non-current bank loans	47,000	70,000	264,165	94,500	173,500
– Corporate bonds payable	–	–	–	–	11,025
	77,000	100,000	364,165	867,000	917,025
Unsecured					
– Bank Loans	–	42,000	42,000	162,000	152,000
– Current portion of other borrowings	–	70,000	70,000	–	–
– Corporate bonds payable	–	–	–	–	71,185
– Other payable	–	–	104,724	168,385	153,376
	–	112,000	216,724	330,385	376,561
Subtotal	**77,000**	**212,000**	**580,889**	**1,197,385**	**1,293,586**
Non-current					
Secured					
– Bank Loans	338,992	406,111	997,165	1,045,000	1,187,330
Less: Current portion of non-current bank loans	(47,000)	(70,000)	(264,165)	(94,500)	(173,500)
– Corporate bonds payable	–	–	–	–	545,381
	291,992	336,111	733,000	951,330	1,559,211
Pledged					
– Other borrowings	–	–	–	138,000	138,000
Unsecured					
– Other Borrowings	–	140,000	–	–	–
Less: Current portion of non-current other borrowings	–	(70,000)	–	–	–
	–	70,000	–	–	138,000
Subtotal	**291,992**	**406,111**	**733,000**	**1,089,330**	**1,697,211**
Total	**368,992**	**618,111**	**1,313,889**	**2,286,715**	**2,990,797**

Our total outstanding bank loans and other borrowings increased by RMB249.1 million, or 67.5%, from RMB369 million as of December 31, 2010 to RMB618.1 million as of December 31, 2011, further by RMB695.8 million, or 112.6%, to RMB1,313.9 million as of December 31, 2012, further by RMB972.8 million, or 74.0%, to RMB2,286.7 million as of September 30, 2013, and further to RMB2,990.8 million as of January 31, 2014, the Latest Indebtedness Date, primarily due to the increased funding needs to finance our expanded property development.

The annual interest rates of our bank loans and other borrowings ranged from 5.31% to 7.04%, 5.4% to 7.05%, 5.4% to 8.32%, and 5.68% to 12.0% for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013 respectively.

As of December 31, 2010, 2011 and 2012, September 30, 2013 and the Latest Indebtedness Date, approximately RMB369.0 million, RMB436.1 million, RMB1,097.2 million, RMB1,818.3 million and RMB2,476.2 million, respectively, of our outstanding bank borrowings and corporate bonds were secured by our Group's assets with an aggregate net book value of RMB366.1 million, RMB616.9 million, RMB626.6 million, RMB575.6 million and RMB967.1 million, respectively, a summary of which is set forth in the table below:

	As of December 31,			As of September 30,	As of January 31,
	2010	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties	8,200	34,100	35,300	30,337	174,794
Properties under development for sale	293,280	313,502	543,094	527,503	774,541
Completed properties held for sale	33,159	34,624	34,796	–	–
Property, plant and equipment	19,034	14,652	13,369	17,740	17,740
Lease Prepayment	12,464	–	–	–	–
Restricted cash	–	220,000	–	–	–
Total	**366,137**	**616,878**	**626,559**	**575,580**	**967,075**

As of September 30, 2013, we had the other borrowings of RMB138.0 million from Shanghai Jingzhao Aoxi Investment Center* (上海京兆奧喜投資中心) through entrusted loan arrangements with a third party bank in relation to the development of Hefei Financial Harbour project. The Hefei Financial Harbour project is wholly owned and developed by Hefei OVU Development, a project company in which we currently hold a 92% equity interest and Shanghai Jingzhao Aoxi Investment Center holds the remaining 8% equity interest. Our 92% equity interest in Hefei OVU Development was pledged for the other borrowings.

A secured syndicated bank loan with the value of RMB330 million as of September 30, 2013 was guaranteed by Mr. Huang Liping and his spouse.

The following table sets forth a summary of our current and non-current bank loans and other borrowings by maturity, as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2010	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	77,000	212,000	476,165	1,029,000	1,293,586
After 1 year but within 2 years	90,000	186,111	109,000	807,000	887,000
After 2 years but within 5 years	201,992	220,000	414,000	251,330	720,211
More than 5 years	–	–	210,000	31,000	90,000
Total	**368,992**	**618,111**	**1,209,165**	**2,118,330**	**2,990,797**

Except as described above and the contingent liabilities as described below in this prospectus, as of the Latest Indebtedness Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments or guarantees. Furthermore, our Directors confirmed that during the Track Record Period, we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor breached any finance covenant.

Corporate Bond Issuances

Wuhan Optics Valley Union issued the long-term corporate bond of RMB600 million to 18 PRC banks, securities trading companies and investment funds on October 23, 2013. The main objectives for the issuance are to improve our capital structure by replacing the short-term loan with the long-term corporate bond and use the proceeds for development of the Optics Valley Financial Harbour (Phase II). The funds originally planned for development of the Optics Valley Financial Harbour (Phase II) will be used to repay the outstanding balance under entrusted loan arrangements with Hubei Science & Technology Investment before the Listing.

We obtained approvals for the issuance of the long-term corporate bond from the NDRC, the competent and responsible governmental authority, in September 2013. As advised by our PRC legal advisors, Jingtian & Gongcheng, an issuing entity must obtain an approval from the NDRC for any issuance of corporate bonds under the PRC laws, and under the applicable PRC laws and regulations, must meet several requirements to issue long-term corporate bonds, including, among others: (i) with respect to an issuing entity that is a PRC limited company, its net asset value shall be not less than RMB60.0 million, (ii) the issuing entity shall have implemented a complete accounting system and relevant financial procedures, (iii) the outstanding balance of corporate bonds shall be not more than 40% of the issuing entity's audited net asset value, (iv) the issuing entity has demonstrated its ability to achieve profitability in the latest three financial years and the average profit of the issuing entity over these three years is sufficient for the one-year interest payments of the long-term corporate bonds to be issued, (v) the use of proceeds from the corporate bonds is in line with the PRC governmental policies on industrial development and the issuing entity has completed requisite procedures in respect of the projects these proceeds will be used for, and (vi) the issuing entity has not seriously breached any PRC laws or regulations in the latest three financial years. Our PRC legal advisers, Jingtian and Gongcheng, are of the opinion that we had completed relevant procedures and complied with all requirements for the issuance of the long-term corporate bond.

The following sets forth the salient terms of the long-term corporate bond:

- ***Credit rating of the bond:*** AA+;
- ***Term:*** six years with the maturity date of October 23, 2019;
- ***Coupon rate:*** fixed in the first three years at the rate of not more than 7.35% per annum. We may in our discretion increase the coupon rate by up to 100 basic points on October 23, 2016. The adjusted coupon rate will be fixed for the remaining term of three years;
- ***Bondholder's put right:*** bondholders have right to sell all or part of the bond they hold to us on October 23, 2016; and
- ***Payment terms:*** annual interest payment on October 23 of each year, and the last payment on the maturity date consists of the principal payment and the last interest payment.

Under terms of the underwriting agreement for the long-term corporate bond, we are subject to certain restrictive covenants: (i) the proceeds from the issuance of corporate bond can be only used for the development of the Optics Valley Financial Harbor Phase II; and (ii) we must obtain the consent of bondholders with respect to any change in the use of proceeds, reduction of registered capital, as well as corporate merger, division, reorganization and dissolution.

In addition, Wuhan Optics Valley Union intends to issue the short-term corporate bond in an aggregate amount of RMB400 million to PRC institutional investors to fund our general working capital. The registration authority of short-term corporate bonds, the National Association of Financial Market Institutional Investors* (中國銀行間市場交易商協會) (the "NAFMII") registered our application in September 2013. On November 14, 2013, Wuhan Optics Valley Union issued the first batch of the short-term corporate bonds of RMB70 million to a PRC bank. As advised by our PRC legal advisors, Jingtian & Gongcheng, an issuing entity must have been validly existing under the PRC laws before any issuance of short-term bond and the outstanding balance of short-term bonds should not be more than 40% of the issuing entity's audited net asset value as of the end of the latest financial year. Our PRC legal advisers, Jingtian and Gongcheng, have further advised us that none of the PRC laws, nor the NAFMII or any other relevant governmental authorities when they evaluate and register short-term corporate bond applications, have mandated the accounting standards to be adopted for calculation of the audited net asset value. In our short-term corporate bond application, we used the PRC accounting standards to calculate the consolidated audited net asset value of Wuhan Optics Valley Union and its subsidiaries, and the NAFMII have registered our application. Our PRC legal advisors are of the opinion that we had completed relevant procedures and complied with all relevant requirements.

The following sets forth salient terms of the first batch of the short-term corporate bond:

- ***Credit rating of the bond:*** A-1;
- ***Term:*** 365 days with the maturity date of November 15, 2014;
- ***Coupon rate:*** fixed from 7.0 to 7.3% for the term of 365 days; and
- ***Payment terms:*** principal and interest payment on the maturity date.

Our PRC legal advisers, Jingtian & Gongcheng, have advised us that none of the PRC laws and regulations require the aggregation of outstanding balances of short-term and long-term corporate bonds when determining whether an issuing entity meets the requirement of 40% of its audited net asset value. In practice, with respect to issuance of mid- and long-term corporate bonds, an issuing entity only calculates the outstanding balance of mid- and long-term corporate bonds and compares it against 40% of its audited net asset value in the bond application. The NDRC as the responsible authority approves the bond application after finding that the issuing entity meets the relevant requirements. In comparison, with respect to issuance of short-term corporate bonds, an issuing entity only calculates the outstanding balance of short-term corporate bonds and compares it against 40% of its audited net asset value. The NAFMII as the responsible authority registers the bond application after finding that the issuing authority meets the relevant requirements.

Restrictive Covenants

We are subject to various customary conditions and covenants under the terms of our loan agreements. For example, under the agreement in relation to the syndicated loan facility extended to Wuhan Optics Valley Union and guaranteed by Mr. Huang Liping and his spouse, the company is required to inform or obtain a written consent from the syndicate prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) taking new financing from third party; (ii) pledging its equity interests or assets to any third party; (iii) providing guarantee in favor of any third party; (iv) disposing of its operating assets or assets more than 20% of its total assets; (v) making dividend distributions more than 50% of the company's net profits in a financial year; (vi) making any investment more than RMB50 million in a single transaction or with the annual cumulative amount more than RMB200 million; (vii) entering into transactions involving consolidation, spin-off, share transfer and reorganization; (viii) reducing registered capital or capital stock; and (ix) any decrease in collateral value or guarantor's ability to provide guarantee.

Under a certain loan agreement that Wuhan Optics Valley Union entered into with a PRC bank to fund development of the Lido 2046, the company is required not to make any dividend distribution from the profit generated from the project without a written consent from the bank, before the outstanding loan balance (including principal, interests and other fees) is paid off. Under a certain loan agreement that OV Energy Conservation Technology entered into with a PRC bank to fund construction of the energy stations for the Optics Valley Financial Harbour, the company is required to not make any dividend distribution before the outstanding loan balance is paid off.

Contingent Liabilities

In accordance with market practice, we provide guarantees for our customers' mortgage loans with PRC banks to facilitate their purchases of our pre-sold properties. Guarantees for mortgages on pre-sold properties begin simultaneously with the respective mortgages, and are generally discharged at the earlier of: (i) the customer obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the customer. Pursuant to terms of our guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a customer, we are responsible to repay to the bank outstanding balance of the mortgage loan as well as accrued interests and penalties owned by the defaulted customer. If we fail to do so, the mortgagee bank will auction the underlying property and recover the remaining balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2010, 2011 and 2012, September 30, 2013 and the Latest Indebtedness Date, the outstanding guarantees for mortgage loans by the customers of our pre-sold properties were approximately RMB207.6 million, RMB236.3 million, RMB453.4 million, RMB295.4 million and RMB271.6 million, respectively. We believe that in case of default on mortgage loan payments by customers, it is not probable that we will sustain a loss because we can take over the ownerships of underlying properties and sell them at fair market values to recover the outstanding balances of mortgage loans we have guaranteed. Our Directors are of the view that the fair value of these guarantees is not significant and we have not recognized any deferred income in respect of these guarantees.

As of the Latest Indebtedness Date, save as disclosed above, we had not guaranteed the indebtedness of any Independent Third Party.

Our Directors confirm that there has not been any material adverse change in our indebtedness or contingent liabilities since the Latest Indebtedness Date.

Off-Balance Sheet Arrangements

As of January 31, 2014, the Latest Indebtedness Date, save for the mortgage loan guarantees disclosed under "contingent liabilities", we did not have any material off-balance sheet arrangement.

NET CURRENT ASSETS POSITION

Our current assets consist primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracting work-in-progress, and cash and cash equivalents. Apart from cash and cash equivalents, these items represent costs related to the development of our projects.

Our current liabilities consist primarily of trade and other payables, loans and borrowings, and current tax liabilities. Trade and other payables represent costs related to our development activities.

Our net current assets have been significantly affected by our rapid growth and our property development and delivery schedules during the Track Record Period. Properties under development and completed properties held for sale are recorded at cost. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2010	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Properties under development	874,342	1,704,902	1,729,850	2,624,523	3,308,865
Completed properties held for sale	327,260	309,002	941,206	846,727	862,814
Inventories and contracting work-in-progress	46,469	69,127	130,479	160,922	200,072
Trade and other receivables	116,889	362,907	1,101,531	1,088,755	1,094,638
Current tax assets	21,381	66,268	49,467	78,659	32,578
Restricted bank deposits	2,180	222,180	4,288	15,491	3,630
Cash and cash equivalents	911,322	861,762	947,899	867,011	1,034,308
Assets held for sale	–	–	–	18,550	–
Other investments	19,624	20,976	58,316	24,263	122,220
Total current assets	**2,319,467**	**3,617,124**	**4,963,036**	**5,724,901**	**6,659,125**
Current liabilities					
Trade and other payables	1,515,531	2,295,018	2,805,324	2,665,905	2,637,146
Loans and borrowings	77,000	212,000	476,165	1,029,000	1,058,000
Current tax liabilities	103,809	112,885	95,181	89,549	175,324
Corporate bonds payable	–	–	–	–	82,210
Total current liabilities	**1,696,340**	**2,619,903**	**3,376,670**	**3,784,454**	**3,952,680**
Net current assets	**623,127**	**997,221**	**1,586,366**	**1,940,447**	**2,706,445**

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures were primarily related to expenditure for our construction in progress development, purchases of property, plant and equipment in relation to property development, and purchases of intangible assets.

The following table sets forth a breakdown of our capital expenditure for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	55,477	66,247	99,477	104,107
Intangible assets	2,185	447	4,246	4,458
Total	**57,662**	**66,694**	**103,723**	**108,565**

Our capital expenditure increased by RMB9.0 million, or 15.7%, from RMB57.7 million for the year ended December 31, 2010 to RMB66.7 million for the year ended December 31, 2011, further by RMB37.0 million, or 55.5%, to RMB103.7 million for the year ended December 31, 2012. Our purchases of property, plant and equipment increased during the Track Record Period mainly in relation to our purchases of distributed energy supply stations and transmission power lines for the Energy Conservation Technology Park. Our purchases of intangible assets increased during the Track Record Period primarily in relation to our purchases of office software, Kingdee financial and cost management software and Glodon engineering software for the establishment and development of our integrated office automation system.

We estimate that our total capital expenditures for the year ended December 31, 2013 and thereafter have increased and will further increase as our business and operations continue to expand. We anticipate that these capital expenditures will be financed primarily by proceeds from the Global Offering, bank borrowings and cash flow generated from operating activities. If necessary, we may raise additional funds on terms that are acceptable to us. Furthermore, the table below sets forth the annual estimated capital expenditure for our completed projects, projects under development, projects planned for future development and potential development projects for the indicated periods:

	Year ending December 31,		
	2013	**2014**	**2015**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Completed Projects	61,291	25,909	–
Projects under Development	1,373,019	2,100,271	2,110,204
Projects Planned for Future Development	266,708	1,729,346	1,994,675
Potential Development Projects	–	447,602	177,278

Contractual Commitments

During the Track Record Period, our contractual commitments consisted primarily of commitments under operating leases and our capital commitments in relation to land acquisition and development costs.

Operating Lease Commitments

Lessor

We leased out a number of buildings under operating leases. The leases typically had an initial term of one to twelve years, with an option to renew based on renegotiated lease terms.

The following table sets forth our future minimum lease payment receivables under non-cancellable operating leases as of the end of the relevant reporting periods.

	As of December 31,			As of September 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	13,539	14,215	12,511	17,160
After 1 year but within 5 years	48,946	40,505	31,286	30,944
After 5 years	20,717	14,943	10,268	4,929
Total	**83,202**	**69,663**	**54,065**	**53,033**

Lessee

We also leased a number of buildings under operating leases. These leases typically had an initial term of one to five years, with an option to renew the leases based on renegotiated lease terms. None of these leases included contingent rentals.

The following table sets forth our future minimum lease payment payables under non-cancellable operating leases as of the end of the relevant reporting periods.

	As of December 31,			As of September 30,
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	574	2,027	2,911	2,632
After 1 year but within 5 years	790	3,764	2,713	2,336
Total	**1,364**	**5,791**	**5,624**	**4,968**

Commitments related to Development Expenditure

As of December 31, 2010, 2011 and 2012 and September 30, 2013, we had the outstanding balance of commitments related to property development expenditure as follows:

	As of December 31,			As of September 30,
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	925,892	1,117,900	2,452,296	2,257,295

As of September 30, 2013, the outstanding balance of commitments related to development expenditures that were contracted but not provided for amounted to RMB2,257.3 million. Such development expenditures will be actually incurred mainly in accordance with the development progress of our projects. In respect of the commitments related to development expenditures as of September 30, 2013, the total capital expenditure incurred for the three months ended December 31, 2013 was estimated to be RMB385.1 million and the total capital expenditure to be incurred for the year ending December 31, 2014 is forecast to be RMB1,622.2 million. These commitments are primarily related to development of properties in the Optics Valley Software Park (Phase V), the Optics Valley Financial Harbour (Phase II), the Creative Capital, the Lido 2046, the Wuhan Innocenter and the Qingdao Optics Valley Software Park.

Certain commitments of RMB250.0 million in relation to the Hefei Financial Harbour are included as part of the commitments in our balance sheet information as of September 30, 2013 as we had not yet obtained the relevant land use right certificate at such reporting date. Our Directors consider that such commitments are due for settlement at the eighth year after the construction commencement date of the project. See the subsection headed "Business – Property Development – Business Park Development Process – Land Acquisition" for further discussion.

WORKING CAPITAL

Plan to Settle Commitments and Service Indebtedness

We believe we will be able to settle our commitments and repay our bank loans and other borrowings in relation to our development plan by using funds from a combination of sources including internally generated cash flows, primarily being cash generated through pre-sale and sale of our properties (including progress payments from customers of our customized developments and sales deposits from customers of our pre-sold properties), cash generated from our property leasing and other service businesses (including business operation services, construction contract and development management services), cash proceeds from bank loans and other borrowings, and proceeds from the Global Offering and issuance of corporate bonds.

We have in the past obtained and will in the future continue to obtain bank loans and other borrowings designated for development of the relevant projects, which enables us to use loan proceeds efficiently. We plan to continuously monitor our compliance with the terms of our bank loans and other borrowings and repay them when due by using our then available cash resources, including cash and cash equivalents on hand, additional cash flows to be generated from pre-sales and sales of properties in our projects, proceeds from additional loans that we may obtain from banks and other lenders or may draw down under our available credit facilities, and proceeds from additional offerings of corporate bonds and other capital market instruments.

As of December 31, 2010, 2011 and 2012 and September 30, 2013, our aggregate cash denominated in Renminbi amounted to approximately RMB911.3 million, RMB861.8 million, RMB947.9 million and RMB867.0 million, respectively. As of January 31, 2014, the Latest Indebtedness Date, we had utilized banking facilities and other borrowings in a total amount of RMB2,994.3 million and unutilized unrestricted banking facilities of RMB1,835.7 million and unutilized unrestricted other borrowings of RMB1,887.2 million. We have obtained approvals for issuance of corporate bonds to PRC institutional investors in relation to the unutilized unrestricted other borrowings. In addition, our Directors do not expect that the latest PRC austerity measures on the property market will have any material and adverse effect on our business operations and working capital sufficiency, as such measures mainly target at unreasonable purchases and speculation in the PRC residential property markets. See the subsection headed "Industry Overview – PRC Government's Austerity Measures on the Property Market" in this prospectus for further discussion.

Implementing Measures for Improving Working Capital Position

We have been implementing a series of measures to further improve our working capital position in accordance with our prudent financial policies. We centrally manage our working capital to ensure proper and efficient collection and deployment of our funds. Our Directors and senior management hold regular meetings to review the monthly operating budget plan and cash flow estimates in respect of each project and determine relevant amount of disbursed funds.

We carefully consider our cash position and ability to obtain further financing when arranging payment for land reserves and project development costs. We endeavor to have financing ready before we make significant capital commitments. When presented with suitable opportunities, we also intend to seek longer term financing opportunities including syndicated loans, issue of corporate bonds, and equity and equity-linked financings. We seek to improve our capital structure by replacing short-term financing with longer term corporate bonds. For example, we issued the corporate bond of RMB600 million in October 2013 for such purpose. See subsection headed "– Indebtedness, Contingent Liabilities and Net Current Assets – Indebtedness" in this section for further discussion.

In addition, we are working towards effectively managing our future cash flows and reducing our exposure to unexpected adverse changes in economic conditions through a number of alternative plans. We proactively execute our sales plan and generate sufficient operating cash flows through progress payments from customized developments and proceeds from pre-sale and sale of our properties. We further actively manage our liquidity position by adjusting the progress of our projects and the related capital expenditure budget based on various factors, including our liquidity requirements and capital resources available. Although an aggregate of RMB2,257.3 million of development expenditures has been committed as of September 30, 2013, such commitment relates to expenditures that are expected to incur in the coming one to two years. The commitment in respect of each project generally consists of estimated land cost (such as payment of land premiums) as required under PRC laws and estimated construction cost according to relevant agreements. Most of our business parks consist of multiple projects in different phases. We determine the phases of projects to be developed based on our budget plan and available funds and resources. We maintain a certain flexibility to adjust the project development progress and the timing of associated expenditure items. Once the construction of projects commences, we determine the commencement dates of new projects according to development phases and sales status of our active projects. We generally are unable to adjust the development process of properties that have been pre-sold. Moreover, we have implemented cost control measures in the development and operation process and realized more cost savings in relevant stages and processes. Furthermore, we will continue to improve our cash inflow associated with the sales and pre-sales of our properties by strengthening our marketing efforts, adopting a more flexible approach to pricing our property sales and further enhancing the payment collection from our customers with respect to the property sales and pre-sales. We also intend to better utilize payment terms under construction agreements provided by our general contractors through negotiation and establishment of strategic relationships, in order to optimize the payment schedules for construction fees to match our proceeds collection and property sales plan. In addition, at our headquarters level, various departments will coordinate to control cash outflow by establishing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with external financing opportunities and property sales proceeds. To generate additional cash inflow where necessary, we will dispose of select investment properties at commercially desirable prices, and renegotiate payment terms with counterparties in certain contractual land acquisition arrangements. As a result of the foregoing and our net proceeds from the Global Offering, we expect that our liquidity position will further improve after the Global Offering.

Furthermore, we have implemented the following internal control measures to management our cash flow. Designated personnel at each of our functional centers and departments each month prepare the operating budget plan of the relevant department or center for the coming three months in accordance with our internal standards and requirements. Our operating budget plan mainly includes project sales receipt plan, project development cost plan, selling and distribution expense plan, administrative expense plan, finance cost and tax expense plan, and asset purchase plan. The financial department of each group company each month compiles the plans of departments and centers in that group company, prepares the operating budget plan of the group company for the coming three months and submits it to our finance center for review. The responsible manager at our finance center each month compiles the operating budget plans of our different departments, centers and group companies to prepare the operating budget plan of our Group for the coming three months and submits it to the chief executive officer's office for our senior management's review. Our operating budget plan is adjusted and then implemented after the review by our President, general managers and responsible managers of group companies, head of our finance center, and responsible managers of our department and centers. In addition, general managers of group companies and head of our finance center communicate with our senior management on a frequent basis to make ongoing adjustments to our operating budget plan, where necessary. Based on the final operating budget plan of our Group, our functional centers and departments each month prepare the expense reports accordingly and our finance center subsequently audits these reports.

During the Track Record Period and up to the Latest Practicable Date, we did not experience (i) any material decrease in the ASP or GFA of the properties contracted or delivered in our business park and residential projects, (ii) any undue difficulty in obtaining credit facilities or withdrawal of facilities from banks, (iii) any default in payment of bank loans or borrowings, breach of any covenants or cancellation of major customer orders, (iv) any request for early repayment of bank loans and other borrowings, or (v) any material default by customers.

Taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flow generated from our operations based on relevant contracts that we have entered into with customers, our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. Based on the aforesaid, the Company is expected to be able to finance our Group's working capital, capital expenditure and other capital requirements through progress payments from customized developments and proceeds from pre-sale and sale of our properties, income generated from our operations, bank loans and other borrowings, and the proceeds from the Global Offering for at least the next 12 months from the date of this prospectus.

MARKET RISKS

We are, in the normal course of business, exposed to market risks, primarily credit, liquidity, interest rate and currency risks.

Liquidity Risk

We review our liquidity position on an ongoing basis, including expected cash flow, sale/pre-sale results of our respective property projects, maturity of loans and the progress of planned property development projects.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our bank loans and other borrowings, which had outstanding amounts of RMB293.6 million, RMB329.9 million, RMB549 million and RMB608 million, respectively, as of December 31, 2010, 2011 and 2012 and September 30, 2013. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates may increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year bank lending rate published by PBOC as of December 31, 2010, 2011 and 2012 and September 30, 2013 was 5.81%, 6.56%, 6.00% and 6.00%, respectively. We currently do not carry out any hedging activities to manage our interest rate risk.

Foreign Exchange Risk

Our functional currency is Renminbi and substantially all of our turnover, expenses, cash and deposits are denominated in Renminbi. Our exposures to currency exchange rates arise from certain of our cash and bank balances which are denominated in Hong Kong dollar. In the event of a depreciation of the Hong Kong dollar against Renminbi, the value of our cash and bank balances in Hong Kong dollar will decline. In addition, if we maintain any foreign currency-denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting our financial condition and results of operations. We does not use derivative financial instruments to hedge its foreign currency risk. We review our foreign currency exposures regularly and consider no significant exposure on its foreign exchange risk.

Credit Risk

We are exposed to credit risks, primarily attributable to trade and other receivables. With respect to leasing income from our investment properties, we believe we hold sufficient deposits to cover our exposure to potential credit risk. An aging analysis of the receivables is performed on a regular basis, which we monitor closely to minimize any credit risk associated with these receivables. We have no concentration of credit risk in view of our large number of customers. We did not record significant bad debt losses during the Track Record Period.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

We confirm that, as of the Latest Practicable Date, save as disclosed in this prospectus, we were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Hong Kong Listing Rules upon Listing.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by Savills Valuation as of December 31, 2013 were approximately RMB11,747.239 million. For further discussion of our property interests and the text of the letter and valuation certificates of these property interests prepared by Savills Valuation, see Appendix IV entitled "Property Valuation" to this prospectus.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated statement of financial position as of September 30, 2013 as required under Rule 5.07 of Hong Kong Listing Rules is set forth below:

	RMB in millions
Net book value of the following properties as of September 30, 2013	
– Buildings included in property, plant and equipment	21.7
– Properties under development	2,624.5
– Completed properties held for sales	846.7
– Investment properties	299.2
	3,792.1
Net increase during the period from October 1, 2013 to December 31, 2013	528.5
Net book values of December 31, 2013	4,320.6
Net valuation surplus	8,775.5
Market value of properties as of December 31, 2013 as set out in the property valuation report in Appendix IV to this prospectus(1)	**13,187.8**

Note:

(1) Excluding the property market value of RMB416.2 million in respect of the Lido Mason (Phases I and II), which are wholly owned and developed by our joint venture, Wuhan Mason.

DIVIDEND POLICY

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

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends must be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends must be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid.

Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise. In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on the following factors:

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

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

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

For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, we declared the dividend of approximately RMB34.1 million, RMB37.6 million, RMB154.4 million and RMB50.5 million, respectively, which were paid in full to the shareholders. Considering our financial position, we currently intend, in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders approximately 30% of any net distributable profit of our Group for the financial year ended December December 31, 2013. Our Board plans to convene a meeting in mid-April 2014, for the purposes of, among other matters, considering the recommendation of the final dividend for the financial year ended December 31, 2013 which will be paid to our Shareholders of record on the relevant record date. We will duly issue a further announcement in this regard. We plan to regularly review our dividend policy and our Board will determine the amount of our dividends in future periods which will depend on, among other things, general market conditions, our results of operations in each subsequent year and our business development plan.

DISTRIBUTABLE RESERVES

As of September 30, 2013, we had distributable reserves of RMB464.6 million, which are available for distribution to our equity shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted data of our net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of September 30, 2013 as if the Global Offering had taken place on September 30, 2013.

Because of its hypothetical nature, the unaudited pro forma adjusted net tangible assets data may not give a true picture of our financial position as of September 30, 2013 or any future date following the Global Offering. It was prepared based on our consolidated net assets attributable to the shareholders of the Company as of September 30, 2013, as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of September 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$1.09 for each Share	1,217,342	787,781	2,005,123	0.50	0.63
Based on the Offer Price of HK$0.83 for each Share	1,217,342	589,570	1,806,912	0.45	0.57

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of our Company as of September 30, 2013 is extracted from the "Accountants' Report" as set out in Appendix I to this prospectus, which is based on the consolidated net assets of our Group attributable to equity shareholders of our Company as of September 30, 2013 of RMB1,221.80 million after deduction of intangible assets of RMB4.46 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.09 or HK$0.83, being the high or low end of the indicative offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by the Group and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. For illustrative purpose, the estimated net proceeds are translated from Hong Kong dollars into Renminbi at the exchange rate as set out on page 25 of this prospectus.

(3) The unaudited pro forma adjusted net tangible assets per Share are arrived at after the adjustments referred to above and on the basis that 4,000,000,000 Shares were in issue assuming that the Global Offering was completed on September 30, 2013 but take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share are converted to Hong Kong dollars at the exchange rate as set out on page 25 of this prospectus.

(4) As of December 31, 2013, our properties under development and completed properties held for sale were valued by Savills Valuation, an independent valuer. We do not incorporate the revaluation surplus, representing the excess of market value of these property interests over their book value, in our consolidated financial information because our properties under development and completed properties held for sale are stated at the lower of cost and net realizable value for accounting purpose. The above adjustments do not take into account such revaluation surplus.

No adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2013.

NO MATERIAL ADVERSE CHANGE

We confirm that there has not been any material adverse change in our financial or trading position since September 30, 2013, being the date to which our Group's latest audited financial statements were made up. We have prepared the unaudited preliminary financial information for the year ended December 31, 2013. The following tables set forth summaries of the key consolidated financial information of our Group for the years ended December 31, 2012 and 2013.

Key Income Statement Information

	Year ended December 31,	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	
Turnover	***1,966,348***	***1,812,014***
Gross profit		
Property development	624,125	474,337
Other business segments	88,065	102,299
	712,190	***576,636***
Profit before taxation	***593,781***	***447,058***
Profit for the year	**338,554**	**277,701**

Key Balance Sheet Information

	As of December 31,	
	2013	**2012**
	RMB'000 *(unaudited)*	*RMB'000*
Non-current assets	724,787	585,455
Current assets	6,358,684	4,963,036
Current liabilities	3,665,116	3,376,670
Net current assets	2,693,568	1,586,366
Total assets less current liabilities	**3,418,355**	**2,171,821**
Total equity	1,665,116	1,388,367
Non-current liabilities	1,753,239	783,454
Total equity and non-current liabilities	**3,418,355**	**2,171,821**

See Appendix III entitled "Unaudited Preliminary Consolidated Financial Information of the Company for the Year Ended 31 December 2013" to this prospectus for further discussion.