

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

[●]

The Directors
Powerlong Real Estate Holdings Limited

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in sections I to IV below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets as at December 31, 2006, 2007, 2008 and June 30, 2009, the balance sheets of the Company as at December 31, 2007, 2008 and June 30, 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on July 18, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands. Pursuant to a group reorganization as detailed in note 1 of section II entitled "Reorganization" below, which was completed in September 2007, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of section II below. All of these companies are private companies. All companies comprising the Group have adopted December 31 as their financial year end date.

Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in note 1 of section II below.

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended June 30, 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 2 of section II below which are in conformity with HKFRSs.

Reporting accountants' responsibility

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Opinion and review conclusion

In our opinion, the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and June 30, 2009 and of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and the results and cash flows of the Group for the respective years/period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of section II below which are in conformity with HKFRSs.

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I. FINANCIAL INFORMATION

(a) Consolidated balance sheets

	Note	December 31,			June 30,
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	6	24,060	125,810	226,149	241,470
Land use rights	7	39,916	38,857	38,490	37,974
Investment properties	8	1,246,237	2,704,424	3,391,894	3,412,460
Deferred income tax assets	19	23,136	40,502	38,408	43,769
		<u>1,333,349</u>	<u>2,909,593</u>	<u>3,694,941</u>	<u>3,735,673</u>
Current assets					
Land use rights	7	688,102	674,327	1,116,746	1,157,326
Properties under development	9	243,224	829,991	1,577,230	1,737,229
Completed properties held for sale	10	149,923	19,419	417,474	366,006
Trade and other receivables and prepayments	11	893,372	570,695	1,408,101	1,715,917
Prepaid taxes		30,237	79,527	120,109	66,275
Restricted cash	13	5,355	27,353	31,112	53,696
Cash and cash equivalents	14	48,528	1,162,566	205,302	272,239
		<u>2,058,741</u>	<u>3,363,878</u>	<u>4,876,074</u>	<u>5,368,688</u>
Total assets		<u><u>3,392,090</u></u>	<u><u>6,273,471</u></u>	<u><u>8,571,015</u></u>	<u><u>9,104,361</u></u>
OWNERS' EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital and premium	15	—	1	26,659	26,659
Reserves	16	582,258	341,983	341,983	341,983
Retained earnings		<u>137,230</u>	<u>707,671</u>	<u>1,640,329</u>	<u>1,970,397</u>
		719,488	1,049,655	2,008,971	2,339,039
Minority interests		<u>24,811</u>	<u>35,645</u>	<u>34,501</u>	<u>33,001</u>
Total equity		<u><u>744,299</u></u>	<u><u>1,085,300</u></u>	<u><u>2,043,472</u></u>	<u><u>2,372,040</u></u>

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		December 31,			June 30,
	Note	2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	17	99,000	717,845	547,276	305,130
Deferred income tax liabilities	19	<u>39,970</u>	<u>163,539</u>	<u>367,692</u>	<u>366,706</u>
		<u>138,970</u>	<u>881,384</u>	<u>914,968</u>	<u>671,836</u>
Current liabilities					
Short-term borrowings	17	—	—	—	20,000
Current portion of long-term borrowings .	17	30,000	42,440	563,727	663,035
Convertible Bonds and Secured Notes . .	18(a)	—	784,424	—	—
Embedded financial derivatives	18(a)	—	156,082	—	—
Secured Bonds and Secured Notes	18(b)	—	—	833,812	414,970
Trade and other payables	20	1,327,789	891,869	1,542,617	2,344,411
Advances from customers		1,086,071	2,072,615	2,267,935	2,044,620
Dividend payable	29	—	32,900	32,900	32,900
Income tax payables.	21	<u>64,961</u>	<u>326,457</u>	<u>371,584</u>	<u>540,549</u>
		<u>2,508,821</u>	<u>4,306,787</u>	<u>5,612,575</u>	<u>6,060,485</u>
Total liabilities		<u>2,647,791</u>	<u>5,188,171</u>	<u>6,527,543</u>	<u>6,732,321</u>
Total equity and liabilities.		<u>3,392,090</u>	<u>6,273,471</u>	<u>8,571,015</u>	<u>9,104,361</u>
Net current liabilities		<u>(450,080)</u>	<u>(942,909)</u>	<u>(736,501)</u>	<u>(691,797)</u>
Total assets less current liabilities . . .		<u>883,269</u>	<u>1,966,684</u>	<u>2,958,440</u>	<u>3,043,876</u>

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(b) Balance sheets

	Note	December 31,		June 30,
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary	12	—	—	—
Current assets				
Other receivables and prepayments	11	189,747	923,239	472,671
Cash and cash equivalents	14	785,746	—	—
		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
Total assets		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
OWNERS' EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital and premium	15	1	26,659	26,659
Retained earnings/(accumulated losses)		<u>53</u>	<u>(25,166)</u>	<u>(25,166)</u>
Total equity		<u>54</u>	<u>1,493</u>	<u>1,493</u>
LIABILITIES				
Current liabilities				
Convertible Bonds and Secured Notes	18(a)	784,424	—	—
Embedded financial derivatives	18(a)	156,082	—	—
Secured Bonds and Secured Notes	18(b)	—	833,812	414,970
Other payables and accruals	20	2,033	55,034	23,308
Dividend payable	29	<u>32,900</u>	<u>32,900</u>	<u>32,900</u>
Total liabilities		<u>975,439</u>	<u>921,746</u>	<u>471,178</u>
Total equity and liabilities		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
Net current assets		<u>54</u>	<u>1,493</u>	<u>1,493</u>
Total assets less current liabilities		<u>54</u>	<u>1,493</u>	<u>1,493</u>

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(c) Consolidated statements of comprehensive income

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	402,756	1,025,837	1,583,766	675,109	1,294,329
Cost of sales	22	(196,428)	(412,898)	(869,057)	(408,408)	(609,295)
Gross profit		206,328	612,939	714,709	266,701	685,034
Fair value gains on investment properties	8	121,121	533,035	856,040	12,000	2,400
Selling and marketing costs . .	22	(21,704)	(57,944)	(60,927)	(22,137)	(26,333)
Administrative expenses	22	(52,963)	(50,846)	(140,918)	(67,203)	(75,870)
Other gains and losses — net .	23	—	(5,660)	(37,786)	(9,372)	472
Operating profit		252,782	1,031,524	1,331,118	179,989	585,703
Fair value losses on embedded financial derivatives	18	—	—	(14,834)	(14,834)	—
Finance costs	26	—	(3,401)	(33,655)	(31,320)	(2,716)
Profit before income tax . . .		252,782	1,028,123	1,282,629	133,835	582,987
Income tax	27	(129,741)	(421,382)	(345,313)	(79,388)	(254,419)
Profit for the year/period . . .		123,041	606,741	937,316	54,447	328,568
Other comprehensive income .		—	—	—	—	—
Total comprehensive income for the year/period		123,041	606,741	937,316	54,447	328,568
Attributable to:						
Equity holders of the Company		117,358	603,341	932,658	55,658	330,068
Minority interests		5,683	3,400	4,658	(1,211)	(1,500)
		123,041	606,741	937,316	54,447	328,568
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the year/ period (expressed in RMB per share)	28	Not applicable	Not applicable	0.31	0.02	0.11
Dividend	29	—	32,900	—	—	—

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(d) Consolidated statements of changes in equity

	Attributable to the equity holders of the Company					Total equity RMB'000
	Share capital and premium	Reserves	Retained earnings	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2006	—	397,124	19,872	416,996	7,696	424,692
Profit for the year	—	—	117,358	117,358	5,683	123,041
Other comprehensive income	—	—	—	—	—	—
Capital injections to subsidiaries by their then equity holders	—	185,134	—	185,134	11,432	196,566
Balance at December 31, 2006	—	582,258	137,230	719,488	24,811	744,299
Profit for the year	—	—	603,341	603,341	3,400	606,741
Other comprehensive income	—	—	—	—	—	—
Issue of shares (note 15)	1	—	—	1	—	1
Capital injections to subsidiaries by their then equity holders	—	203,272	—	203,272	23,832	227,104
Deemed distributions to the then equity holders of the Group (note 16(a))	—	(443,547)	—	(443,547)	—	(443,547)
Acquisition of additional interests in subsidiaries from minority interests	—	—	—	—	(17,162)	(17,162)
Partial disposal of a subsidiary	—	—	—	—	764	764
Dividends to then equity holders of the Group (note 29)	—	—	(32,900)	(32,900)	—	(32,900)
Balance at December 31, 2007	1	341,983	707,671	1,049,655	35,645	1,085,300
Profit for the year	—	—	932,658	932,658	4,658	937,316
Other comprehensive income	—	—	—	—	—	—
Issue of ordinary shares (note 15)	26,658	—	—	26,658	—	26,658
Acquisition of additional interests in a subsidiary from minority interests	—	—	—	—	(5,802)	(5,802)
Balance at December 31, 2008	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Profit/(loss) for the period	—	—	330,068	330,068	(1,500)	328,568
Other comprehensive income	—	—	—	—	—	—
Balance at June 30, 2009	<u>26,659</u>	<u>341,983</u>	<u>1,970,397</u>	<u>2,339,039</u>	<u>33,001</u>	<u>2,372,040</u>
Unaudited:						
Balance at January 1, 2008	1	341,983	707,671	1,049,655	35,645	1,085,300
Profit/(loss) for the period	—	—	55,658	55,658	(1,211)	54,447
Other comprehensive income	—	—	—	—	—	—
Issue of ordinary shares	<u>26,658</u>	<u>—</u>	<u>—</u>	<u>26,658</u>	<u>—</u>	<u>26,658</u>
Balance at June 30, 2008	<u>26,659</u>	<u>341,983</u>	<u>763,329</u>	<u>1,131,971</u>	<u>34,434</u>	<u>1,166,405</u>

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(e) Consolidated cash flow statements

Note	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities					
Cash generated from operating activities	30	557,266	1,172,930	435,671	51,758
PRC corporate income tax paid		(44,020)	(70,437)	(77,524)	(57,366)
PRC land appreciation tax paid		(13,017)	(32,536)	(56,997)	(26,892)
Interest paid		(9,347)	(22,571)	(169,892)	(66,619)
					(90,926)
Net cash inflow/(outflow) from operating activities		490,882	1,047,386	131,258	(99,119)
					334,956
Cash flows from investing activities					
Acquisition of additional interests in subsidiaries from minority interests		—	(3,680)	(750)	—
Purchase of property and equipment		(18,522)	(86,055)	(108,356)	(63,421)
Purchase of investment properties		(300,026)	(687,147)	(323,107)	(55,867)
Purchase of land use rights		(565,822)	(647,325)	(988,321)	(942,172)
Prepayments for acquisition of properties from a related party	34	—	—	(300,000)	—
Cash advances made to related parties		(464,399)	(522,329)	(174,553)	(5,814)
Repayments of cash advances by related parties		264,534	112,350	—	—
Proceeds from disposals of property and equipment		5	325	1,628	355
Proceeds from disposals of investment properties		—	—	43,254	—
					4,447
Net cash outflow from investing activities		(1,084,230)	(1,833,861)	(1,850,205)	(1,066,919)
					(448,913)

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	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from financing activities						
Issue of shares	15	—	1	26,658	26,658	—
Capital contributions from the then equity holders of subsidiaries		196,566	227,104	—	—	—
Net proceeds on issue of Convertible Bonds and Secured Notes	18(a)	—	939,138	73,456	73,456	—
Repayments of Convertible Bonds and Secured Notes and Secured Bonds and Secured Notes		—	—	(304,992)	—	(457,614)
Payments of professional fees		—	(7,947)	(4,587)	(3,591)	(8,251)
Proceeds from borrowings		90,000	765,000	611,800	401,000	110,000
Repayments of borrowings		(81,000)	(133,715)	(261,984)	(118,908)	(232,838)
(Increase)/decrease in guarantee deposits for bank borrowings		—	(7,181)	3,459	(26,524)	1,189
Cash advances from related parties		408,587	357,027	628,878	—	764,809
Repayments of cash advances to related parties		(6,003)	(232,044)	—	—	—
Net cash inflow from financing activities		<u>608,150</u>	<u>1,907,383</u>	<u>772,688</u>	<u>352,091</u>	<u>177,295</u>
Net increase/(decrease) in cash and cash equivalents		14,802	1,120,908	(946,259)	(813,947)	63,338
Cash and cash equivalents at the beginning of the year/period	14	33,726	48,528	1,162,566	1,162,566	205,302
Effect of foreign exchange rate changes	23(a)	—	(6,870)	(11,005)	(9,372)	3,599
Cash and cash equivalents at the end of the year/period		<u>48,528</u>	<u>1,162,566</u>	<u>205,302</u>	<u>339,247</u>	<u>272,239</u>

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II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANIZATION

(a) General information

The Company was incorporated in the Cayman Islands on July 18, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands under the name Powerlong Real Estate (Cayman) Holdings Limited. Pursuant to a written resolution passed by the shareholders of the Company on April 1, 2008, the Company changed its name to Powerlong Real Estate Holdings Limited. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s principal activity is investment holding and the Group is principally engaged in property development, property investment, property management, and other property development related services (the “Businesses”).

(b) Reorganization

During the Relevant Periods, the Businesses were carried out by (i) companies comprising the Group which are previously owned by Pou Long Construction and Land Investment Company Limited (“Macau Powerlong Group”) and Cheung Yuen Land Investment Company Limited (“Macau Changyuan”); and (ii) other companies comprising the Group which are established by the existing ultimate shareholders of the Company during the Relevant Periods. Macau Powerlong Group was owned by Mr. Hoi Kin Hong (“Mr. Hoi”), Ms. Che Lok Teng, Ms. Hoi Wa Lam (許華琳), Ms. Hoi Wa Lam (許華嵐), Ms. Hoi Wa Weng, Ms. Hoi Wa Heng and Mr. Cheung Chi Lap in the percentage of equity interest of 88.9%, 6%, 1%, 1%, 1%, 1% and 1.1%, respectively, and Macau Changyuan are owned by Ms. Wong Lai Jan (spouse of Mr. Hoi), Mr. Hoi Wa Fong (son of Mr. Hoi) and Ms. Hoi Wa Fan (daughter of Mr. Hoi) in the equity interest of 60%, 30% and 10%, respectively. Mr. Hoi, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are the controlling shareholders of the Group (the “Controlling Shareholders”). Macau Powerlong Group is engaged in the lease of properties and investment holding and Macau Changyuan is engaged in investment holding. As both Macau Powerlong Group and Macau Changyuan are not engaged in the Businesses, they are not included in the Group after the Reorganization.

The following reorganization (the “Reorganization”) was carried out:

- (i) The Company was incorporated on July 18, 2007 and is beneficially wholly owned by the major equity holders of Macau Powerlong Group and Macau Changyuan;
- (ii) On July 20, 2007, the Company established Powerlong Real Estate (BVI) Holdings Limited (“Powerlong BVI”);
- (iii) On August 2, 2007, Powerlong BVI acquired the entire interest in Powerlong Real Estate (Hong Kong) Holdings Limited (“Powerlong HK”) at a consideration of HK\$1;
- (iv) From June to August 2007, Powerlong Group Development Co., Ltd. (“Xiamen Powerlong Group”) and Xiamen Powerlong Real Estate Development Co., Ltd. (“Xiamen Powerlong”), two PRC companies owned by Macau Powerlong Group and principally engaging in investment holding business and have not been included in the Group, transferred their equity interests in certain PRC subsidiaries now comprising the Group to Fuzhou Powerlong Real Estate Development Co., Ltd. (“Fuzhou Powerlong”), a subsidiary wholly owned by Macau Powerlong Group, and the subsidiaries of Fuzhou Powerlong at considerations totaling approximately RMB437,693,000, which are determined based on proportion of paid-in capital of the respective subsidiaries; Fuzhou Powerlong also acquired entire equity interests in Xiamen Hualong Property Agency Company Limited (“Hualong Property”), a PRC subsidiary of the Group, from Macau Powerlong Group at consideration determined based on the paid-in capital of Hualong Property of approximately RMB5,854,000. The considerations of RMB437,693,000 and RMB5,854,000 have been recorded in amounts due to related parties, which were offset against amounts due from Xiamen Powerlong Group in December 2007; and

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- (v) In August and September 2007, Powerlong HK acquired the entire interests in Fuzhou Powerlong and interests in other PRC subsidiaries comprising the Group from Macau Powerlong Group and Macau Changyuan at a nominal consideration of HK\$10.

Particulars of the subsidiaries comprising the Group at date of this report are set out below:

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
<i>Directly held by the Company</i>					
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands July 20, 2007	HK\$100	100%	Investment holding in British Virgin Islands	(i)
<i>Indirectly held by the Company</i>					
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong July 5, 2007	HK\$1	100%	Investment holding in Hong Kong	(ii)
Wide Evolution Limited	Hong Kong February 11, 2008	—	100%	Investment holding in Hong Kong	(i)
Powerlong (BVI) I Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) II Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) III Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) IV Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) V Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (HK) 1 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 2 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 3 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 4 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 5 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Kind Sonic Limited	Hong Kong March 27, 2009	HK\$10,000	100%	International trading, logistics management and consultation in Hong Kong	(i)

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Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
廈門華龍物業管理有限公司 Xiamen Hualong Property Agency Company Limited.	the PRC April 14, 1993	RMB5,853,600	100%	Property management in the PRC	(ii)
廈門百潤房地產顧問有限公司 Xiamen Bairun Property Consulting Company Limited.	the PRC May 31, 2000	RMB1,000,000	71%	Property management in the PRC	(ii)
廈門寶龍裝飾設計工程有限公司 Xiamen Powerlong Decoration Design Works Company Limited.	the PRC March 21, 2001	RMB10,000,000	100%	Decoration and design of properties in the PRC	(ii)
晉江長源房地產發展有限公司 Jinjiang Changyuan Real Estate Development Co., Ltd.	the PRC November 15, 2001	HK\$24,000,000	100%	Property development in the PRC	(ii)
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC October 21, 2003	US\$8,000,000	100%	Property development and property investment in the PRC	(ii)
廈門寶龍設計諮詢有限公司 Xiamen Powerlong Design Consulting Company Limited.	the PRC November 21, 2003	RMB500,000	80%	Decoration and design of properties in the PRC	(ii)
泉州市寶華房地產發展有限公司 Quanzhou Baohua Property Development Company Limited. . .	the PRC February 23, 2004	RMB38,000,000	100%	Property development in the PRC	(ii)
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC August 5, 2004	US\$10,000,000	100%	Property development and property investment in the PRC	(ii)
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC April 7, 2005	RMB490,122,430	100%	Property development and property investment in the PRC	(ii)
福州寶龍商業經營管理有限公司 Fuzhou Powerlong Commercial Management Company Limited. . .	the PRC April 28, 2005	RMB10,000,000	100%	Property management in the PRC	(ii)
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC June 7, 2005	RMB100,000,000	100%	Property development and property investment in the PRC	(ii)
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC February 21, 2006	RMB20,000,000	100%	Property development and property investment in the PRC	(ii)

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Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited . . .	the PRC March 3, 2006	RMB80,000,000	100%	Property development and property investment in the PRC	(ii)
廈門市金堅果企劃有限公司 Xiamen Jinjianguo Business Planning Company Limited	the PRC April 17, 2006	RMB100,000	71%	Decoration and design of properties in the PRC	(ii)
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC July 13, 2006	RMB461,979,900	100%	Property development and property investment in the PRC	(ii)
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC August 29, 2006	RMB80,000,000	100%	Hotel operation in the PRC	(ii)
太倉寶華物業管理有限公司 Taicang Baohua Property Management Company Limited . . .	the PRC October 9, 2006	RMB500,000	100%	Property management in the PRC	(ii)
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC November 1, 2006	US\$15,000,000	80%	Property development and property investment in the PRC	(ii)
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC February 27, 2007	US\$15,000,000	100%	Property development and property investment in the PRC	(ii)
泰安寶龍商業物業管理有限公司 Tai'an Powerlong Commercial Property Management Company Limited	the PRC April 5, 2007	RMB3,000,000	100%	Property management in the PRC	(ii)
廈門原作建築設計諮詢有限公司 Xiamen Yuanzuo Architecture Design Consulting Company Limited	the PRC June 25, 2007	RMB100,000	71%	Decoration and design of properties in the PRC	(ii)
廈門華龍商業地產管理有限公司 Xiamen Hualong Commercial Property Management Company Limited	the PRC June 29, 2007	RMB5,000,000	100%	Property management in the PRC	(ii)
蚌埠寶龍商業物業管理有限公司 Bengbu Powerlong Commercial Property Management Company Limited	the PRC July 12, 2007	RMB500,000	100%	Property management in the PRC	(ii)
河南華龍商業地產管理有限公司 Henan Hualong Commercial Property Management Company Limited . . .	the PRC September 30, 2007	RMB1,000,000	100%	Property management in the PRC	(ii)

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Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
鄭州寶龍商業物業管理有限公司 Zhengzhou Powerlong Commercial Property Management Company Limited	the PRC October 16, 2007	RMB500,000	100%	Property management in the PRC	(ii)
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd.	the PRC October 16, 2007	HK\$5,000,000	100%	Property management in the PRC	(ii)
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC November 21, 2007	US\$22,500,000	100%	Property development and property investment in the PRC	(ii)
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited . . .	the PRC December 10, 2007	RMB80,000,000	100%	Property development and property investment in the PRC	(ii)
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC December 19, 2007	US\$9,800,000	100%	Property development and property investment in the PRC	(ii)
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC December 25, 2007	US\$23,388,670	100%	Property development and property investment in the PRC	(ii)
廈門聯商物流有限公司 Xiamen Lianshang Logistics Co., Ltd.	the PRC January 24, 2008	US\$16,000,000	100%	Logistic management in the PRC	(ii)
武夷山寶龍置業發展有限公司 Wuyishan Powerlong Real Estate Development Co., Ltd.	the PRC January 29, 2008	US\$292,821	100%	Property development and property investment in the PRC	(ii)
青島寶龍商業物業管理有限公司 Qingdao Powerlong Commercial Property Management Company Limited	the PRC February 25, 2008	RMB4,000,000	100%	Property management in the PRC	(ii)
無錫寶龍商業物業管理有限公司 Wuxi Powerlong Commercial Property Management Company Limited . . .	the PRC April 8, 2008	RMB500,000	100%	Property management in the PRC	(iii)
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC May 13, 2008	US\$29,800,000	100%	Property development and property investment in the PRC	(ii)

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Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC June 30, 2008	US\$49,567,907	100%	Property development and property investment in the PRC	(iii)
泰安寶龍大酒店有限公司 Tai'an Powerlong Hotel Co., Ltd.	the PRC June 5, 2009	—	100%	Hotel operation in the PRC	(iii)

Notes:

- (i) No statutory audited financial statements have been prepared for these subsidiaries as there were no statutory audit requirements.
- (ii) Statutory audited financial statements for the years ended December 31, 2006, 2007 and 2008 have been prepared by the following subsidiaries.

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Powerlong Real Estate (Hong Kong) Holdings Limited	Not Applicable	Not Applicable	PricewaterhouseCoopers
廈門華龍物業管理有限公司 Xiamen Hualong Property Agency Company Limited	廈門中會建會計師事務所 有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited
廈門百潤房地產顧問有限公司 Xiamen Bairun Property Consulting Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
廈門寶龍裝飾設計工程有限公司 Xiamen Powerlong Decoration Design Works Company Limited	廈門中會建會計師事務所 有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
晉江長源房地產發展有限公司 Jinjiang Changyuan Real Estate Development Co., Ltd.	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	福雲會計師事務所 Fuyun CPAs Company Limited	福建華茂會計師事務所 有限公司福清分公司 Fujian Huamao CPAs Company Limited, Fuqing Branch	福州華強會計師事務所 有限責任公司 Fuzhou Huaqiang CPAs Company Limited

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Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
廈門寶龍設計諮詢有限公司 Xiamen Powerlong Design Consulting Company Limited.	廈門中會建會計師事務所 所有有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
泉州市寶華房地產發展有限公司 Quanzhou Baohua Property Development Company Limited. . .	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	廈門銀興會計師事務所 有限公司 Xiamen Yinxing CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門大譽會計師事務所 有限公司 Xiamen Dayu CPAs Company Limited
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	河南中瑞會計師事務所 有限責任公司 Henan Zhongrui CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
福州寶龍商業經營管理有限公司 Fuzhou Powerlong Commercial Management Company Limited. . .	Not applicable	福州百鴻聯合會計師事務所 Fuzhou Baihong Associate CPAs Company Limited	福州東祥會計師事務所 有限責任公司 Fuzhou Dongxiang CPAs Company Limited
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	天津中審聯合會計師事務所 山東華嶽分所 Tianjin Zhongshenlian CPAs Company Limited	天津中審聯合有限責任 會計師事務所 Tianjin Zhongshenlian CPAs Company Limited Shandong Huayue Branch	泰安眾誠有限責任 會計師事務所 Tai'an Zhongcheng CPAs Company Limited
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited. . .	Not applicable	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office
廈門市金堅果企劃有限公司 Xiamen Jinjianguo Business Planning Company Limited.	Not applicable	廈門嘉泓會計師事務所 Xiamen Jiahong CPAs Company Limited	廈門中匯瑞豐會計師事務所 所有有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	青島信永達會計師事務所 所有有限責任公司 Qindao Xinyongda CPAs Company Limited	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	廈門欣洲會計師事務所 有限公司 Xiamen Xinzhou CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門大譽會計師事務所 有限公司 Xiamen Dayu CPAs Company Limited

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Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
太倉寶華物業管理有限公司 Taicang Baohua Property Management Company Limited . . .	廈門銀興會計師事務所 有限公司 Xiamen Yinxing CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	蘇州立德會計師事務所 Suzhou Leader CPAs Company Limited
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	Not applicable	江蘇恒新會計師事務所 有限公司 Jiangsu Hengxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited
泰安寶龍商業物業管理有限公司 Tai'an Powerlong Commercial Property Management Company Limited	Not applicable	天津中審聯有限責任 會計師事務所 Tianjin Zhongshenlian CPAs Company Limited	泰安眾誠有限責任 會計師事務所 Tai'an Zhongcheng CPAs Company Limited
廈門原作建築設計諮詢有限公司 Xiamen Yuanzuo Architecture Design Consulting Company Limited	Not applicable	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
廈門華龍商業地產管理有限公司 Xiamen Hualong Commercial Property Management Company Limited	Not applicable	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
蚌埠寶龍商業物業管理有限公司 Bengbu Powerlong Commercial Property Management Company Limited	Not applicable	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited
河南華龍商業地產管理有限公司 Henan Hualong Commercial Property Management Company Limited . . .	Not applicable	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office
鄭州寶龍商業物業管理有限公司 Zhengzhou Powerlong Commercial Property Management Company Limited	Not applicable	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd.	Not applicable	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited

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Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited . . .	Not applicable	Not applicable	宿遷公興會計師事務所 有限公司 Suqian Gongxing CPAs Company Limited
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	Not applicable	Not applicable	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Co., Ltd.	Not applicable	Not applicable	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
廈門聯商物流有限公司 Xiamen Lianshang Logistics Co., Ltd.	Not applicable	Not applicable	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
武夷山寶龍置業發展有限公司 Wuyishan Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	廈門欣洲會計師事務所 有限公司 Xiamen Xinzhou CPAs Company Limited
青島寶龍商業物業管理有限公司 Qingdao Powerlong Commercial Property Management Company Limited	Not applicable	Not applicable	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	江蘇正中會計師事務所 有限公司 Jiangsu Zhengzhong CPAs Company Limited
(iii) No statutory audited financial statements has been prepared for these subsidiaries as they have not commenced operation up to December 31, 2008.			

The names of certain of the companies referred to in these Financial Information represent management’s best effort in translation of the Chinese names of these companies as no English names have been registered or available.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods.

(a) Basis of preparation

The Financial Information for the Relevant Periods have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Financial Information has been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties and embedded financial derivatives which are carried at fair values.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 below.

The following new standards, amendments to standards and interpretations have been issued that are mandatory for accounting periods beginning on or after July 1, 2009 or later periods and which the Group has not early adopted.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective for annual period beginning on or after July 1, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from January 1, 2010.
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after July 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from January 1, 2010 in its separate financial statements. This amendment is not relevant to the Group.
- HKFRS 3 (Revised), 'Business Combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or

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at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) from January 1, 2010.

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.
- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analyzed in detail.
- In May 2009, the HKICPA published certain other improvements to the HKFRS which will be effective for period beginning on or after January 1, 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Cash flow statements
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 1 (Amendment)	Additional exception for first-time adapters
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3, Group cash-settled share-based payment transactions
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal groups) classified as held for sales or discontinued operations
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

(b) Merger accounting for common control combination

The Financial Information incorporate the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

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A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognized as expenses in the period in which they are incurred.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganization which have been accounted for as a combination of businesses under common control in manner similar to pooling-of-interests as explained in note 2(b) of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between the Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company’s balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (note 2(i)). The results of subsidiaries are accounted by the Company on the basis of dividends received/receivable.

(d) Transaction with minority interests

The Group applies a policy of treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company.

(f) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). The Financial Information are presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

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(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(iii) *Group entities*

The results and financial positions of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the Group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the Group entities are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

(g) **Property and equipment**

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Motor vehicles	5 years
Furniture, fitting and equipment	3–10 years

The assets’ residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains and losses — net in the consolidated statement of comprehensive income.

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Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortization of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and capitalized finance costs.

After initial recognition, investment property is carried at fair value. Property that is being constructed or developed for future use as investment property is classified as investment property under consideration. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed periodically by independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognized in the accounts.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values of investment property are recognized as “fair value gains on investment properties” in the consolidated statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated statement of comprehensive income.

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(i) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, amortization of land use rights during the construction period, borrowing costs on qualifying assets, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realized in one normal operating cycle.

(k) Completed properties held for sale

Completed properties remaining unsold at the end of each Relevant Periods are stated at the lower of cost and net realizable value.

Cost comprises development costs attributable to the unsold properties.

Net realizable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized on trade date — the date on which the Group provides fund, products or services directly to a debtor who has no intention to exchange the receivables. Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the consolidated statement of comprehensive income.

Trade and other receivables are included in current assets, except for those mature after 12 months of the balance sheet date which are classified as non-current assets.

(m) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in "Restricted cash". Restricted cash are excluded from cash and cash equivalents included in the cash flow statements.

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(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(p) Borrowings, Secured Bonds and Secured Notes and borrowing costs

Borrowings and Secured Bonds and Secured Notes are recognized initially at fair value, net of transaction costs incurred. Borrowings and Secured Bonds and Secured Notes are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings and Secured Bonds and Secured Notes using the effective interest method.

Borrowings and Secured Bonds and Secured Notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(q) Convertible Bonds and Secured Notes, embedded financial derivatives and Secured Bonds and Secured Notes

The Company issued RMB denominated Convertible Bonds and Secured Notes which can be converted to ordinary shares of the Company and redeemed under certain circumstances.

If the conversion of the Convertible Bonds will not result in delivering a fixed number of the Company's own equity instruments in exchange for a fixed amount of cash or another financial asset, the Convertible Bonds contract will be separated into two component elements: a financial derivative component consisting of the embedded options and a debt component consisting of the straight debt element of the Convertible Bonds.

On the issue of the Convertible Bonds and Secured Notes, the fair value of the embedded financial derivatives were calculated using a valuation technique. The financial derivative component is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the consolidated statement of comprehensive income in the period when the change occurs. The remainder of the proceeds is allocated to debt component of the Convertible Bonds and Secured Notes, net of transaction costs, and is recorded as a liability. The debt component is subsequently carried at amortized cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the debt component through the maturity date.

If the Convertible Bonds are converted, the carrying amounts of the financial derivative and debt components are transferred to share capital and share premium as consideration for the shares issued. If the Convertible Bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in consolidated statement of comprehensive income.

An exchange between the Company and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in consolidated statement of comprehensive income.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(r) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where the Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(t) **Provisions and contingent liabilities**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

(u) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

Revenue is recognized as follows:

(i) *Sales of properties*

Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

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(ii) *Rental income*

Rental income of property leasing under operating leases is recognized on a straight-line basis over the lease terms.

(iii) *Property management*

Revenue arising from property management is recognized in the accounting period in which the services are rendered.

(iv) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(v) *Construction and decoration services*

Revenue arising from construction and decoration service is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortized over the lease periods. The unamortized upfront payments are recognized as cost of sales when the relevant properties are sold.

(w) Dividend distribution

Dividend distribution to the then equity holders of the Group is recognized in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant Group companies.

(x) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

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3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk factor

(i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds are in other foreign currencies. As at June 30, 2009, there are no significant non-RMB assets in the Group. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

(ii) *Interest rate risk*

Other than deposit held in banks, the Group does not have significant interest bearing assets. The average rate of deposits held in banks throughout the Relevant Periods was 0.72%. Any change in interest rates is not considered to have significant impact to the Group. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. At December 31, 2006, 2007 and 2008 and June 30, 2009, if interest rates on bank borrowings at those dates had been 0.5% higher/lower with all other variables held constant, interest charges for the year/period would have been RMB775,000, RMB1,652,000, RMB4,818,000 and RMB2,871,000 larger/smaller, mainly as a result of larger/smaller interest expense on floating rate borrowings.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash and trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. The receivables from related companies during the Relevant Periods are of the nature of cash advance made to companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low. For the trade receivables arisen from sales of properties, the Group managed the credit risk by fully receiving cash before delivery of property or within three months after delivery of property. The Group has set-out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 32.

(iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

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The Directors have prepared cash flow projections for the period from July 1, 2009 to December 31, 2010. In addition, management of the Group seek to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting development schedule to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, adopting more flexible approach to pricing for property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of select investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for the balances of Convertible Bonds and Secured Notes and Secured Bonds and Secured Notes, balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At December 31, 2006					
Bank borrowings	37,940	101,538	—	—	139,478
Trade and other payables . .	<u>1,327,789</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,327,789</u>
At December 31, 2007					
Bank borrowings	96,731	631,913	111,523	19,947	860,114
Convertible Bonds and Secured Notes	1,083,061	—	—	—	1,083,061
Dividend payables	32,900	—	—	—	32,900
Trade and other payables . .	<u>891,869</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>891,869</u>
At December 31, 2008					
Bank borrowings	628,635	413,594	123,322	57,127	1,222,678
Secured Bonds and Secured Notes	943,160	—	—	—	943,160
Trade and other payables . .	<u>1,542,617</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,542,617</u>
At June 30, 2009					
Bank borrowings	718,694	195,323	88,070	39,219	1,041,306
Secured Bonds and Secured Notes	476,216	—	—	—	476,216
Trade and other payables . .	<u>2,344,411</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,344,411</u>

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

Consistent with other similar real estate companies, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total borrowings divided by total assets and multiplied by 100%. Total borrowings comprise Convertible Bonds and Secured Notes (note (18(a))), Secured Bonds and Secured Notes (note (18(b))) and bank borrowings (note (17)), as shown in the consolidated balance sheet.

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During the Relevant Periods, the Group's strategy was to maintain a gearing ratio within 30%. The gearing ratios at December 31, 2006, 2007 and 2008 and June 30, 2009 were as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	129,000	1,544,709	1,944,815	1,403,135
Total assets	3,392,090	6,273,471	8,571,015	9,104,361
Gearing ratio	3.8%	24.6%	22.7%	15.4%

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date, quoted market prices or dealer quotes for similar instruments or estimated discounted cash flows.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalized its PRC land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognized these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalized with local tax authorities.

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(c) Convertible Bonds and Secured Notes, embedded financial derivatives and Secured Bonds and Secured Notes

As described in note 18, the Company’s Convertible Bonds and Secured Notes contain a number of embedded financial derivatives that are measured at fair value through profit or loss. The Company engaged an independent valuer to assist it in determining the fair value of these embedded financial derivatives. The determination of fair value was made after consideration of a number of factors, including but not limited to: the Group’s financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group’s business; the nature and prospects of the PRC property market; the Group’s business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

(d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

5. SEGMENT INFORMATION

The board of directors of the Company, which is the chief operating decision-maker of the Group, reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organized into four business segments: property development, property investment, property management and other property development related services. As chief operating decision-maker of the Group considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC, the Group’s consolidated assets are substantially located inside the PRC, no geographical information is presented.

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Revenue consists of sales of properties, rental income of investment properties, property management services and other property development related services. Revenue of the Relevant Periods consists of the following:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of properties	399,306	982,693	1,511,760	641,285	1,255,624
Rental income of investment properties	150	32,219	53,290	24,465	28,407
Property management services . .	2,975	7,859	15,955	7,026	10,298
Other property development related services	325	3,066	2,761	2,333	—
	<u>402,756</u>	<u>1,025,837</u>	<u>1,583,766</u>	<u>675,109</u>	<u>1,294,329</u>

The segment results and other segment items included in the profit for the year ended December 31, 2006 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	399,306	150	2,975	58,656	—	461,087
Inter-segment revenue	—	—	—	(58,331)	—	(58,331)
Revenue	<u>399,306</u>	<u>150</u>	<u>2,975</u>	<u>325</u>	<u>—</u>	<u>402,756</u>
Segment results	128,835	121,271	31	16,482	(13,837)	252,782
Profit before income tax						252,782
Income tax						<u>(129,741)</u>
Profit for the year						<u>123,041</u>
Depreciation (note 6) . .	1,681	—	46	180	—	1,907
Amortization of land use rights recognized as expenses	7,576	—	—	—	—	7,576
Fair value gains on investment properties (note 8)	—	121,121	—	—	—	<u>121,121</u>

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The segment results and other segment items included in the profit for the year ended December 31, 2007 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	982,693	32,219	7,859	65,457	—	1,088,228
Inter-segment revenue	—	—	—	(62,391)	—	(62,391)
Revenue	<u>982,693</u>	<u>32,219</u>	<u>7,859</u>	<u>3,066</u>	<u>—</u>	<u>1,025,837</u>
Segment results	464,858	549,304	27	12,746	13,837	1,040,772
Unallocated operating costs						(9,248)
Finance costs						<u>(3,401)</u>
Profit before income tax						1,028,123
Income tax						<u>(421,382)</u>
Profit for the year						<u>606,741</u>
Depreciation (note 6)	3,812	—	81	266	—	4,159
Amortization of land use rights recognized as expenses	4,823	—	—	—	—	4,823
Fair value gains on investment properties (note 8)	<u>—</u>	<u>533,035</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>533,035</u>

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The segment results and other segment items included in the profit for the year ended December 31, 2008 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	1,511,760	53,290	15,955	16,163	—	1,597,168
Inter-segment revenue	—	—	—	(13,402)	—	(13,402)
Revenue	<u>1,511,760</u>	<u>53,290</u>	<u>15,955</u>	<u>2,761</u>	<u>—</u>	<u>1,583,766</u>
Segment results	550,175	842,727	5,450	(7,402)	(364)	1,390,586
Unallocated operating costs						(59,468)
Fair value losses on embedded financial derivatives						(14,834)
Finance costs						<u>(33,655)</u>
Profit before income tax						1,282,629
Income tax						<u>(345,313)</u>
Profit for the year						<u><u>937,316</u></u>
Depreciation (note 6)	4,595	—	229	1,565	—	6,389
Amortization of land use rights recognized as expenses	5,735	—	—	—	—	5,735
Fair value gains on investment properties (note 8)	<u>—</u>	<u>856,040</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u><u>856,040</u></u>

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The segment results and other segment items included in the profit for the six months ended June 30, 2009 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	1,255,624	28,407	10,298	25,157	—	1,319,486
Inter-segment revenue	—	—	—	(25,157)	—	(25,157)
Revenue	<u>1,255,624</u>	<u>28,407</u>	<u>10,298</u>	<u>—</u>	<u>—</u>	<u>1,294,329</u>
Segment results	575,839	12,626	11,982	2,974	—	603,421
Unallocated operating costs						(17,718)
Finance costs						<u>(2,716)</u>
Profit before income tax						582,987
Income tax						<u>(254,419)</u>
Profit for the period . . .						<u><u>328,568</u></u>
Depreciation (note 6) . .	2,618	—	225	921	—	3,764
Amortization of land use rights recognized as expenses	7,896	—	—	—	—	7,896
Fair value gains on investment properties (note 8)	<u>—</u>	<u>2,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u><u>2,400</u></u>

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The segment results and other segment items included in the profit for the six months ended June 30, 2008 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Gross segment revenue	641,285	24,465	7,026	30,237	—	703,013
Inter-segment revenue	—	—	—	(27,904)	—	(27,904)
Revenue	<u>641,285</u>	<u>24,465</u>	<u>7,026</u>	<u>2,333</u>	<u>—</u>	<u>675,109</u>
Segment results	175,008	25,745	654	6,895	(586)	207,716
Unallocated operating costs						(27,727)
Fair value losses on embedded financial derivatives						(14,834)
Finance costs						<u>(31,320)</u>
Profit before income tax						133,835
Income tax						<u>(79,388)</u>
Profit for the period						<u><u>54,447</u></u>
Depreciation (note 6)	2,057	—	58	744	—	2,859
Amortization of land use rights recognized as expenses	2,075	—	—	—	—	2,075
Fair value gains on investment properties (note 8)	<u>—</u>	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,000</u>

Segment assets and liabilities as at December 31, 2006 and capital expenditure for the year then ended are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,231,425	1,296,359	9,583	94,821	(117,133)	2,515,055
Other assets						<u>877,035</u>
Total assets						<u><u>3,392,090</u></u>
Segment liabilities	1,984,036	10,118	3,886	62,636	(103,296)	1,957,380
Other liabilities						<u>690,411</u>
Total liabilities						<u><u>2,647,791</u></u>
Capital expenditures	<u>1,215,874</u>	<u>372,754</u>	<u>121</u>	<u>398</u>	<u>—</u>	<u>1,589,147</u>

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Segment assets and liabilities as at December 31, 2007 and capital expenditure for the year then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Segment assets	2,419,097	2,731,692	10,711	191,651	(119,702)	5,233,449
Other assets						<u>1,040,022</u>
Total assets						<u>6,273,471</u>
Segment liabilities	2,938,157	28,496	7,908	24,432	(39,399)	2,959,594
Other liabilities						<u>2,228,577</u>
Total liabilities						<u>5,188,171</u>
Capital expenditures . . .	<u>130,882</u>	<u>950,591</u>	<u>293</u>	<u>4,189</u>	<u>—</u>	<u>1,085,955</u>

Segment assets and liabilities as at December 31, 2008 and capital expenditure for the year then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Segment assets	4,254,089	3,713,261	13,466	311,109	(184,228)	8,107,697
Other assets						<u>463,318</u>
Total assets						<u>8,571,015</u>
Segment liabilities	3,029,190	29,288	30,572	115,234	(88,282)	3,116,002
Other liabilities						<u>3,411,541</u>
Total liabilities						<u>6,527,543</u>
Capital expenditures . . .	<u>556,668</u>	<u>355,763</u>	<u>1,170</u>	<u>1,794</u>	<u>—</u>	<u>915,395</u>

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Segment assets and liabilities as at June 30, 2009 and capital expenditure for the six months then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	4,447,454	4,044,432	16,510	361,225	(276,833)	8,592,788
Other assets						<u>511,573</u>
Total assets						<u><u>9,104,361</u></u>
Segment liabilities	2,777,450	24,326	51,155	241,273	(131,228)	2,962,976
Other liabilities						<u>3,769,345</u>
Total liabilities						<u><u>6,732,321</u></u>
Capital expenditures	<u>179,422</u>	<u>51,160</u>	<u>142</u>	<u>76</u>	<u>—</u>	<u><u>230,800</u></u>

Reportable segments' assets are reconciled to total assets as follows:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	2,515,055	5,233,449	8,107,697	8,592,788
Other assets				
Prepaid taxes	30,237	79,527	120,109	66,275
Deferred tax assets	23,136	40,502	38,408	43,769
Cash and cash equivalents of holding companies	—	842,453	50,358	49,627
Cash advances made to related parties (note 34(d))	823,662	62,371	236,924	326,657
Properties, plants and equipment of holding companies	—	3,742	3,700	2,987
Other corporate assets	<u>—</u>	<u>11,427</u>	<u>13,819</u>	<u>22,258</u>
Total assets per consolidated balance sheets	<u><u>3,392,090</u></u>	<u><u>6,273,471</u></u>	<u><u>8,571,015</u></u>	<u><u>9,104,361</u></u>

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Reportable segments liabilities are reconciled to total liabilities as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Segment liabilities	1,957,380	2,959,594	3,116,002	2,962,976
Other liabilities				
Income tax payables	64,961	326,457	371,584	540,549
Deferred tax liabilities	39,970	163,539	367,692	366,706
Interests payable	—	—	55,034	23,308
Dividend payable	—	32,900	32,900	32,900
Current borrowings	30,000	42,440	563,727	683,035
Non-current borrowings	99,000	717,845	547,276	305,130
Cash advances from related parties	456,480	—	633,179	1,397,988
Convertible Bonds and Secured Notes . .	—	784,424	—	—
Embedded financial derivatives	—	156,082	—	—
Secured Bonds and Secured Notes	—	—	833,812	414,970
Other corporate liabilities	—	4,890	6,337	4,759
Total liabilities per consolidated balance sheets	<u>2,647,791</u>	<u>5,188,171</u>	<u>6,527,543</u>	<u>6,732,321</u>

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances.

Segment liabilities consist of operating liabilities.

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6. PROPERTY AND EQUIPMENT — GROUP

	Assets under construction	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006					
Cost	505	—	6,096	2,715	9,316
Accumulated depreciation	—	—	(1,158)	(708)	(1,866)
Net book amount	<u>505</u>	<u>—</u>	<u>4,938</u>	<u>2,007</u>	<u>7,450</u>
Year ended December 31, 2006					
Opening net book amount	505	—	4,938	2,007	7,450
Additions	9,701	—	5,926	2,895	18,522
Disposals	—	—	—	(5)	(5)
Depreciation	—	—	(1,153)	(754)	(1,907)
Closing net book amount	<u>10,206</u>	<u>—</u>	<u>9,711</u>	<u>4,143</u>	<u>24,060</u>
At December 31, 2006					
Cost	10,206	—	12,022	5,605	27,833
Accumulated depreciation	—	—	(2,311)	(1,462)	(3,773)
Net book amount	<u>10,206</u>	<u>—</u>	<u>9,711</u>	<u>4,143</u>	<u>24,060</u>
Year ended December 31, 2007					
Opening net book amount	10,206	—	9,711	4,143	24,060
Additions	75,494	—	4,348	6,213	86,055
Transfer from completed properties held for sale	—	20,179	—	—	20,179
Disposals	—	—	(120)	(205)	(325)
Depreciation	—	(504)	(2,442)	(1,213)	(4,159)
Closing net book amount	<u>85,700</u>	<u>19,675</u>	<u>11,497</u>	<u>8,938</u>	<u>125,810</u>
At December 31, 2007					
Cost	85,700	20,179	16,064	11,355	133,298
Accumulated depreciation	—	(504)	(4,567)	(2,417)	(7,488)
Net book amount	<u>85,700</u>	<u>19,675</u>	<u>11,497</u>	<u>8,938</u>	<u>125,810</u>

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	Assets under construction	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2008					
Opening net book amount	85,700	19,675	11,497	8,938	125,810
Additions	99,942	—	6,464	1,950	108,356
Disposals	—	—	(1,251)	(377)	(1,628)
Depreciation	—	(480)	(3,529)	(2,380)	(6,389)
Closing net book amount	<u>185,642</u>	<u>19,195</u>	<u>13,181</u>	<u>8,131</u>	<u>226,149</u>
At December 31, 2008					
Cost	185,642	20,179	20,498	12,473	238,792
Accumulated depreciation	—	(984)	(7,317)	(4,342)	(12,643)
Net book amount	<u>185,642</u>	<u>19,195</u>	<u>13,181</u>	<u>8,131</u>	<u>226,149</u>
Six months ended June 30, 2009					
Opening net book amount	185,642	19,195	13,181	8,131	226,149
Additions	18,437	—	410	377	19,224
Disposals	—	—	(86)	(53)	(139)
Depreciation	—	(376)	(2,650)	(738)	(3,764)
Closing net book amount	<u>204,079</u>	<u>18,819</u>	<u>10,855</u>	<u>7,717</u>	<u>241,470</u>
At June 30, 2009					
Cost	204,079	20,179	20,116	13,262	257,636
Accumulated depreciation	—	(1,360)	(9,261)	(5,545)	(16,166)
Net book amount	<u>204,079</u>	<u>18,819</u>	<u>10,855</u>	<u>7,717</u>	<u>241,470</u>
Unaudited:					
Six months ended June 30, 2008					
Opening net book amount	85,700	19,675	11,497	8,938	125,810
Additions	57,509	—	5,126	786	63,421
Disposals	—	—	(114)	(241)	(355)
Depreciation	—	(240)	(1,544)	(1,075)	(2,859)
Closing net book amount	<u>143,209</u>	<u>19,435</u>	<u>14,965</u>	<u>8,408</u>	<u>186,017</u>
At June 30, 2008					
Cost	143,209	20,179	20,748	11,863	195,999
Accumulated depreciation	—	(744)	(5,783)	(3,455)	(9,982)
Net book amount	<u>143,209</u>	<u>19,435</u>	<u>14,965</u>	<u>8,408</u>	<u>186,017</u>

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Depreciation charges were included in the following categories in the consolidated statement of comprehensive incomes:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	359	392	1,056	515	434
Selling and marketing costs	86	496	678	315	373
Administrative expenses	1,462	3,271	4,655	2,029	2,957
	<u>1,907</u>	<u>4,159</u>	<u>6,389</u>	<u>2,859</u>	<u>3,764</u>

As at December 31, 2007 and 2008 and June 30, 2009, assets under construction with net book amounts totaling RMB26,663,000, RMB136,029,000 and RMB154,025,000, respectively, were pledged as collateral for the Group's borrowings (note 17). There is no asset under construction being pledged as at December 31, 2006.

Borrowing costs of RMB923,000, RMB4,842,000 and RMB3,061,000 have been capitalized in assets under construction for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively. No borrowing cost has been capitalized in assets under construction for the year ended December 31, 2006.

The capitalization rate of borrowings is 6.83%, 15.22% and 12.21% for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively.

7. LAND USE RIGHTS — GROUP

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening net book amount	116,273	728,018	713,184	713,184	1,155,236
Additions	665,320	79,127	472,170	232,587	187,120
Transfer from investment properties (note 8)	—	—	156,337	—	—
Amortization	(18,627)	(27,573)	(26,013)	(7,687)	(15,279)
Transfer to cost of sales	<u>(34,948)</u>	<u>(66,388)</u>	<u>(160,442)</u>	<u>(54,973)</u>	<u>(131,777)</u>
Ending net book amount	728,018	713,184	1,155,236	883,111	1,195,300
Amounts to be realized within one normal operating cycle included in current assets	<u>(688,102)</u>	<u>(674,327)</u>	<u>(1,116,746)</u>	<u>(844,760)</u>	<u>(1,157,326)</u>
Land use rights included in non-current assets	<u>39,916</u>	<u>38,857</u>	<u>38,490</u>	<u>38,351</u>	<u>37,974</u>

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	December 31,			June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Outside Hong Kong, held on leases of:					
Over 50 years	261,887	327,763	464,242	398,337	568,885
Between 10 to 50 years	<u>466,131</u>	<u>385,421</u>	<u>690,994</u>	<u>484,774</u>	<u>626,415</u>
	<u>728,018</u>	<u>713,184</u>	<u>1,155,236</u>	<u>883,111</u>	<u>1,195,300</u>

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, land use rights of RMB108,119,000, RMB281,614,000, RMB481,781,000 and RMB422,358,000, respectively, were pledged as collateral for the Group's borrowings (note 17).

As at December 31, 2008 and June 30, 2009, land use rights of RMB56,226,000 and RMB209,956,000, respectively, were pledged as collateral for borrowings of the Group's related parties (note 34). All such pledge have been released by [●], 2009.

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8. INVESTMENT PROPERTIES — GROUP

	Completed properties	Properties under construction	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	219,811	219,811
Addition	—	905,305	905,305
Transfers	22,879	(22,879)	—
Fair value gains	121,121	—	121,121
At December 31, 2006	144,000	1,102,237	1,246,237
Addition	—	900,594	900,594
Transfers	371,407	(371,407)	—
Transfer from completed properties held for sale	24,558	—	24,558
Fair value gains	533,035	—	533,035
At December 31, 2007	1,073,000	1,631,424	2,704,424
Addition	—	334,869	334,869
Transfer to properties under development	—	(265,700)	(265,700)
Transfer to land use rights (note 7)	—	(156,337)	(156,337)
Transfers	325,362	(325,362)	—
Disposal of investment properties (note 23(d))	(81,402)	—	(81,402)
Fair value gains	856,040	—	856,040
At December 31, 2008	2,173,000	1,218,894	3,391,894
Addition	4,137	24,666	28,803
Disposal of investment properties (note 23(d))	(10,637)	—	(10,637)
Fair value gains	2,400	—	2,400
At June 30, 2009	2,168,900	1,243,560	3,412,460
Unaudited			
At January 1, 2008	1,073,000	1,631,424	2,704,424
Addition	—	49,232	49,232
Fair value gains	12,000	—	12,000
At June 30, 2008	1,085,000	1,680,656	2,765,656

The completed investment properties were revalued at December 31, 2006, 2007 and 2008 and June 30, 2008 and 2009 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalization of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at December 31, 2006, 2007, and June 30, 2008 and 2009 cannot be measured reasonably, therefore, the Group's investment properties under construction continue to be measured at cost until construction is completed.

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The following amounts have been recognized in the consolidated statement of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income	150	32,219	53,290	24,465	28,407
Direct operating expenses arising from investment properties that generate rental income	—	(8,716)	(15,096)	(5,503)	(6,613)
Direct operating expenses that did not generate rental income . . .	—	(968)	(11,817)	(611)	(4,164)
	<u>150</u>	<u>(968)</u>	<u>(11,817)</u>	<u>(611)</u>	<u>(4,164)</u>

The Group owned 100% interests in the investment properties, which are held on leases of between 10 to 50 years in the PRC as at December 31, 2006, 2007 and 2008 and June 30, 2009.

As at December 31, 2008 and June 30, 2009, investment properties of RMB49,458,000 and RMB469,965,000, respectively, were pledged as collateral for borrowings of the Group's related parties (note 34). All such pledge have been released by [●], 2009.

Borrowing costs of RMB2,084,000, RMB6,915,000, RMB109,571,000 and RMB20,128,000 have been capitalized in investment properties for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

The capitalization rate of borrowings is 6.03%, 6.83%, 15.22% and 12.21% for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the investment properties amounting to RMB333,641,000, RMB1,129,994,000, RMB2,210,102,000 and RMB2,044,588,000 were pledged as collateral for the Group's borrowings (note 17).

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year.	2,007	2,007	2,007	2,007
Later than one year and no later than five years.	8,028	8,028	8,028	8,028
Later than five years.	10,537	8,529	6,523	4,516
	<u>20,572</u>	<u>18,564</u>	<u>16,558</u>	<u>14,551</u>

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9. PROPERTIES UNDER DEVELOPMENT — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development include:				
Construction costs and capitalized expenditures	233,476	801,392	1,343,793	1,443,064
Interests capitalized	5,969	15,375	209,090	268,713
Amortization of land use rights	3,779	13,224	24,347	25,452
	<u>243,224</u>	<u>829,991</u>	<u>1,577,230</u>	<u>1,737,229</u>

The properties under development are all located in the PRC.

As at December 31, 2007 and 2008 and June 30, 2009, properties under development of approximately RMB132,265,000, RMB582,920,000 and RMB530,257,000, respectively, were pledged as collateral for the Group's borrowings (note 17). No properties under development were pledged as collateral for the Group's borrowings as at December 31, 2006.

The capitalization rate of borrowings is 6.83%, 15.22% and 12.21% for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively.

10. COMPLETED PROPERTIES HELD FOR SALE — GROUP

The completed properties held for sale are all located in the PRC.

As at December 31, 2006 and 2008 and June 30, 2009, completed properties held for sale of approximately RMB23,419,000, RMB263,759,000 and RMB271,523,000, respectively, were pledged as collateral for the Group's borrowings (note 17). No completed properties held for sale was pledged as collateral for the Group's borrowings as at December 31, 2007.

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11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables — third parties (note (a))	1,861	28,239	56,290	111,101	—	—	—
Other receivables from:	838,348	98,680	262,978	353,547	181,800	910,705	451,886
— Related parties (note 34(d)(i)) . . .	823,662	62,371	236,924	326,657	—	—	—
— Subsidiaries.	—	—	—	—	181,800	910,705	451,886
— Third parties	14,686	36,309	26,054	26,890	—	—	—
Prepaid business taxes and other taxes	43,544	91,242	92,016	86,038	—	—	—
Prepayments for acquisition of properties — related parties (note 34(d)(ii))	—	—	300,000	600,000	—	—	—
Prepayments for acquisition of land use rights.	—	332,184	677,740	528,387	—	—	—
Prepayments for construction fee — third parties	9,619	12,403	6,543	16,059	—	—	—
Other prepayments.	—	7,947	12,534	20,785	7,947	12,534	20,785
	<u>893,372</u>	<u>570,695</u>	<u>1,408,101</u>	<u>1,715,917</u>	<u>189,747</u>	<u>923,239</u>	<u>472,671</u>

- (a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee is paid in accordance with the terms of the related sales and purchase agreements and rental contracts. Trade receivables at December 31, 2006, 2007 and 2008 and June 30, 2009 were aged less than 90 days.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the fair value of trade and other receivables approximated their carrying amounts.

Trade receivables and other receivables are unsecured and interest free. The Group's trade and other receivables and prepayments are denominated in RMB. No material trade and other receivables were past due as at December 31, 2006, 2007 and 2008 and June 30, 2009.

12. INVESTMENT IN A SUBSIDIARY

	Company	
	December 31, 2007 and 2008 and June 30, 2009	
	HK\$	Equivalent of RMB
Investment in an unlisted subsidiary, at cost.	<u>100</u>	<u>97</u>

Details of the principal subsidiaries of the Group at the date of this report are set out in note 1 of section II.

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13. RESTRICTED CASH — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee deposit for construction of projects (note (a))	5,355	20,172	22,554	27,686
Guarantee deposit for bank borrowings (note (b))	—	7,181	3,722	2,533
Guarantee deposit for a pending legal claim (note (c))	—	—	—	18,400
Others (note (d))	—	—	4,836	5,077
	<u>5,355</u>	<u>27,353</u>	<u>31,112</u>	<u>53,696</u>

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) Pursuant to a bank loan agreement entered into between Fuzhou Powerlong and a bank in March 2007, Fuzhou Powerlong is required to place all proceeds from lease of properties, which have been pledged to the bank as collateral of the loan, in a designated bank account. The deposit can be drawn out after obtaining approval from the bank, but the remaining balance of the deposit should not be less than three months’ bank loan repayment instalments. During the year ended December 31, 2007 and 2008 and the six months ended June 30, 2009, the lease proceeds placed in the designated bank account amounted to RMB10,600,000, RMB6,582,000 and RMB3,448,000 and cash of RMB9,427,000, RMB4,157,000 and RMB4,644,000 has been subsequently drawn out by the Group. The deposits amounted to RMB1,173,000, RMB3,598,000 and RMB2,402,000 as at December 31, 2007, 2008 and June 30, 2009, respectively.

Pursuant to a bank loan agreement entered into between Bengbu Powerlong Real Estate Development Co., Ltd. (“Bengbu Powerlong”) and a bank in November 2007, Bengbu Powerlong is required to place certain proceeds from sales of properties in a designated bank account to secure the loan of RMB185,000,000 borrowed from the bank. The deposits can be drawn out after obtaining the approval from the banks. As at December 31, 2007 and 2008 and June 30, 2009, the deposits placed in this bank account amounted to RMB6,008,000, RMB124,000 and RMB131,000, respectively.

(c) The amount comprises guarantee deposit for a legal claim brought against the Group by a customer. Subsequent to June 30, 2009, the Group has entered into an agreement with the customer to settle such claim and the guarantee deposit will be returned to the Group.

(d) Others mainly include guarantee deposits for rental contracts and letter of credit.

All restricted cash are denominated in RMB.

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14. CASH AND CASH EQUIVALENTS

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:							
— Denominated in RMB	48,519	229,600	205,109	269,485	—	—	—
— Denominated in HK\$	9	932,966	193	2,754	785,746	—	—
	<u>48,528</u>	<u>1,162,566</u>	<u>205,302</u>	<u>272,239</u>	<u>785,746</u>	<u>—</u>	<u>—</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

15. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share	Share premium	Total
				RMB'000	RMB'000	RMB'000
Authorized:						
Ordinary shares of US\$1.00 each upon incorporation	(a)	50,000	US\$50,000			
Ordinary shares cancelled of US\$1.00 each	(c)	(50,000)	US\$(50,000)			
Increase and revision in authorized share capital	(c)	<u>30,000,000,000</u>	<u>HK\$300,000,000</u>			
		<u>30,000,000,000</u>	<u>HK\$300,000,000</u>			
Issued and fully paid:						
Issue of ordinary shares	(b)	100	US\$100	1	—	1
Revision in issued share capital	(c)	<u>(100)</u>	<u>US\$(100)</u>	<u>(1)</u>	<u>1</u>	<u>—</u>
As at December 31, 2007		—	—	—	1	1
Issue of ordinary shares	(d)	<u>3,000,000,000</u>	<u>HK\$30,000,000</u>	<u>26,658</u>	<u>—</u>	<u>26,658</u>
As at December 31, 2008 and June 30, 2009		<u>3,000,000,000</u>	<u>HK\$30,000,000</u>	<u>26,658</u>	<u>1</u>	<u>26,659</u>

(a) On July 18, 2007, the date of incorporation of the Company, the authorized share capital of the Company was US\$50,000 divided into 50,000 shares of US\$1.00 each.

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- (b) On August 6, 2007, 100 ordinary shares of the Company were allotted and issued at par value of US\$1.00 each to the equity holders of the Company.

- (c) Share redenomination

On December 14, 2007, the Company's shares were redenominated, pursuant to which:

- (i) 100 authorised and issued ordinary shares of the Company of US\$1.00 each were repurchased, cancelled and transferred to the share premium account;
- (ii) The authorized but unissued share capital of the Company was reduced by the cancellation of 49,900 shares of US\$1.00 each; and
- (iii) The authorized share capital of the Company was increased to HK\$300,000,000 by the creation of 30,000,000,000 shares of HK\$0.01 each.
- (d) Also on December 14, 2007, the Company issued 3,000,000,000 ordinary shares at par value of HK\$0.01 each. The cash consideration of HK\$30,000,000 has been received on June 4, 2008.

16. RESERVES — GROUP

	Merger reserves	Statutory reserves	Total
	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	
Balance at January 1, 2006	392,344	4,780	397,124
Capital injections to subsidiaries by their then equity holders . .	<u>185,134</u>	<u>—</u>	<u>185,134</u>
Balance at December 31, 2006	577,478	4,780	582,258
Capital injections to subsidiaries by their then equity holders . .	203,272	—	203,272
Deemed distributions to the then equity holders of the Group (note (a))	<u>(443,547)</u>	<u>—</u>	<u>(443,547)</u>
Balance at December 31, 2007, 2008 and June 30, 2009	<u><u>337,203</u></u>	<u><u>4,780</u></u>	<u><u>341,983</u></u>

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired during the Reorganization. Movement of merger reserve for the year ended December 31, 2007 includes cash considerations paid and payable to the Controlling Shareholder totaling RMB443,547,000 in relation to the Reorganization mentioned in note 1(b) of section II which have been treated as a deemed distribution to then equity holder of the Group in the consolidated statement of changes in equity.

(b) Statutory reserves

Pursuant to the relevant laws and regulation in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of net profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the PRC enterprises or distribute to equity holders in form of bonus issue.

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17. BORROWINGS — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings — secured (note (a))	129,000	733,285	1,111,003	968,165
Bank borrowings — unsecured (note (b))	—	27,000	—	—
	129,000	760,285	1,111,003	968,165
Less: Amounts due within one year	(30,000)	(42,440)	(563,727)	(663,035)
	<u>99,000</u>	<u>717,845</u>	<u>547,276</u>	<u>305,130</u>
Borrowings included in current liabilities:				
Short-term borrowings — secured (note (a))	—	—	—	20,000
Current portion of long-term borrowings	<u>30,000</u>	<u>42,440</u>	<u>563,727</u>	<u>663,035</u>

- (a) The Group's total borrowing of RMB129,000,000, RMB733,285,000, RMB1,111,003,000 and RMB988,165,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were secured by its assets under construction (note 6), land use rights (note 7), investment properties (note 8), properties under development (note 9) and completed properties held for sale (note 10).

In addition, the secured borrowings of RMB49,000,000, RMB670,285,000, RMB795,977,000 and RMB609,832,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were additionally guaranteed by related parties.

- (b) As at December 31, 2007, bank borrowings of RMB27,000,000 was guaranteed by Xiamen Powerlong Group. Such guarantee has been released in 2008.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less	6–12 months	1–5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
At December 31, 2006	99,000	—	—	—	99,000
At December 31, 2007	527,845	190,000	—	—	717,845
At December 31, 2008	547,276	—	—	—	547,276
At June 30, 2009	<u>203,334</u>	<u>101,796</u>	<u>—</u>	<u>—</u>	<u>305,130</u>
Borrowings included in current liabilities:					
At December 31, 2006	30,000	—	—	—	30,000
At December 31, 2007	42,440	—	—	—	42,440
At December 31, 2008	399,727	164,000	—	—	563,727
At June 30, 2009	<u>635,650</u>	<u>47,385</u>	<u>—</u>	<u>—</u>	<u>683,035</u>

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The maturity of the borrowings included in non-current liabilities is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
1–2 years	99,000	592,000	391,970	185,255
2–5 years	—	108,786	106,864	84,142
Over 5 years	—	17,059	48,442	35,733
	<u>99,000</u>	<u>717,845</u>	<u>547,276</u>	<u>305,130</u>

The effective interest rates at December 31, 2006, 2007, 2008 and June 30, 2009 are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	<u>6.03%</u>	<u>7.40%</u>	<u>7.12%</u>	<u>6.42%</u>

The fair value of borrowings approximates their carrying amounts.

The carrying amounts of the Group's borrowings at December 31, 2006, 2007, 2008 and June 30, 2009 are denominated in RMB.

As at December 31, 2006, 2007, 2008 and June 30, 2009, the Group has the following undrawn borrowing facilities:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate				
— expiring within one year	<u>40,000</u>	<u>148,000</u>	<u>92,000</u>	<u>122,000</u>

The borrowing facilities are arranged for property development of the Group. As of August 31, 2009, the Group has undrawn banking facilities amounting to RMB413,000,000.

18. CONVERTIBLE BONDS AND SECURED NOTES, EMBEDDED FINANCIAL DERIVATIVES AND SECURED BONDS AND SECURED NOTES

(a) Convertible Bonds and Secured Notes and embedded financial derivatives

On December 14, 2007, the Company, Mr. Hoi, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Macquarie Capital Securities Limited entered into a subscription agreement, pursuant to which the Company issued Convertible Bonds at a consideration of RMB409,581,000 and Secured Notes at a consideration of RMB614,371,000. The Convertible Bonds and Secured Notes are denominated in RMB and to be settled in HK\$.

The payments and other obligations of the Company in relation to the Convertible Bonds and Secured Notes are secured by the first priority share mortgage of all issued share capital of the Company, Powerlong BVI and Powerlong HK and the first priority charge over an escrow account of the Company.

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The principal terms of the Convertible Bonds are as follows:

(i) *Interest rate*

The interest rate of the Convertible Bonds is 5% per annum from the issue date to June 29, 2008 and 8.5% from June 30, 2008 to September 30, 2008 if the date of [●] (the "Date") falls on or before September 30, 2008, and 4% from the Date to the third anniversary of the Date.

(ii) *Maturity*

The Convertible Bonds are due in the third anniversary of the Date, and is redeemable at 105% of the principal amount upon maturity.

(iii) *Conversion*

The Convertible Bonds can be converted into ordinary shares of the Company at the option of the holders at any time on or after 60 days subsequent to the Date or, pursuant to designation requested by the Stock Exchange, a later date not later than six months after the Date, up to 15 days prior to the maturity or, if the Convertible Bonds have been called for redemption before such date, then up to five business days prior to the specified early redemption date. The conversion price is the share offering price at [●] and subject to adjustments under certain circumstances (the "Conversion Price").

In order to satisfy the conversion right, the Company has an option to settle in full or in part an amount of cash in HK\$ equal to (1) number of ordinary shares otherwise deliverable upon exercise of the conversion right multiply (ii) the arithmetic average of the daily volume-weighted average price of ordinary shares of the Company appearing on or derived from Bloomberg "VWAP" page on each day for the 20 trading days immediately after cash settlement notice.

(iv) *Redemption*

Under the conditions of (a) the Stock Exchange requires the conversion right to be cancelled for the purpose of the [●] of the Company; (b) the Stock Exchange requires the conversion right cannot be exercised before six months following the Date or the share issuable upon conversion of the Convertible Bonds are subject to a lock-up period expiring later than six months following the Date; or (c) the Stock Exchange requires other material alteration to the terms of Convertible Bonds, as determined by the holders of majority Convertible Bonds, the holders of the Convertible Bonds may require the Company to redeem all Convertible Bonds at a price that represents an internal rate of return of 21.1% per annum inclusive of coupons paid.

If [●] based on the Conversion Price is less than certain amount, the holders of the Convertible Bonds have the right to request redemption of the Convertible Bonds on the Date at a price that represents an internal rate of return of 21.1% inclusive of coupon interests paid.

If the Company complete a qualified [●] on or before September 30, 2008 then on the first anniversary of the Date, each holder of the Convertible Bonds has the right to require the Company to redeem the Convertible Bonds in whole or in part, at the HK\$ equivalent of its RMB amount multiplied by 105%, together with any accrued and unpaid interest.

If no qualifying [●] occurs with a Date falling on or before September 30, 2008, the holders of Convertible Bonds could redeem the Convertible Bonds on September 30, 2008 at their H.K. dollar equivalent of their RMB principal amount, together with any accrued and unpaid interest, plus an amount of premium, which together equal to 103.9% of the RMB principal amount, compounded semi-annually.

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At any time after the expiry of 12 calendar months from the Date but not less than seven business days prior to the third anniversary of the Date, the Company may, having given not less than 30 nor more than 60 days' prior written notice to the holders, redeem the Convertible Bonds in full at the early redemption amount calculated on the basis of an internal rate of return of 21.1% per annum under the condition that the closing price of the shares on the Stock Exchange for each of the 30 consecutive trading days with the last trading day falling on the fifth trading day immediately prior to the early redemption notice date is greater than 140% of such early redemption amount divided by the then conversion ratio of the Convertible Bonds.

The principal terms of the Secured Notes are as follows:

(i) *Interest rate*

The interest rate of the Secured Notes is 15% per annum from the issue date to June 29, 2008 and 18.5% from June 30, 2008 to their maturity date.

(ii) *Maturity*

The Secured Notes will mature on the earlier of (a) the Date, and (b) September 30, 2008 if no [●] has occurred.

(iii) *Redemption*

The Secured Notes will be redeemable at the earlier of (a) the Date at the principal amount or, (b) September 30, 2008 if no [●] has occurred at a price that represents an internal rate of return of 21.1% per annum, inclusive of all interests paid.

If a term alteration event occurs pursuant to the terms and conditions of the Convertible Bonds as described in the first paragraph of note 18(a)(iv), each holder of the Secured Notes will also have the right to require us to redeem in full or in part its Secured Notes on the Date or September 30, 2008 at an internal rate of return of 21.1% per annum.

If market capitalization or aggregate public float of the [●] based on the Conversion Price is less than certain amount, then holders of Secured Notes have the right to request redemption of the Secured Notes on either the Date or September 30, 2008 at a price that represents a rate of return of 21.1% per annum, inclusive of all interests paid.

If no qualifying [●] occurs with a Date falling on or before September 30, 2008, the holders of Secured Notes could redeem the Secured Notes on September 30, 2008 at their H.K. dollar equivalent of their RMB principal amount, together with any accrued and unpaid interest, plus an amount of premium, which together equal to 112.0% of the RMB principal amount, compounded semi-annually.

The Convertible Bonds and Secured Notes have been subscribed simultaneously. The total net proceeds from issuance of Convertible Bonds and Secured Notes of HK\$995,588,000 (equivalent to RMB939,138,000) and HK\$77,872,000 (equivalent to RMB73,456,000), were received on December 24, 2007 and January 4, 2008, respectively. The Convertible Bonds and Secured Notes were recognized as a number of embedded financial derivatives and a debt as follows:

Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company at the Conversion Price; the fair value of the option of the holders of the Convertible Bonds and Secured Notes to require the Company to redeem the Convertible Bonds and Secured Notes; and the fair value of the option of the Company to redeem the Convertible Bonds.

- These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognized.

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- Debt component initially recognized at its fair value, which is the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortized cost. The interest of debt component is calculated by applying an effective interest rate of approximately 21.1% per annum.

A valuation on the Convertible Bonds and Secured Notes was carried out by BMI Appraisals Limited, an independent qualified valuer on December 31, 2007 and June 30, 2008. The binomial model is used in the valuation of the embedded financial derivatives. Key assumption and variables used in the model are as follows:

		<u>December 31,</u>	<u>June 30,</u>
	<u>Note</u>	<u>2007</u>	<u>2008</u>
Conversion price		[•]	[•]
Risk-free rate of interest	(a)	4.08%	3.84%
Dividend yield	(b)	1.00%	1.00%
Time to expiration		3 years	3 years
Volatility	(c)	49.44%	56.56%

Notes:

- (a) The risk-free rate of interest adopted approximated the interest rate of Chinese government bonds with maturity of three years.
- (b) In accordance with the terms and conditions of the relevant agreement, the Conversion Price of the Convertible Bonds would be adjusted for any future share dividend and asset distribution. As a result, a 1.00% dividend yield was used, which based on the dividends yield of the Company and the peer companies, in determining the fair value of the embedded financial derivatives.
- (c) The volatility adopted for a private company was based on the average of the upper range between the industry volatility and the peer companies’ volatilities.

The value of embedded financial derivatives varies with different variables of certain subjective assumptions, which have been made by the directors of the Company based on their best estimates.

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The movement of the debt component and embedded financial derivative of the Convertible Bonds and Secured Notes is set out below:

	The Group and the Company		
	Debt component	Embedded financial derivatives	Total
	RMB'000	RMB'000	RMB'000
Convertible Bonds and Secured Notes issued on December 24, 2007	783,056	156,082	939,138
Interest charged	3,401	—	3,401
Reclassified to interest payables	(2,033)	—	(2,033)
As at December 31, 2007	784,424	156,082	940,506
Convertible Bonds and Secured Notes issued on January 4, 2008	61,372	12,084	73,456
Fair value losses on embedded financial derivatives	—	14,834	14,834
Interest charged	211,724	—	211,724
Reclassified to interest payables	(97,276)	—	(97,276)
Partial redemption	(269,901)	—	(269,901)
Restructure of Convertible Bonds and Secured Notes (note (b))	(690,343)	(183,000)	(873,343)
As at December 31, 2008 and June 30, 2009	—	—	—
(Unaudited)			
As at January 1, 2008	784,424	156,082	940,506
Convertible Bonds and Secured Notes issued on January 4, 2008	61,372	12,084	73,456
Fair value losses on embedded financial derivatives	—	14,834	14,834
Interest charged	84,953	—	84,953
Reclassified to interest payables	(56,046)	—	(56,046)
As at June 30, 2008	874,703	183,000	1,057,703

(b) Restructure of Convertible Bonds and Secured Notes by Secured Bonds and Secured Notes

In September 2008, the holders of the Convertible Bonds and Secured Notes, the Company and the Controlling Shareholders of the Company have reached an agreement to amend the terms and conditions of Convertible Bonds and Secured Notes, the key changes are summarised below:

- the rights embedded in the Convertible Bonds to convert the bonds into ordinary shares of the Company was cancelled;
- the Convertible Bonds in the aggregate principal amount of RMB127,741,000 should be redeemed on September 30, 2008;
- the Secured Notes in the aggregate principal amount of RMB142,160,000 should be redeemed on September 30, 2008;
- the outstanding principal of the Convertible Bonds of RMB330,929,000 and the Secured Notes of RMB496,392,000 together with the accrued interests should be repaid by installments on a monthly basis over the period up to June 30, 2009.

In July 2009, the Company and the holders of the Secured Bonds and Secured Notes have agreed to extend the maturity date of the Secured Bonds and Secured Notes to December 31, 2009.

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The movement of the Secured Bonds and Secured Notes is set out below:

	Secured Bonds and Secured Notes
	RMB'000
As at January 1, 2008	—
Transfer from Convertible Bonds and Secured Notes and Embedded financial derivatives . .	873,343
Interest charged	52,350
Repayment of principal	(35,091)
Reclassified to interest payables	<u>(56,790)</u>
As at December 31, 2008	833,812
Interest charged	62,080
Repayment of principal	(457,614)
Reclassified to interest payables	<u>(23,308)</u>
As at June 30, 2009	<u><u>414,970</u></u>

The effective interest rate of Secured Bonds and Secured Notes for the year ended December 31, 2008 and the six months ended June 30, 2009 is 27.6%.

In July 2009, the Company and the Controlling Shareholders of the Company entered into a written agreement with the holders of the Secured Bonds and Secured Notes to revise the terms of Secured Bonds and Secured Notes as below:

- (1) the annual rate of interest applicable to the Secured Bonds and Secured Notes is 25% per annum,
- (2) all interest payments are calculated in Renminbi and are to be settled in equivalent Hong Kong dollars at a fixed exchange rate of Rmb0.8772 to HK\$1.00; and
- (3) the outstanding principal of the Secured Bonds and Secured Notes together with the accrued interests should be repaid by installments on a monthly basis up to December 31, 2009.

19. DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against Income tax payables and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
— to be realized after more than 12 months .	8,904	271	5,602	13,862
— to be realized within 12 months	<u>14,232</u>	<u>40,231</u>	<u>32,806</u>	<u>29,907</u>
	<u><u>23,136</u></u>	<u><u>40,502</u></u>	<u><u>38,408</u></u>	<u><u>43,769</u></u>
Deferred income tax liabilities to be settled after more than 12 months	<u><u>39,970</u></u>	<u><u>163,539</u></u>	<u><u>367,692</u></u>	<u><u>366,706</u></u>

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The movement on the deferred taxation is as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning of the year/period . .	11,300	(16,834)	(123,037)	(123,037)	(329,284)
Recognized in the consolidated statement of comprehensive income (note 27)	(28,134)	(106,203)	(206,247)	(8,665)	6,347
End of the year/period	(16,834)	(123,037)	(329,284)	(131,702)	(322,937)

Movement in deferred tax assets and liabilities during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 is as follows:

Deferred income tax assets

	Temporary difference on unrealized profit of inter-company transactions	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	11,300	11,300
Credited to the consolidated statement of comprehensive income	4,566	7,270	11,836
At December 31, 2006	4,566	18,570	23,136
(Charged)/credited to the consolidated statement of comprehensive income	(2,731)	20,097	17,366
At December 31, 2007	1,835	38,667	40,502
Credited/(charged) to the consolidated statement of comprehensive income	7,217	(9,311)	(2,094)
At December 31, 2008	9,052	29,356	38,408
Credited to the consolidated statement of comprehensive income	2,338	3,023	5,361
At June 30, 2009	11,390	32,379	43,769
(Unaudited)			
At January 1, 2008	1,835	38,667	40,502
Credited/(charged) to the consolidated statement of comprehensive income	3,804	(9,469)	(5,665)
At June 30, 2008	5,639	29,198	34,837

Deferred income tax assets are recognized for tax losses to the extent that the realization of the related benefit through the future taxable profits is probable. Accumulated losses amounting to RMB135,000, RMB8,584,000, RMB16,545,000 and RMB104,252,000 as at June 30, 2009 will expire in 2011, 2012, 2013 and 2014, respectively.

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Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties RMB'000
At January 1, 2006	—
Charged to the consolidated statement of comprehensive income	39,970
At December 31, 2006	39,970
Charged to the consolidated statement of comprehensive income	123,569
At December 31, 2007	163,539
Charged to the consolidated statement of comprehensive income	204,153
At December 31, 2008	367,692
Credited to the consolidated statement of comprehensive income	(986)
At June 30, 2009	366,706
(Unaudited)	
At January 1, 2008	163,539
Charged to the consolidated statement of comprehensive income	3,000
At June 30, 2008	166,539

20. TRADE AND OTHER PAYABLES

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables							
— third parties	211,409	521,292	492,936	512,011	—	—	—
Notes payables	—	—	—	40,478	—	—	—
Other payables and accruals:	473,344	47,494	787,350	1,518,812	2,033	55,034	23,308
— Related parties (note 34(d)).	456,480	—	633,179	1,397,988	—	—	—
— Third parties	16,864	47,494	154,171	120,824	2,033	55,034	23,308
Payables for retention fee .	48,710	74,045	99,401	108,618	—	—	—
Payables for acquisition of land use rights	591,757	234,981	143,434	143,434	—	—	—
Other taxes payable	2,569	14,057	19,496	21,058	—	—	—
	<u>1,327,789</u>	<u>891,869</u>	<u>1,542,617</u>	<u>2,344,411</u>	<u>2,033</u>	<u>55,034</u>	<u>23,308</u>

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The ageing analysis of trade payables of the Group at December 31, 2006, 2007 and 2008 and June 30, 2009 is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	114,879	238,827	34,779	86,876
Over 90 days and within 180 days	2,453	80,931	72,247	2,056
Over 180 days and within 365 days	38,492	93,703	117,412	50,355
Over 365 days and within 3 years	55,585	107,831	268,498	372,724
	<u>211,409</u>	<u>521,292</u>	<u>492,936</u>	<u>512,011</u>

21. INCOME TAX PAYABLES — GROUP

The income tax payables are analyzed as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax payables				
— PRC corporate income tax payable	4,327	77,988	147,877	211,765
— PRC land appreciation tax payable	60,634	248,469	223,707	328,784
	<u>64,961</u>	<u>326,457</u>	<u>371,584</u>	<u>540,549</u>

22. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Business taxes and other levies					
(note (a))	24,917	60,009	82,347	35,623	66,383
Staff costs (note 24)	14,551	22,552	112,679	44,481	47,300
Advertising costs	17,227	20,909	39,243	11,904	10,178
Depreciation	1,907	4,159	6,389	2,859	3,764
Amortization of land use rights	7,576	4,823	5,735	2,075	7,896
Cost of properties sold	171,511	352,889	786,710	372,785	543,233
Auditors' remuneration	335	482	493	240	210
Donations to governmental					
charity	<u>19,691</u>	<u>12,771</u>	<u>5,658</u>	<u>1,859</u>	<u>3,348</u>

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(a) Business taxes

The Group companies established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%

23. OTHER GAINS AND LOSSES — NET

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Foreign exchange (losses)/ gains (note (a))	—	(6,870)	(11,005)	(9,372)	3,599
Excess of net assets acquired from minority interests over consideration paid (note (b))	—	1,945	—	—	—
Losses from partial disposal of a subsidiary (note (c))	—	(735)	—	—	—
Losses from disposal of investment properties — net (note (d))	—	—	(26,781)	—	(3,127)
	<u>—</u>	<u>(5,660)</u>	<u>(37,786)</u>	<u>(9,372)</u>	<u>472</u>

- (a) The foreign exchange losses or gains for the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009 were mainly related to the cash denominated in HK\$.
- (b) During the year ended December 31, 2007, the Group acquired 9.5% equity interest in Quanzhou Baohua Property Development Company Limited at a consideration of RMB3,610,000, 22% equity interest in Xiamen Jinjiang Business Planning Company Limited at a consideration of RMB22,000, 1% equity interest in Xiamen Bairun Property Consulting Company Limited at a consideration of RMB10,000, 6.95% equity interest in Fuzhou Powerlong Business Management Company Limited at a consideration of RMB69,500 from their respective minority equity holders. The considerations were determined based on the proportion of paid-in capital of these subsidiaries contributed by the minority equity holders and the excess of net assets acquired over the considerations paid totaling RMB1,945,000 were recognized in other gains of the consolidated statement of comprehensive income. In August and December 2007, the Group also acquired 10% equity interest in Wuxi Powerlong Property Development Company Limited and 29% equity interest in Xiamen Hualong Commercial Property Management Company Limited, from their respective minority equity holders at considerations of RMB11,215,000 and RMB290,000, respectively. The considerations are determined based on the net assets acquired from the minority interests and therefore no gain was resulted from these transactions.
- (c) On June 18, 2007, the Group disposed of a 29% equity interest in Xiamen Jinjiang Business Planning Company Limited to an independent third party at a consideration of RMB29,000. The consideration was based on the paid-in capital contributed by the Group. The loss of RMB735,000 represented the net assets disposed of over the consideration.

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- (d) During the year ended December 31, 2008 and six months ended June 30, 2009, the Group disposed of certain investment properties in Fuzhou Powerlong Property Development Company Limited at considerations of RMB57,525,000 and RMB7,910,000, which resulted in a loss of RMB26,781,000 and RMB3,127,000, respectively.

24. STAFF COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	12,717	18,788	96,972	38,411	40,845
Pension costs — statutory pension (note 31)	455	1,321	8,896	3,530	4,422
Other staff welfare and benefits	1,379	2,443	6,811	2,540	2,033
	<u>14,551</u>	<u>22,552</u>	<u>112,679</u>	<u>44,481</u>	<u>47,300</u>

25. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors' emoluments borne by the then equity holders of the Group during the years ended December 31, 2006 and 2007 amounted to RMB437,000, RMB649,000, respectively.

The directors' emoluments borne by the Group during the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2008 and 2009 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	—	90	2,664	1,332	1,092
Retirement scheme contributions	—	10	28	4	14
Fee	—	—	—	—	—
	<u>—</u>	<u>100</u>	<u>2,692</u>	<u>1,336</u>	<u>1,106</u>

The remuneration of each director of the Company for the year ended December 31, 2007 is set out below:

	Salary	Retirement scheme contributions	Fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hoi	18	2	—	20
Mr. Hoi Wa Fong	18	2	—	20
Ms. Shih Sze Ni	18	2	—	20
Mr. Guo Jun	18	2	—	20
Mr. Xiao Qing Ping	18	2	—	20
	<u>90</u>	<u>10</u>	<u>—</u>	<u>100</u>

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The remuneration of each director of the Company for the year ended December 31, 2008 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	720	—	—	720
Mr. Hoi Wa Fong	480	—	—	480
Ms. Shih Sze Ni	264	—	—	264
Mr. Guo Jun	720	24	—	744
Mr. Xiao Qing Ping	480	4	—	484
	<u>2,664</u>	<u>28</u>	<u>—</u>	<u>2,692</u>

The remuneration of each director of the Company for the six months ended June 30, 2009 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	360	—	—	360
Mr. Hoi Wa Fong	240	—	—	240
Ms. Shih Sze Ni	132	—	—	132
Ms. Liu Xiao Lan	120	12	—	132
Mr. Xiao Qing Ping	240	2	—	242
	<u>1,092</u>	<u>14</u>	<u>—</u>	<u>1,106</u>

The remuneration of each director of the Company for the six months ended June 30, 2008 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	360	—	—	[360]
Mr. Hoi Wa Fong	240	—	—	[240]
Ms. Shih Sze Ni	132	—	—	[132]
Mr. Guo Jun	360	2	—	362
Mr. Xiao Qing Ping	240	2	—	242
	<u>1,332</u>	<u>4</u>	<u>—</u>	<u>[1,336]</u>

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(b) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from directors of the Company and entities ultimately controlled by the director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director:	Maximum amount outstanding								
	December 31,			June 30,	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2009	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
								(unaudited)	
Mr. Hoi	24,594	—	—	—	24,594	24,594	—	—	—
Related entities ultimately controlled by Mr. Hoi (note 34(d)). .	799,068	62,371	536,924	926,657	799,068	799,068	536,924	68,185	926,657
	<u>823,662</u>	<u>62,371</u>	<u>536,924</u>	<u>926,657</u>	<u>823,662</u>	<u>823,662</u>	<u>536,924</u>	<u>68,185</u>	<u>926,657</u>

(c) Five highest paid individuals

During the six months ended June 30, 2009, four of the five highest paid individuals of the Company are also the directors of the Company. The aggregate amounts of emoluments of the five highest paid individuals for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are set out below:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits					
— Directors	—	—	2,664	1,332	972
— Others.	587	728	—	—	360
	<u>587</u>	<u>728</u>	<u>2,664</u>	<u>1,332</u>	<u>1,332</u>
Retirement scheme contributions					
— Directors	—	—	28	4	2
— Others.	12	25	—	—	—
	<u>12</u>	<u>25</u>	<u>28</u>	<u>4</u>	<u>2</u>
	<u>599</u>	<u>753</u>	<u>2,692</u>	<u>1,336</u>	<u>1,334</u>

(d) During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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26. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses:					
— Bank borrowings wholly repayable within five years	9,347	22,571	68,827	32,495	35,892
— Debt component of the Convertible Bonds and Secured Notes (note 18(a))	—	3,401	211,724	84,953	—
— Secured Bonds and Secured Notes (note 18(b))	—	—	52,350	—	62,080
	9,347	25,972	332,901	117,448	97,972
Less: interest capitalized. . . .	(9,347)	(22,571)	(299,246)	(86,128)	(95,256)
	—	3,401	33,655	31,320	2,716

27. INCOME TAX

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
— PRC corporate income tax	28,009	115,741	135,121	40,039	116,619
— PRC land appreciation tax	73,598	199,438	3,945	30,684	144,147
Deferred income tax					
— PRC corporate income tax	28,134	106,203	206,247	8,665	(6,347)
	129,741	421,382	345,313	79,388	254,419

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The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating profit before income tax	252,782	1,028,123	1,282,629	133,835	582,987
Calculated at applicable PRC corporate income tax rate . .	80,430	297,414	327,975	43,409	146,309
Effect of expenses not deductible for income tax (note (a))	—	—	14,379	12,966	—
PRC land appreciation tax deductible for PRC corporate income tax purposes.	(24,287)	(65,815)	(986)	(7,671)	(36,037)
Effect of tax rate change.	—	(9,655)	—	—	—
	56,143	221,944	341,368	48,704	110,272
PRC land appreciation tax . . .	73,598	199,438	3,945	30,684	144,147
	<u>129,741</u>	<u>421,382</u>	<u>345,313</u>	<u>79,388</u>	<u>254,419</u>

- (a) The amounts were mainly resulted from the fair value loss of embedded financial derivatives and finance costs recorded at the Company, which were not deductible of income tax.

The weighted average applicable PRC corporate income tax rate for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are 32%, 29%, 26%, 32% and 25%. The fluctuation is caused by a change in the profitability of the Group's subsidiaries in the respective tax jurisdictions and the applicable income tax rate for the fair value gains on investment properties during the year ended December 31, 2007 was reduced from 33% to 25% according to the new PRC corporate income tax law.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Financial Information as the Company and the Group did not have assessable profit in Hong Kong for the Relevant Periods. The profit of the Company is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

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For each of the years ended December 31, 2006 and 2007, PRC corporate income tax is provided at the rate of 33% of the profits for the PRC statutory financial reporting purposes, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose. Certain of the Group’s subsidiaries established and located in Xiamen Special Economic Zone, are entitled to a preferential tax rate of 15%.

On March 16, 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), which is effective from January 1, 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group’s subsidiaries located in Mainland China from January 1, 2008 is 25%, replacing the applicable tax rate of 33%. Under the new CIT Law, the corporate income tax rate applicable to certain of the Group companies established and operated in Xiamen Special Economic Zone is gradually increased from 15% to 25% in a transitional period of five years starting from January 1, 2008.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group’s subsidiaries operated in the PRC. In these Financial Information, deferred tax assets and liabilities in certain subsidiaries to be realized after January 1, 2008 has been adjusted to the amounts calculated based on corporate income rate of 25% with a credit of RMB9,655,000 to income tax expenses for the year ended December 31, 2007.

PRC land appreciation tax (“LAT”)

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

Certain Group companies in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which is calculated based on 0.5% to 3.5% of its sales of properties in accordance with the authorized taxation method.

28. EARNINGS PER SHARE

Earnings per share information for each of the years ended December 31, 2006, 2007 is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of preparation of the Financial Information as disclosed in note 1 above.

On December 14, 2007, the Company issued 3,000,000,000 ordinary shares at par value of HK\$0.01 each (note 15(d)). The calculation of earnings per share for the year ended December 31, 2008 and the six months ended June 30, 2008 and 2009 is based on the profit attributable to equity holders of the Company of RMB932,658,000, RMB55,680,000 and RMB330,068,000, respectively, and the 3,000,000,000 shares in issue.

No diluted earnings per share are presented as there were no potential dilutive shares in issue during the year ended December 31, 2008 and the six months ended June 30, 2009.

29. DIVIDEND

The following dividend were declared by the Company during the Relevant Periods:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Dividend	—	32,900	—	—	—

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

30. CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	252,782	1,028,123	1,282,629	133,835	582,987
Adjustments for:					
Depreciation (note 6)	1,907	4,159	6,389	2,859	3,764
Amortization of land use rights recognized as expenses	7,576	4,823	5,735	2,075	7,896
Excess of net assets acquired from minority interests over consideration paid (note 23(b))	—	(1,945)	—	—	—
Losses from partial disposal of a subsidiary (note 23(c))	—	735	—	—	—
Losses from disposal of investment properties (note 23(d))	—	—	26,781	—	3,127
Fair value gains on investment properties (note 8)	(121,121)	(533,035)	(856,040)	(12,000)	(2,400)
Fair value losses on embedded financial derivatives (note 18(a))	—	—	14,834	14,834	—
Finance costs (note 26)	—	3,401	33,655	31,320	2,716
Foreign exchange losses/(gains) arising from operating activities (note 23(a))	—	6,870	11,005	9,372	(3,599)
Changes in operating capital:					
— Properties under construction and completed properties held for sale . . .	(185,973)	(476,234)	(640,300)	(446,264)	(26,365)
— Land use rights (note 7) . . .	34,948	66,388	160,442	54,973	131,777
— Restricted cash	(3,699)	(14,817)	(7,218)	(4,450)	(23,773)
— Trade and other receivables and prepayments	(36,592)	(98,455)	1,563	(47,477)	(55,723)
— Trade and other payables . . .	99,028	196,373	200,876	25,735	66,757
— Advances from customers . . .	508,410	986,544	195,320	286,946	(223,315)
Cash generated from operations . .	<u>557,266</u>	<u>1,172,930</u>	<u>435,671</u>	<u>51,758</u>	<u>463,849</u>

Major non-cash transactions mainly include the followings:

- (a) During the year ended December 31, 2007, land premium of approximately RMB146,259,000 was paid by Xiamen Powerlong Group, a related party of the Group, on behalf of the Group.
- (b) Amounts due from/to related parties totaling RMB25,595,000 were off-set at December 31, 2007.

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31. PENSIONS — DEFINED CONTRIBUTION PLANS

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive income of the Group for the Relevant Periods, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gross scheme contributions . .	455	1,321	8,896	3,530	4,422

32. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analyzed as below:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	280,297	912,359	1,029,327	1,229,794

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

33. COMMITMENTS FOR PROPERTY DEVELOPMENT EXPENDITURE

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
— Property development activities	1,621,750	926,011	1,544,969	1,099,616
— Acquisition of land use rights	—	514,442	910,590	904,420
	1,621,750	1,440,453	2,455,559	2,004,036

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34. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
The Controlling Shareholders, including Mr. Hoi, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan.	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi and Mr. Hoi Wa Fong are also directors of the Company
Xiamen Powerlong Group 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Real Estate Development Company Limited 廈門寶龍房地產發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong JuSheng Information System Integrated Company Limited 廈門寶龍聚生信息系統集成有限公司	Ultimately controlled by Mr. Hoi
Jinjiang Powerlong Hotel Company Limited 晉江寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Xiamen Shiquanshimei Food & Beverage Management Company Limited 廈門寶龍餐飲管理有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Amusement Management Company Limited 廈門寶龍樂園管理有限公司	Ultimately controlled by Mr. Hoi
Macau Entertainment Company Limited 澳門娛樂有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Hotel Company Limited 廈門寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Xiamen Aojinlong Office Equipment Company Limited 廈門市澳金龍辦公設備有限公司	Ultimately controlled by Mr. Hoi
Lujing Entertainment Company Limited 鷺京娛樂城有限公司	Ultimately controlled by Mr. Hoi
Powerlong Happy World Company Limited 寶龍歡樂世界有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Powerlong Food & Beverage Company Limited 鄭州食全食美餐飲管理有限公司	Ultimately controlled by Mr. Hoi

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(b) Transactions with related parties

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the Group had the following significant transactions with related parties:

(i) Related party transactions that will continue after the [●] of the Company:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income (note (1)):					
— Fuzhou Cannes Department Store Company Limited	—	11,075	9,541	8,398	—
— Xiamen Powerlong Food & Beverage Management Company Limited	—	1,478	1,590	814	—
— Xiamen Powerlong Amusement Management Company Limited	—	2,525	4,146	1,915	1,238
— Zhengzhou Powerlong Food & Beverage Company Limited	—	—	1,626	—	909
	<u>—</u>	<u>15,078</u>	<u>16,903</u>	<u>11,127</u>	<u>2,147</u>
Purchase of property and equipment (note (1))					
— Xiamen Powerlong Information Industry Co., Ltd.	824	728	135	135	27
— Fujian Ping An Security Devices and Network Limited	—	—	23,083	14,854	4,466
	<u>824</u>	<u>728</u>	<u>23,218</u>	<u>14,989</u>	<u>4,493</u>
Property management fee income (note(1))					
— Mr. Hoi Wa Fong	31	31	31	16	2
— Xiamen Powerlong Group	159	130	93	46	41
— Xiamen Powerlong Amusement Management Company Limited	—	144	495	248	248
Zhengzhou Powerlong Food & Beverage Company Limited	—	74	295	148	148
	<u>190</u>	<u>379</u>	<u>914</u>	<u>458</u>	<u>439</u>
Hotel accommodation service fee charged to the Group (note (1))					
— Macau Powerlong Group	<u>1,250</u>	<u>1,580</u>	<u>2,840</u>	<u>1,725</u>	<u>406</u>

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	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Office lease expense (note (1))					
— Xiamen Powerlong Information Industry Co., Ltd.	—	—	1,485	743	743

(ii) Related party transactions that will not be continued after the [●] of the Company:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Construction fee and related service fee charged to the Group (note (1))					
— Xiamen Powerlong JuSheng Information System Integrated Company Limited.	634	—	—	—	—
— Xiamen Powerlong Information Industry Co., Ltd.	5,484	1,576	—	—	—
	<u>6,118</u>	<u>1,576</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sales of properties (note (1))					
— Mr. Hoi Wa Fong	7,722	3,729	—	—	—
— Ms. Wang Lai Jan	—	493	—	—	—
	<u>7,722</u>	<u>4,222</u>	<u>—</u>	<u>—</u>	<u>—</u>
Property management fee income (note (1))					
— Fuzhou Cannes Department Store Company Limited	—	4,092	4,710	2,309	—
— Xiamen Powerlong Food & Beverage Management Company Limited	—	312	470	235	—
	<u>—</u>	<u>4,404</u>	<u>5,180</u>	<u>2,544</u>	<u>—</u>
Consultancy expenses charged to the Group (note (1))					
— Xiamen Powerlong Group	15,800	25,800	—	—	—

(1) The transactions were charged in accordance with the terms of the underlying agreements.

(2) Related parties have provided corporate guarantees for the Group’s bank borrowings of RMB49,000,000, RMB670,285,000, RMB795,977,000 and RMB609,832,000 at December 31, 2006 and 2007 and 2008 and June 30, 2009, respectively (note 17).

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- (3) As at December 31, 2008 and June 30, 2009, the Group have pledged certain parts of its land use rights (note 7) and investment properties (note 8) as guarantees for the borrowings of the related parties of RMB90,000,000 and RMB405,000,000, respectively. All such pledge have been released by [●] 2009.
- (4) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation for the years ended December 31, 2006 and 2007 was borne by Xiamen Powerlong Group.

Key management compensation for the year ended December 31, 2008 and the six months ended June 30, 2009 is set out below.

	Year ended December 31, 2008	Six months ended June 30, 2009
	RMB'000	RMB'000
Key management compensation		
— Salaries and other employee benefits	2,664	1,332
— Pension costs	28	2
	<u>2,692</u>	<u>1,334</u>

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(d) Balances with related parties

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group had the following material non-trade balances with related parties:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties including in other receivables (note (i))				
— Mr. Hoi	24,594	—	—	—
— Related entities ultimately controlled by Mr. Hoi (note 25(b))	799,068	62,371	236,924	326,657
— Xiamen Powerlong Group	729,581	62,371	210,180	320,744
— Xiamen Powerlong Real Estate Development Company Limited	2,617	—	—	—
— Jinjiang Powerlong Hotel Company Limited	66,031	—	—	—
— Fuzhou Cannes Department Store Company Limited	—	—	20,616	—
— Fuzhou Powerlong Amusement Management Company Limited	—	—	3,996	4,107
— Zhengzhou Powerlong Food & Beverage Company Limited	—	—	2,032	388
— Other related entities ultimately controlled by Mr. Hoi	839	—	100	1,418
	<u>823,662</u>	<u>62,371</u>	<u>236,924</u>	<u>326,657</u>
Prepayments for acquisition of properties (note (ii))				
— Xiamen Powerlong Group	—	—	300,000	600,000
	<u>—</u>	<u>—</u>	<u>300,000</u>	<u>600,000</u>
	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties included in other payables (note (i)):				
— Mr. Hoi	—	—	633,115	1,397,796
— Xiamen Powerlong Group	423,064	—	—	—
— Xiamen Powerlong Hotel Company Limited	31,267	—	—	—
— Jinjiang Powerlong Hotel Company Limited	561	—	—	—
— Macau Entertainment Company Limited	1,349	—	—	—
— Other related entities ultimately controlled by Mr. Hoi	239	—	64	192
	<u>456,480</u>	<u>—</u>	<u>633,179</u>	<u>1,397,988</u>

(i) Amounts due from/to related parties are unsecured, interest-free and receivable/repayable on demand, which are cash advances in nature.

(ii) On December 5, 2008, a subsidiary of the Company entered into an agreement with Xiamen Powerlong Group to acquire certain properties from Xiamen Powerlong Group at a consideration of RMB600,000,000. The Group has prepaid the consideration of RMB300,000,000 and RMB300,000,000 during the year ended December 31, 2008 and the six months ended June 30, 2009, respectively, for the acquisition.

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III. SUBSEQUENT EVENTS

- (a) The Secured Bonds and Secured Notes amounting to RMB414,970,000 as at June 30, 2009 have been subsequently settled.
- (b) Pursuant to the written resolutions of the shareholders of the Company passed on September 16, 2009, the Company has issued and allotted 150,000,000 shares to Skylong Holdings Limited, by way of capitalization of the amount due to Mr. Hoi of RMB1,000 million. Skylong Holdings Limited owned 60% of the shares of the Company prior to the allotment, and is wholly owned by Mr. Hoi.
- (c) [●]

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to June 30, 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to June 30, 2009.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong