The following is the text of a report, prepared for the sole purpose of incorporation in this document, received from our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Draft

PRICEWATERHOUSECOOPERS

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[●]

The Directors
Excellence Real Estate Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Excellence Real Estate Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and jointly controlled entities set out in Sections I to IV below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2007, 2008 and 30 June 2009, 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 31 December 2006, 2007 and 2008 and the six months ended 30 June 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 4 June 2007 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. Pursuant to a group reorganisation as detailed in note 1 of Section II headed "General Information and Group Reorganisation" below, which was completed on 18 January 2008, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and jointly controlled entities as set out in notes 1 and 10 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as it has not been involved in any significant business transactions since incorporation other than the Reorganisation. The statutory audited financial statements or management financial statements of the subsidiaries comprising the Group were prepared in accordance with accounting principles and relevant financial regulations of the People's Republic of China (the "PRC") or those relevant accounting principles applicable to their respective place of incorporation.

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

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 31 December 2006, 2007 and 2008 and the six months ended 30 June 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 30 June 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 accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information 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 30 June 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 the 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

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

I FINANCIAL INFORMATION

Consolidated balance sheets

		As at 31 December			As at 30 June
	Note	2006	2007	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	6	30,381	36,405	34,425	30,170
Investment properties	7	572,500	665,000	706,000	741,000
Land use rights	8	771,365	1,186,887	1,320,854	1,312,469
Intangible assets	9	37,615	38,390	46,290	46,290
Investment in jointly controlled entities	10	—	—	65,172	62,485
Available-for-sale financial assets	11	322,712	—	—	—
Deferred income tax assets	21	34,032	54,469	82,529	79,737
Other receivables	14	—	—	—	300,000
		1,768,605	**1,981,151**	**2,255,270**	**2,572,151**
Current assets					
Land use rights	8	445,275	1,276,249	1,947,517	1,820,666
Properties under development	12	255,479	616,854	1,770,654	1,938,471
Completed properties held for sale	13	550,043	750,792	1,933,047	1,517,101
Trade and other receivables	14	1,776,148	2,280,157	2,062,628	2,794,650
Prepaid taxation		60,415	38,864	77,495	124,898
Financial assets at fair value through profit or loss	15	2,323	—	—	—
Restricted cash	16	49,908	28,066	387,663	400,589
Cash and cash equivalents	17	1,159,776	1,261,716	621,364	1,642,890
		4,299,367	**6,252,698**	**8,800,368**	**10,239,265**
Total assets		**6,067,972**	**8,233,849**	**11,055,638**	**12,811,416**
EQUITY					
Capital and reserves attributable to equity owners of the Company					
Share capital	18	6,535	6,879	6,879	6,879
Reserves	19	1,021,101	1,097,989	1,262,757	1,645,695
		1,027,636	**1,104,868**	**1,269,636**	**1,652,574**
Minority interests		**227,261**	**180,076**	**164,586**	**164,091**
Total equity		**1,254,897**	**1,284,944**	**1,434,222**	**1,816,665**
LIABILITIES					
Non-current liabilities					
Borrowings	20	1,733,000	3,165,000	3,584,500	3,985,842
Deferred income tax liabilities	21	215,464	240,484	261,040	288,313
		1,948,464	**3,405,484**	**3,845,540**	**4,274,155**
Current liabilities					
Advance proceeds received from customers		598,514	558,144	1,217,725	1,725,138
Trade and other payables	22	1,137,468	711,397	1,775,345	1,764,006
Current income tax liabilities		238,629	295,988	646,911	941,176
Borrowings	20	890,000	1,977,892	2,135,895	2,290,276
		2,864,611	**3,543,421**	**5,775,876**	**6,720,596**
Total liabilities		**4,813,075**	**6,948,905**	**9,621,416**	**10,994,751**
Total equity and liabilities		**6,067,972**	**8,233,849**	**11,055,638**	**12,811,416**
Net current assets		**1,434,756**	**2,709,277**	**3,024,492**	**3,518,669**
Total assets less current liabilities		**3,203,361**	**4,690,428**	**5,279,762**	**6,090,820**

Balance sheets

	Note	As at 31 December		As at 30 June
		2007	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Investments in subsidiaries	33	344	7,567	7,567
		344	**7,567**	**7,567**
Current assets				
Other receivables		—	5,304	5,301
Cash and cash equivalents		89	67	67
		89	**5,371**	**5,368**
Total assets		**433**	**12,938**	**12,935**
EQUITY				
Capital and reserves				
Share capital	18	344	6,879	6,879
Reserves	19	(66)	(175)	(175)
Total equity		**278**	**6,704**	**6,704**
LIABILITIES				
Current liabilities				
Trade and other payables		155	6,234	6,231
		155	**6,234**	**6,231**
Total liabilities		**155**	**6,234**	**6,231**
Total equity and liabilities		**433**	**12,938**	**12,935**
Net current liabilities		**(66)**	**(863)**	**(863)**
Total assets less current liabilities		**278**	**6,704**	**6,704**

Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	5	1,369,948	990,759	2,149,588	745,044	2,178,665
Cost of sales	25	(871,535)	(589,950)	(1,132,194)	(393,671)	(1,198,540)
Gross profit		**498,413**	**400,809**	**1,017,394**	**351,373**	**980,125**
Other income	23	19,705	1,371	3,639	967	1,239
Other gains - net	24	72,753	317,469	60,898	59,360	35,529
Selling and marketing costs	25	(58,862)	(58,621)	(109,825)	(50,830)	(56,969)
Administrative expenses	25	(82,241)	(112,731)	(157,786)	(88,894)	(76,198)
Operating profit		449,768	548,297	814,320	271,976	883,726
Finance income	26	18,022	9,930	9,027	5,634	8,715
Finance costs	26	(78,332)	(124,227)	(227,005)	(125,336)	(106,756)
Finance costs - net	26	(60,310)	(114,297)	(217,978)	(119,702)	(98,041)
Share of loss of jointly controlled entities	10	—	—	—	—	(2,687)
Share of loss of an associate		(10)	—	—	—	—
Profit before income tax		**389,448**	**434,000**	**596,342**	**152,274**	**782,998**
Income tax expenses	29	(188,262)	(111,914)	(410,999)	(127,428)	(400,555)
Profit for the year/period		**201,186**	**322,086**	**185,343**	**24,846**	**382,443**
Other comprehensive income:						
Gains/(losses) recognised directly in equity:						
Fair value gains on available-for-sale financial assets	19	139,241	7,288	—	—	—
Tax effect of fair value gains on available-for-sale financial assets	19	(20,886)	(1,093)	—	—	—
Reclassification for gains included in profit and loss	19	—	(195,500)	—	—	—
Other comprehensive income for the year/period, net of tax		**118,355**	**(189,305)**	**—**	**—**	**—**
Total comprehensive income for the year/period		**319,541**	**132,781**	**185,343**	**24,846**	**382,443**
Profit/(loss) attributable to:						
Equity owners of the Company		205,778	323,714	184,467	25,429	382,938
Minority interests		(4,592)	(1,628)	876	(583)	(495)
		201,186	**322,086**	**185,343**	**24,846**	**382,443**
Total comprehensive income attributable to:						
Equity owners of the Company		324,133	134,409	184,467	25,429	382,938
Minority interests		(4,592)	(1,628)	876	(583)	(495)
		319,541	**132,781**	**185,343**	**24,846**	**382,443**
Basic and diluted earnings per share for profit attributable to equity owners of the Company during the year/period	**31**	**217**	**331**	**184**	**25**	**383**
Dividends	**30**	**—**	**—**	**—**	**—**	**—**

Consolidated statements of changes in equity

	Attributable to the equity owners of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
	RMB'000	*RMB'000* *Note (i)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2006	**6,535**	**116,253**	**583,315**	**706,103**	**89,983**	**796,086**
Profit/(loss) for the year	—	—	205,778	205,778	(4,592)	201,186
Other comprehensive income:						
Fair value gains of available-for-sale financial assets, net of tax	—	118,355	—	118,355	—	118,355
	—	118,355	—	118,355	—	118,355
Total comprehensive income for the year	—	118,355	205,778	324,133	(4,592)	319,541
Transfer to other reserve	—	35,653	(35,653)	—	—	—
Capital injections to subsidiaries by their then shareholders	—	—	—	—	69,000	69,000
Acquisition of subsidiaries *(note 37)*	—	—	—	—	93,250	93,250
Acquisition of additional interest in a subsidiary	—	(2,600)	—	(2,600)	(20,380)	(22,980)
Balance at 31 December 2006	**6,535**	**267,661**	**753,440**	**1,027,636**	**227,261**	**1,254,897**
Profit/(loss) for the year	—	—	323,714	323,714	(1,628)	322,086
Other comprehensive income:						
Fair value gains of available-for-sale financial assets, net of tax	—	6,195	—	6,195	—	6,195
Disposal of available-for-sale financial assets	—	(195,500)	—	(195,500)	—	(195,500)
	—	(189,305)	—	(189,305)	—	(189,305)
Total comprehensive income for the year	—	(189,305)	323,714	134,409	(1,628)	132,781
Transfer to other reserve	—	22,359	(22,359)	—	—	—
Capital injections to the Company and its subsidiaries by their then shareholders	344	—	—	344	23,020	23,364
Acquisition of subsidiaries *(note 37)*	—	—	—	—	43,000	43,000
Acquisition of additional interest in subsidiaries	—	(57,521)	—	(57,521)	(111,577)	(169,098)
Balance at 31 December 2007	**6,879**	**43,194**	**1,054,795**	**1,104,868**	**180,076**	**1,284,944**
Profit for the year	—	—	184,467	184,467	876	185,343
Total comprehensive income for the year	—	—	184,467	184,467	876	185,343
Transfer to other reserve	—	51,904	(51,904)	—	—	—
Acquisition of subsidiaries *(note 37)*	—	—	—	—	7,514	7,514
Acquisition of additional interest in subsidiaries	—	(19,699)	—	(19,699)	(23,880)	(43,579)
Balance at 31 December 2008	**6,879**	**75,399**	**1,187,358**	**1,269,636**	**164,586**	**1,434,222**
Profit/(loss) for the period	—	—	382,938	382,938	(495)	382,443
Total comprehensive income for the period	—	—	382,938	382,938	(495)	382,443
Balance at 30 June 2009	**6,879**	**75,399**	**1,570,296**	**1,652,574**	**164,091**	**1,816,665**
Unaudited:						
Balance at 1 January 2008	**6,879**	**43,194**	**1,054,795**	**1,104,868**	**180,076**	**1,284,944**
Profit/(loss) for the period	—	—	25,429	25,429	(583)	24,846
Total comprehensive income for the period	—	—	25,429	25,429	(583)	24,846
Acquisition of subsidiaries *(note 37)*	—	—	—	—	2,614	2,614
Acquisition of additional interest in subsidiaries	—	—	—	—	(23,280)	(23,280)
Balance at 30 June 2008	**6,879**	**43,194**	**1,080,224**	**1,130,297**	**158,827**	**1,289,124**

Note (i):

Other reserves comprise merger reserve, capital reserve, statutory reserves and investment revaluation reserve, see note 19 for details.

Consolidated cash flow statements

		Year ended 31 December			Six months ended 30 June	
	Note	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Net cash generated from/(used in) operations	32	452,197	(2,051,834)	(259,749)	(1,086,100)	722,282
PRC enterprise income tax paid		(14,771)	(70,257)	(52,627)	(45,987)	(69,761)
PRC land appreciation tax paid		—	(11,308)	(14,953)	(444)	(6,464)
Net cash from/(used in) operating activities		**437,426**	**(2,133,399)**	**(327,329)**	**(1,132,531)**	**646,057**
Cash flows from investing activities						
Purchases of property, plant and equipment		(6,969)	(12,613)	(8,544)	(3,126)	(860)
Acquisition of subsidiaries, net of cash acquired	37	(400,078)	(171,680)	(46,498)	(13,348)	—
Payment for investment in a jointly controlled entity		—	—	(172)	(172)	—
Purchase of additional interest in subsidiaries		(22,980)	(160,140)	(47,715)	(32,216)	—
Proceeds from disposal of available-for-sale financial assets		—	330,000	—	—	—
Interest received		9,231	20,186	9,027	5,634	8,715
Net cash (used in)/from investing activities		**(420,796)**	**5,753**	**(93,902)**	**(43,228)**	**7,855**
Cash flows from financing activities						
Capital contributions from the then shareholders of the Company and its subsidiaries		69,000	23,364	—	—	—
Proceeds from borrowings		2,049,000	4,141,892	2,766,000	1,862,000	1,418,842
Repayments of borrowings		(1,170,000)	(1,749,225)	(2,188,497)	(947,796)	(863,381)
Restricted bank deposits for bank borrowings	20	—	—	(350,000)	—	—
Interest paid		(114,762)	(186,445)	(446,624)	(234,111)	(187,847)
Net cash from/(used in) financing activities		**833,238**	**2,229,586**	**(219,121)**	**680,093**	**367,614**
Net increase/(decrease) in cash and cash equivalents		**849,868**	**101,940**	**(640,352)**	**(495,666)**	**1,021,526**
Cash and cash equivalents at the beginning of the year/period		309,908	1,159,776	1,261,716	1,261,716	621,364
Cash and cash equivalents at the end of the year/period		**1,159,776**	**1,261,716**	**621,364**	**766,050**	**1,642,890**

II NOTES TO THE FINANCIAL INFORMATION

1 General information and Reorganisation

The Company was incorporated in the Cayman Islands on 4 June 2007 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 22nd Floor, Excellence Mansion, No. 98 Fuhua First Road, Futian Central District, Shenzhen, Guangdong Province, China. During the Relevant Periods, the Group is principally engaged in the property development, property rental, property management and related businesses.

Excellence Holdings Investment Limited ("Excellence Hong Kong") was incorporated in Hong Kong on 7 March 1996 by Mr. Li Wa. As at 1 January 2006, Excellence Hong Kong was held by Mr. Li Wa and Mr. Li Xiaoping (hereinafter collectively referred as "Original Shareholders") as to 95% and 5% respectively. The Original Shareholders, through Excellence Hong Kong, established and acquired various companies in the PRC engaging in property development, property rental, property management and related business. Details of the acquisition of companies during the Relevant Periods are set out below and in note 37.

As part of the Reorganisation, Mr. Li Wa, through his wholly owned holding company incorporated in British Virgin Island ("BVI"), Sparkle Century Holdings Development Limited ("Sparkle Century"), and Mr. Li Xiaoping, through his wholly owned holding company incorporated in BVI, Broad Ocean Investment Group Limited ("Broad Ocean"), subscribed for the entire issued share capital of Company upon its establishment. And accordingly the Company was held as to 95% by Sparkle Century and as to 5% by Broad Ocean.

Prior to the Reorganisation, Excellence Holdings Investment Limited ("Excellence BVI"), another company incorporated in BVI was held as to 95% by Mr. Li Wa and as to 5% by Mr. Li Xiaoping. Pursuant to the Reorganisation, the Company acquired the entire issued share capital of Excellence BVI from Li Wa and Li Xiaoping at considerations of USD47,500 and USD2,500, respectively, representing the issued share capital then held by Li Wa and Li Xiaoping.

On 18 January 2008, in consideration of the issue of 902,500 shares of the Company to Sparkle Century at the direction of Mr. Li Wa, Mr. Li Wa transferred his 47,500 shares in Excellence Hong Kong to Excellence BVI and, in consideration of the issue of 47,500 shares of the Company to Broad Ocean at the direction of Mr. Li Xiaoping, Mr. Li Xiaoping transferred his 2,500 shares in Excellence Hong Kong to Excellence BVI. After such transfers, Excellence Hong Kong became a wholly owned subsidiary of Excellence BVI.

After the above Reorganisation, the Company became the holding company of the subsidiaries comprising the Group. Sparkle Century also became the ultimate holding company of the Group. Mr. Li Wa is the ultimate controlling party.

Particulars of the subsidiaries of the Company as at the date of this report are set out below.

			Percentage of attributable equity interest to the Company As at					
		Nominal value of issued and fully paid share capital/ paid-in capital	31 December			30 June	Date of this report	
Name	Date of incorporation/ establishment		2006	2007	2008	2009		Principal activities
Incorporated in BVI, limited liability companies and operate in the PRC:								
Excellence Holdings Investment Limited *(note (a))*	24 August 2000	USD50,000	100%	100%	100%	100%	100%	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
Success State International Limited	30 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Luck Sea International Limited	12 February 2008	USD50,000	—	—	100%	100%	100%	Investment holding
South Smart Investment Limited *(note (h))*	30 November 2007	USD50,000	—	100%	100%	100%	100%	Investment holding
Top Gate Investment Holdings Limited	2 April 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Early State Group Limited	15 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Jolly Park Holdings Limited *(note (a))*	16 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Joyrun Holdings Limited *(note (a))*	8 July 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Merry Wave Group Limited	25 April 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Incorporated in Hong Kong, limited liability companies and operate in Hong Kong:								
Excellence Holdings Investment Limited	7 March 1996	HKD1,000,000	100%	100%	100%	100%	100%	Investment holding
Excellence Real Estate Investment Limited	30 May 2007	HKD70,200,000	—	100%	100%	100%	100%	Investment holding
Grand Way Real Estate Investment Limited	31 May 2007	HKD1,000,000	—	100%	100%	100%	100%	Investment holding
Oriental Rich Holdings Group Limited	5 July 2007	HKD10,000	—	100%	100%	100%	100%	Investment holding
Excellence Effort Property Development Limited	9 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Sapphire Nature International Limited	30 January 2008	HKD10,000	—	—	100%	100%	100%	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
Splendid Profit Holdings Limited *(note (h))*	30 January 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Success State Hotel Management Limited	18 April 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Best Group Enterprises Development Limited	11 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Universe Asia Int'l Enterprises Limited	8 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Established and operate in the PRC, all of which are foreign investment enterprises:								
深圳卓越世紀城房地產開發有限公司 Shenzhen Excellence Century City Real Estate Development Co., Ltd. ("Excellence Century City") *(note (c) and note 37(c))*	3 May 1994	HKD488,000,000	100%	100%	100%	100%	100%	Real estate development
深圳金利居房地產開發有限公司 Shenzhen Jinliju real Estate Development Co., Ltd. ("Shenzhen Jinliju") *(note (b))*	19 June 1995	RMB50,000,000	—	100%	100%	100%	100%	Real estate development
卓越置業集團有限公司 Excellence Real Estate Holdings Co., Ltd. ("Excellence China")	21 June 1996	HKD750,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市卓越物業管理有限公司 Shenzhen Excellence Property Management Co., Ltd. ("Excellence Property Management")	27 October 1999	RMB5,000,000	60%	100%	100%	100%	100%	Property management

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
北京恒銀房地產開發有限公司 Beijing Hengyin Property Development Co., Ltd.	18 January 2001	RMB50,000,000	—	—	—	—	60%	Primary land development
廣州桂鑫實業有限公司 Guangzhou Guixin Industrial Co., Ltd. ("Guangzhou Guixin") *(note (c), (g) and note 37(a))*	16 April 2002	RMB3,000,000	90%	90%	100%	100%	100%	Property rental and management
上海德天置業有限公司 Shanghai Detian Real Estate Company Limited	23 January 2003	RMB100,000,000	—	—	—	—	100%	Real estate development
深圳卓越房地產開發有限公司 Shenzhen Excellence Real Estate Development Co., Ltd. ("Shenzhen Excellence")	17 March 2003	HKD128,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市梅沙海景高爾夫渡假村有限公司 Shenzhen Meisha Seaview Golf Resort Co., Ltd. ("Meisha Seaview")	2 January 2004	RMB112,200,000	51%	51%	51%	51%	51%	Construction and operation of golf resort
武漢卓越房地產開發有限公司 Wuhan Excellence Real Estate Development Co., Ltd. ("Wuhan Excellence") *(note (g))*	10 March 2004	RMB50,000,000	72%	100%	100%	100%	100%	Real estate development
長沙市卓越置業發展有限公司 Changsha Excellence Real Estate Development Co., Ltd. ("Changsha Excellence") *(note (e), (g))*	31 March 2004	RMB50,000,000	100%	100%	100%	100%	100%	Real estate development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
杭州恒興置業有限公司 Hangzhou Hengxing Real Estate Co., Ltd. ("Hangzhou Hengxing") *(note (c) and note 37(e))*	21 May 2004	RMB20,000,000	—	—	70%	70%	70%	Real estate development
深圳市鵬躍投資發展有限公司 Shenzhen Pengyue Investment Co., Ltd. ("Shenzhen Pengyue") *(note (b))*	26 May 2004	RMB20,000,000	100%	100%	100%	100%	100%	Real estate development
東莞市中天廣場建造有限公司 Dongguan Zhongtian Plaza Development Co., Ltd. ("Dongguan Zhongtian") *(note (c) and note 37(d))*	15 June 2004	RMB20,000,000	—	80%	80%	80%	80%	Real estate development
重慶市萬商置業有限公司 Chongqing Wanshang Real Estate Co., Ltd. ("Chongqing Wanshang") *(note (d) and note (g))*	31 December 2003	RMB20,000,000	99%	100%	100%	100%	100%	Real estate development
武漢正和置業有限公司 Wuhan Zhenghe Real Estate Co., Ltd. ("Wuhan Zhenghe")	6 September 2005	RMB10,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市大百匯房地產有限公司 Shenzhen Dabaihui Property Development Co., Ltd. ("Shenzhen Dabaihui") *(note (c) and note 37(f))*	13 October 2005	RMB10,000,000	—	—	51%	51%	51%	Real estate development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
深圳市鵬潤房地產開發有限公司 Shenzhen Pengrun Development Property Co., Ltd. ("Shenzhen Pengrun")	2 December 2005	RMB10,000,000	—	—	51%	51%	51%	Real estate development
山東卓越房地產開發有限公司 Shandong Excellence Real Estate Development Co., Ltd. ("Shandong Excellence")	11 January 2006	RMB100,000,000	61%	61%	61%	61%	61%	Real estate development
深圳市祈年建業投資有限公司 Shenzhen Qi'nian Industrial Development Co., Ltd. ("Shenzhen Qi'nian") *(note (b) and (h))*	5 April 2006	RMB20,000,000	—	100%	100%	100%	100%	Real estate development
深圳卓越商業置業有限公司 Shenzhen Excellence Commercial Real Estate Co., Ltd. ("Excellence Commercial") *(note (f))*	1 September 2006	RMB100,000,000	100%	100%	100%	100%	100%	Real estate development
卓越置業集團(青島)有限公司 Excellence Real Estate (Qingdao) Co., Ltd. ("Excellence Qingdao") *(note (g))*	2 November 2006	RMB100,000,000	70%	100%	100%	100%	100%	Real estate development
湖南麓山別墅投資開發有限公司 Hunan Lushan Villa Investments Co., Ltd. ("Hunan Lushan") *(note (c), (g) and note 37(b))*	4 December 2006	RMB10,000,000	60%	90%	100%	100%	100%	Real estate development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
重慶市萬商市場經營管理有限公司 Chongqing Wanshang Marketing Management Co., Ltd. ("Wanshang Marketing")	14 August 2006	RMB2,000,000	99%	99%	99%	99%	99%	Property management
連雲港天乾房地產開發有限公司 Lianyungang Tianqian Real Estate Development Co., Ltd. ("Lianyungang Tianqian") *(note (b))*	22 January 2007	USD29,990,000	—	100%	100%	100%	100%	Real estate development
連雲港瑞豪置業有限公司 Lianyungang Ruihao Real Estate Co., Ltd. ("Lianyungang Ruihao") *(note (b))*	2 February 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
連雲港天峻置業有限公司 Lianyungang Tianjun Real Estate Co., Ltd. ("Lianyungang Tianjun") *(note (b))*	2 February 2007	USD29,990,000	—	100%	100%	100%	100%	Real estate development
連雲港天行健房地產開發有限公司 Lianyungang Tianxingjian Real Estate Development Co., Ltd. ("Lianyungang Tianxingjian") *(note (b))*	7 February 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
惠州卓越東部房地產開發有限公司 Huizhou Excellence Eastern Real Estate Development Co., Ltd.	7 March 2007	RMB30,000,000	—	100%	100%	100%	100%	Real estate development
深圳兆和房地產開發有限公司 Shenzhen Zhaohe Real Estate Development Co., Ltd. ("Shenzhen Zhaohe")	7 March 2007	RMB30,000,000	—	100%	100%	100%	100%	Real estate development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
卓越置業成都有限公司 Excellence Real Estate Chengdu Co., Ltd. ("Excellence Chengdu")	7 June 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
深圳市卓越維港房地產開發有限公司 Shenzhen Excellence Weigang Real Estate Development Co., Ltd. ("Excellence Weigang)	13 June 2007	RMB40,000,000	—	99.25%	99.25%	99.25%	99.25%	Real estate development
卓越集團(青島)實業有限公司 Qingdao Excellence Industrial Development Co., Ltd. ("Qingdao Excellence Industrial")	14 August 2007	RMB100,000,000	—	100%	100%	100%	100%	Real estate development
青島卓越建業房地產開發有限公司 Qingdao Excellence Construction Real Estate Development Co., Ltd. ("Qingdao Excellence Real Estate")	17 September 2007	RMB20,000,000	—	60%	60%	60%	60%	Real estate development
惠州羅浮山卓越置業有限公司 Huizhou Luofu Shan Excellence Real Estate Co., Ltd. ("Huizhou Luofu Shan")	19 October 2007	RMB50,000,000	—	70%	70%	70%	70%	Real estate development
惠州市柏盛房地產有限公司 Huizhou Baisheng Real Estate Co., Ltd. ("Huizhou Baisheng")	30 November 2007	RMB50,000,000	—	100%	100%	100%	100%	Real estate development
深圳市康越策劃顧問有限公司 Shenzhen Kangyue Design and Consultancy Co, Ltd. ("Shenzhen Kangyue")	4 December 2007	RMB10,000,000	—	100%	100%	100%	100%	Enterprise image design and information consulting

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company As at 31 December 2006	31 December 2007	31 December 2008	30 June 2009	Date of this report	Principal activities
深圳祥華置業發展有限公司 Shenzhen Xianghua Real Estate Development Co., Ltd. ("Shenzhen Xianghua")	4 December 2007	RMB10,000,000	—	100%	100%	100%	100%	Property management
深圳新錦澤市場營銷策劃有限公司 Shenzhen Xinjinze Market Sales and Planning Co., Ltd. ("Shenzhen Xinjinze") *(note (h))*	23 May 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive
深圳馨蔚然投資顧問有限公司 Shenzhen Xinweiran Investment Advisory Co., Ltd. ("Shenzhen Xinweiran")	4 June 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive
深圳邦業酒店經營管理有限公司 Shenzhen Bangye Hotel Management Co., Ltd ("Shenzhen Bangye")	29 October 2008	HKD750,000	—	—	100%	100%	100%	Inactive
深圳東潤澤投資顧問有限公司 Shenzhen Dongrunze Investment Consultancy Co., Ltd. ("Shenzhen Dongrunze")	15 October 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive

Notes:

(a) These three subsidiaries are directly held by the Company, other subsidiaries are indirectly held by the Company.

(b) During the year ended 31 December 2006, the Group acquired 100% equity interest in Shenzhen Pengyue at a consideration of approximately RMB105,000,000. During the year ended 31 December 2007, the Group acquired 100% equity interests in six companies, namely Shenzhen Qi'nian, Shenzhen Jinliju, Lianyungang Tianqian, Lianyungang Tianjun, Lianyungang Tianxingjian and Lianyungang Ruihao at considerations of approximately RMB230,822,000, RMB210,677,000, RMB37,061,000, RMB28,389,000, RMB32,191,000 and RMB28,559,000, respectively.

(c) During the year ended 31 December 2006, the Group acquired 90% equity interest in Guangzhou Guixin, 60% equity interest in Hunan Lushan and 60% equity interest in Excellence Century City. During the year ended 31 December 2007, the Group acquired 80% equity interest in Dongguan Zhongtian. During the year ended 31 December 2008, the Group acquired 70% equity interest in Hangzhou Hengxing and 51% equity interest in Shenzhen Dabaihui (refer to note 37 for details).

(d) As at 1 January 2006, Mr. Wang Ping and Ms. Li Xiaohong, held 70% and 29% equity interest in Chongqing Wanshang on behalf of Mr. Li Wa. During the year ended 31 December 2007, such aggregated 99% equity interest has been transferred to Excellence China. Chongqing Wanshang has been consolidated into the Group from 1 January 2006 as Chongqing Wanshang and the Company are under the common control of Mr. Li Wa, one of the Original Shareholders.

(e) As at 1 January 2006, 49% and 5% equity interest of Changsha Excellence was held by Excellence China and the Original Shareholders, respectively. During the year ended 31 December 2007, the Original Shareholders transferred its 5% equity interest in Changsha Excellence to Excellence China. Changsha Excellence has been consolidated into the Group from 1 January 2006 as Changsha Excellence and the Company are under the common control of the Original Shareholders.

(f) On 1 September 2006, Excellence Commercial was held by Excellence China and Mr. Li Wa as to 70% and 30% respectively since its date of establishment. During the year ended 31 December 2007, Mr. Li Wa transferred its 30% equity interest to the Group. Excellence Commercial has been consolidated into the Group and accounted for as a wholly owned subsidiary from its date of establishment.

(g) During the year ended 31 December 2006, Excellence China acquired an additional 46% equity interest in Changsha Excellence from other owners, who were also related parties of the Group, at a consideration of RMB22,980,000. During the year ended 31 December 2007, the Group acquired an additional 30% equity interest in Excellence Qingdao, an additional 28% equity interest in Wuhan Excellence, an additional 40% equity interest in Excellence Property Management, additional 1% equity interest in Chongqing Wanshang and an additional 30% equity interest in Hunan Lushan at an aggregated consideration of approximately RMB169,098,000. During the year ended 31 December 2008, the Group further acquired an additional 10% equity interest in Guangzhou Guixin and 10% equity interest in Hunan Lushan at an aggregated consideration of approximately RMB43,579,000. After the above transactions, all the aforementioned subsidiaries are wholly owned by the Group.

(h) The Group indirectly held a 100% equity interest in Shenzhen Qi'nian through South Smart Investment Limited ("South Smart"),which is wholly owned by Excellence BVI. Pursuant to a share transfer agreement between Excellence BVI and HNA Group (Hong Kong) Co., Limited, an independent third party, dated 12 October 2009, Excellence BVI agreed to transfer a 99% equity interest in South Smart to HNA Group (Hong Kong) Co., Limited, at a consideration of RMB1.16 billion. As at the date of this report, the transaction has not been completed. Splendid Profit Holdings Limited, a subsidiary incorporated in Hong Kong, Shenzhen Xinjinze, a subsidiary established in the PRC, and Shenzhen Qi'nian were directly or indirectly 100% owned by South Smart.

No statutory audited financial statements have been prepared for the above subsidiaries as it is not required by the local regulators, except for the following companies for the corresponding financial years:

	Statutory auditors		
Name of companies	**Year ended 31 December 2006**	**Year ended 31 December 2007**	**Year ended 31 December 2008**
Excellence Holdings Investment Limited (Hong Kong)	Lee Sik Wai & Co.	Lee Sik Wai & Co.	Lee Sik Wai & Co.
Excellence Real Estate Investment Limited	Not applicable	C&W (CPA) Limited	C&W (CPA) Limited
Grand Way Real Estate Investment Limited	Not applicable	SBC CPA Limited	SBC CPA Limited
Oriental Rich Holdings Group Limited	Not applicable	Not applicable	SBC CPA Limited
Sapphire Nature International Limited	Not applicable	Not applicable	SBC CPA Limited

Name of companies	Statutory auditors Year ended 31 December 2006	 Year ended 31 December 2007	 Year ended 31 December 2008
Splendid Profit Holdings Limited	Not applicable	Not applicable	SBC CPA Limited
Success State Hotel Management Limited	Not applicable	Not applicable	SBC CPA Limited
卓越置業集團有限公司 * Excellence Real Estate Holdings Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳卓越房地產開發有限公司 * Shenzhen Excellence Real Estate Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳卓越世紀城房地產開發有限公司 * Shenzhen Excellence Century City Real Estate Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳市鵬躍投資發展有限公司 * Shenzhen PengYue Investment Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
武漢卓越房地產開發有限公司 * Wuhan Excellence Real Estate Development Co., Ltd.	武漢天意會計師事務所有限責任公司 Wuhan Tianyi CPAs	武漢天意會計師事務所有限責任公司 Wuhan Tianyi CPAs	湖北長江會計師事務有限責任公司 Hubei Changjiang CPAs
武漢正和置業有限公司 * Wuhan Zhenghe Real Estate Co., Ltd.	武漢天意會計師事務所有限責任公司 Wuhan Tianyi CPAs	武漢天意會計師事務所有限責任公司 Wuhan Tianyi CPAs	湖北長江會計師事務有限責任公司 Hubei Changjiang CPAs
長沙市卓越置業發展有限公司 * Changsha Excellence Real Estate Development Co., Ltd.	湖南三湘聯合會計師事務所 Hunan Sanxiang LianHe CPAs	湖南三湘聯合會計師事務所 Hunan Sanxiang LianHe CPAs	湖南德緣彩虹有限責任會計師事務所 Hunan Deyuan Rainbow CPAs
重慶市萬商置業有限公司 * Chongqing Wanshang Real Estate Co., Ltd.	重慶鉑碼會計師事務所有限公司 ChongQing BoMa CPAs	重慶鉑碼會計師事務所有限公司 ChongQing BoMa CPAs	重慶鉑碼會計師事務所有限公司 ChongQing BoMa CPAs
深圳市祈年建業投資有限公司 * Shenzhen Qi'nian Industrial Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
廣州桂鑫實業有限公司 * Guangzhou Guixin Industrial Co., Ltd.	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs
深圳卓越商業置業有限公司 * Shenzhen Excellence Commercial Real Estate Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs

	Statutory auditors		
Name of companies	**Year ended 31 December 2006**	**Year ended 31 December 2007**	**Year ended 31 December 2008**
連雲港天乾房地產開發有限公司 * Lianyungang Tianqian Real Estate Development Co., Ltd.	Not applicable	連雲港東方聯合會計師事務所 Lianyungang Oriential United CPAs	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
連雲港天峻置業有限公司 * Lianyungang Tianjun Real Estate Co., Ltd.	Not applicable	連雲港東方聯合會計師事務所 Lianyungang Oriential United CPAs	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
深圳市卓越維港房地產開發有限公司 * Shenzhen Excellence Weigang Real Estate Development Co., Ltd.	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
湖南麓山別墅投資開發有限公司 * Hunan Lushan Villa Investments Co., Ltd.	Not applicable	湖南德緣有限責任會計師事務所 Hunan Deyuan Rainbow CPAs	湖南德緣有限責任會計師事務所 Hunan Deyuan Rainbow CPAs
卓越置業集團(青島)有限公司 * Excellence Real Estate (Qingdao) Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs
卓越置業成都有限公司 * Excellence Real Estate Chengdu Co., Ltd.	Not applicable	Not applicable	四川崇信會計師事務所 Sichuan Chongxin CPAs
惠州市卓越東部房地產開發有限公司 * Huizhou Excellence Eastern Real Estate Development Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
深圳市兆和房地產開發有限公司 * Shenzhen Zhaohe Real Estate Development Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
東莞市中天廣場建造有限公司 * Dongguan Zhongtian Plaza Development Co., Ltd.	Not applicable	Not applicable	東莞市金穗會計師事務所 Dongguan City Kings Duty CPAs
卓越集團(青島)實業有限公司 * Qingdao Excellence Industrial Development Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs
青島卓越建業房地產開發有限公司 * Qingdao Excellence Construction Real Estate Development Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs

Name of companies	Statutory auditors Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008
深圳市卓越物業管理有限公司 * Shenzhen Excellence Property Management Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
重慶市萬商市場經營管理有限公司 * Chongqing Wanshang Marketing Management Co., Ltd.	Not applicable	Not applicable	重慶鉑碼會計師事務所有限公司 ChongQing BoMa CPAs
深圳市祥華置業發展有限公司 * Shenzhen Xianghua Real Estate Development Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳市康越策劃顧問有限公司 * Shenzhen Kangyue Design and Consultancy Co, Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
惠州市柏盛房地產有限公司 * Huizhou Baisheng Real Estate Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
惠州羅浮山卓越置業有限公司 * Huizhou Luofu Shan Excellence Real Estate Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
連雲港天行健房地產開發有限公司 * Lianyungang Tianxingjian Real Estate Development Co., Ltd.	Not applicable	Not applicable	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
連雲港瑞豪置地有限公司 * Lianyungang Ruihao Real Estate Co., Ltd.	Not applicable	Not applicable	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
深圳新錦澤市場營銷策劃有限公司 * Shenzhen Xinjinze Market Sales and Planning Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳馨蔚然投資顧問有限公司 * Shenzhen Xinweiran Investment Advisory Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳邦業酒店經營管理有限公司 * Shenzhen Bangye Hotel Management Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳東潤澤投資顧問有限公司 * Shenzhen Dongrunze Investment Consultancy Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs

'*' represent that certain names of the companies in this note represent management's translation of the Chinese names of these companies as no English names have been registered or available for these companies.

'Not applicable' represent that no statutory audited financial statements have been prepared as it is not required by the local regulators for those years or the companies have not been established in those years.

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 to the Relevant Periods.

2.1 ***Basis of preparation***

Since the companies comprising the Group (other than the companies acquired during the Relevant Period) are under the common control of the Original Shareholders before and after the Reorganisation, the Financial Information has 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 includes the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2006, or since their respective dates of incorporation/establishment. For companies acquired from (or disposed to) a third party during the Relevant Period, they would be included in (excluded from) the Financial Information of the Group from the date of the acquisitions (disposals).

The Financial Information has been prepared in accordance with HKFRS under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value, throughout the Relevant Periods.

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

For the purpose of preparing and presenting Financial Information of the Relevant Periods, the Group has adopted the HKFRSs which are effective for the accounting period beginning on 1 January 2009 consistently throughout the Relevant Periods.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group.

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interests in the acquiree either at fair value or at the minority interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC)-Int 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

- HKICPA's improvements to HKFRS published in May 2009:

  Improvements to HKFRS issued in May 2009 contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendment to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

- Amendment to HKFRS 2, 'Share-based payment — Group Cash-settled Share-based payment Transactions', effective for annual periods beginning on or after 1 January 2010, subject to the transitional requirements in HKFRS 2. This is not currently relevant to the Group, as it does not have any share-based payments.

- Amendments to HKFRS 1 'Additional Exemptions for First-time Adopters', effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 ***Merger accounting for common control combination***

The Financial Information incorporates 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 parties.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised 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 income statement 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.

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 is recognised as an expense in the period in which it is incurred.

2.3 ***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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualify as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, 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. 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 interest. 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 recognised directly in the income statement.

For the acquisition of subsidiaries which do not qualify as business combination, the fair value of the consideration transferred, including transaction costs, is allocated to assets acquired and liabilities assumed based on their relative fair value. The assets acquired include intangible assets that are recognised separately. No goodwill arises on such transactions.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. 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 the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 ***Transactions with minority interests***

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

2.5 ***Jointly controlled entities***

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the financial statements, using the equity method of accounting. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provisions for impairment in value. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios specified in the contractual arrangement.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 ***Associates***

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.7 ***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 core management team led by the Chairman and President of the Group that makes strategic decisions. This core management team comprises all executive Directors.

2.8 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). For the purpose of this report, the Financial Information is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(b) *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 recognised in the consolidated income statements.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the consolidated income statement within 'finance costs - net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains - net'.

(c) *Group companies*

The results and financial positions of all the companies now comprising the Group (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 companies now comprising the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement 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 the closing rate.

2.9 ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. 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 recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statements during the Relevant Periods in which they are incurred.

Depreciation on property, plant 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	20 years
Motor vehicles	5 - 10 years
Furniture, fitting and equipment	3 - 8 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 proceeds with carrying amount. These are included in the income statement.

2.10 ***Investment property***

Property that is held to earn rentals or for capital appreciation or both and is not occupied by the companies within the Group, or property that is being constructed or developed for future use as investment property, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance 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. The operating lease is accounted for as if it were a finance lease.

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

After initial recognition, investment property is carried at fair value. 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 the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Fair value is determined by professional valuation conducted at each balance sheet date. Changes in fair value are recognised in the income statement.

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 recognised as a liability, including finance lease liabilities in respect of land classified as investment property; other outflows including contingent rent payments, are not recognised in the financial statements.

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

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

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognised in the income statement.

2.11 ***Intangible assets***

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates/jointly controlled entity is included in "investments in associates"/"investments in jointly controlled entities" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.12 ***Impairment of investment in subsidiaries, jointly controlled entities, associates and non-financial assets***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

2.13 ***Financial assets***

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value though profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other gains - net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "other gains - net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. In case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.14 ***Properties under development***

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

Development cost of property comprises construction costs, amortisation of land use rights, borrowing costs capitalised and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale, plant and equipments or investment properties, as appropriate.

When properties under development are transferred to investment properties upon completion, any difference between the fair values of the properties at that date and their previous carrying amounts is recognised in the income statement. Properties under development are transferred to completed properties held for sale and property, plant and equipment at their carrying amounts upon completion.

2.15 ***Completed properties held for sale***

Completed properties remaining unsold at the at the balance sheet date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2.16 ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2.17 ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.18 ***Trade payables***

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method, or capitalised on the basis set out in note 2.20, where appropriate.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.20 ***Borrowing costs***

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

2.21 ***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 where the Group's entities 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 Financial Information. 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, 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.

2.22 ***Employee benefits***

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised 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 recognised until the time of leave.

(b) *Pension obligations*

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 organised 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. 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.

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

2.23 ***Provisions and contingent liabilities***

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised 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 recognised 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 recognised 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 recognised 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 recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.24 ***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 with the companies now comprising 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 when specific criteria have been met for each of the Group's activities as described below.

(a) *Sales of properties*

Revenue from sales of properties is recognised 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 the collectibility 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 as advanced proceeds received from customers under current liabilities.

(b) *Property management*

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

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is 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 recognised using the original effective interest rate.

(d) *Rental income*

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms. When the Group provides incentives to its customers, the aggregate cost of incentives are recognised on a straight-line basis over the lease term as a reduction of rental income.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.25 ***Leases***

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

(a) *The Group is the lessee of operating leases, other than land use rights*

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

(b) *The Group is the lessee of operating leases of land use rights*

The upfront prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease, except in the course of property development when the amortisation of land use right is included as part of the costs of the property under development.

The upfront prepayment of land use rights included in the current assets are expected to be realised in, or is intended for sale and consumption in the Group's normal operating cycle.

2.26 ***Dividend distribution***

Dividend distribution to the then shareholders of the companies now comprising the Group during the Relevant Periods is recognised in the period in which the dividends are approved by the equity holders of relevant companies now comprising the Group.

2.27 ***Insurance contracts***

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers as insurance contracts.

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

2.28 ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3 Financial risk management

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

3.1 *Financial risk factor*

(a) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB. The majority of assets and liabilities is denominated in RMB, there are no significant assets and liabilities denominated in currencies other than RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollar ("H.K. dollar") and United States dollar ("U.S. dollar"). The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

		As at 31 December		As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
H.K. dollar	37,674	3,639	17,943	262,265
U.S. dollar	—	51,410	1,537	414
Liabilities				
H.K. dollar	(43,898)	(34,278)	(6,368)	(635,549)
U.S. dollar	—	(357,892)	(334,895)	(273,276)

The following table shows the sensitivity analysis of an increase of 3%, 3%, 1% and 1% in RMB against the relevant foreign currencies at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. If there is a 3%, 3%, 1% and 1% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
H.K. dollar				
Increase/(decrease) in profit before income tax	187	919	(116)	3,733
U.S. dollar				
Increase in profit before income tax	—	9,194	3,334	2,729

(b) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before income tax for the year/period would have been RMB15,389,000, RMB20,562,000 and RMB32,355,000, RMB19,080,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) *Price risk*

The Group is exposed to equity securities price risk because of the listed and unlisted equity investments held by the Group which are stated at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans.

As at 31 December 2006, if the price of the unlisted equity investments classified as available-for-sale financial assets had been 20% higher/lower with all other variables held constant, the Group's equity would have been RMB54,861,000 higher/lower. The amount of financial assets at fair value through profit or loss is not material to the Group, no sensitivity analysis is presented.

As at 31 December 2007 and 2008 and 30 June 2009, there are no available-for-sale financial assets or financial assets at fair value through profit or loss.

(d) *Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with banks with appropriate credit ratings. Other credit policies include predetermined credit limits and other credit approval procedures. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at each balance sheet date the liabilities based on the current estimates of future cashflows. As at 31 December 2006, 2007, 2008 and 30 June 2009, no provision has been made in the financial statements.

(e) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term and long term bank loans to meet its construction commitments. 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. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measure, accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as appropriate. In addition, with more favourable policies being implemented by the Central Government and the Guangdong Provincial Government, management is confident the Group will be able to achieve its business plan. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006					
Borrowings	890,000	1,008,000	725,000	—	2,623,000
Interest	126,617	67,258	43,941	—	237,816
Trade and other payables (excluding other tax payables)	1,066,113	—	—	—	1,066,113
Total	2,082,730	1,075,258	768,941	—	3,926,929
At 31 December 2007					
Borrowings	1,977,892	896,000	2,215,000	54,000	5,142,892
Interest	307,797	209,004	153,903	3,759	674,463
Trade and other payables (excluding other tax payables)	709,923	—	—	—	709,923
Total	2,995,612	1,105,004	2,368,903	57,759	6,527,278
At 31 December 2008					
Borrowings	2,135,895	2,356,500	1,186,000	42,000	5,720,395
Interest	323,972	186,456	63,262	2,013	575,703
Trade and other payables (excluding other tax payables)	1,682,407	—	—	—	1,682,407
Total	4,142,274	2,542,956	1,249,262	44,013	7,978,505
At 30 June 2009					
Borrowings	2,290,276	3,183,842	802,000	—	6,276,118
Interest	275,384	166,329	38,035	—	479,748
Trade and other payables (excluding other tax payables)	1,671,639	—	—	—	1,671,639
Total	4,237,299	3,350,171	840,035	—	8,427,505

3.2 ***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 owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the Relevant Periods.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and bank balance. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings *(note 20)*	2,623,000	5,142,892	5,720,395	6,276,118
Less: cash and bank balances *(note 17)*	(1,209,684)	(1,289,782)	(1,009,027)	(2,043,479)
Net debt	1,413,316	3,853,110	4,711,368	4,232,639
Total equity	1,254,897	1,284,944	1,434,222	1,816,665
Total capital	2,668,213	5,138,054	6,145,590	6,049,304
Gearing ratio	53%	75%	77%	70%

The increase in gearing ratio during 2007 is due to significant increase in borrowings to finance property development.

3.3 ***Fair value estimation***

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments.

The carrying values less impairment provisions of trade and other receivables and the carrying values of trade and other payables approximate their fair values due to their short maturities. The fair values of financial liabilities for disclosure purposes are 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 assumptions

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.

4.1 ***Income taxes and deferred taxation***

Significant judgement is required in determining the provision for income tax. 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 period in which such determination is made.

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

4.2 ***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 finalised its 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 recognised these land appreciation taxes based on management's 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 income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4.3 ***Estimate of fair value of investment properties***

The fair value of each investment property is individually determined at each balance sheet date by independent valuers based on a market value assessment. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each 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.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the market value of investment properties had been 5% higher/lower with all variables held constant, the carrying value of the Group's investment properties would have been RMB28,625,000, RMB33,250,000, RMB35,300,000 and RMB37,050,000 higher/lower, respectively.

4.4 ***Impairment of goodwill***

The Group tests annually for impairment of goodwill in accordance with accounting policy as stated in note 2.12. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value less cost to sell and value-in-use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

4.5 ***Fair value of unlisted financial instruments***

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale financial assets that are not traded in active markets.

5 Segment information

The chief operating decision-maker is the core management team led by the Chairman and President of the Group. This core management team comprises all executive Directors.

Management has determined the operating segments based on the reports reviewed by this core management team. The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- property development segment is engaged in real estate development;
- property management segment provides management and security services to residential and commercial properties; and
- property rental segment is engaged in property letting to earn rentals and/or for capital appreciation of properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before finance income and finance cost. Finance income, finance costs and income taxes are managed on a group basis and are not allocated to operating segments. Other information, provided to the chief operating decision-makers, is measured in a manner consistent with that in the financial statements.

Revenues comprise turnover which include sales proceeds from property sales, income from property management services and rental operations, as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Property development	1,305,174	867,675	1,995,791	673,167	2,101,336
Property management	43,056	68,317	86,063	36,427	42,305
Property rental	21,718	54,767	67,734	35,450	35,024
	1,369,948	990,759	2,149,588	745,044	2,178,665

There were no inter-segment revenues during the Relevant Periods.

The segment results for the year ended 31 December 2006, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			note (a)	
Segment revenue	1,305,174	43,056	21,718	1,369,948
Operating profit before finance income and costs	373,602	526	75,640	449,768
Finance costs - net				(60,310)
Share of loss of an associate	(10)	—	—	(10)
Profit before income tax				389,448
Income tax expenses				(188,262)
Profit for the year				201,186
Depreciation *(note 6)*	4,266	674	68	5,008
Amortisation *(note 8)*	4,143	—	—	4,143
Additions to non-current assets	349,936	390	330,162	680,488
Non-cash items:				
Fair value gain on investment properties	—	—	69,207	69,207
Fair value gain on financial assets at fair value through profit or loss	1,320	—	—	1,320

Note (a):

The segment results of the property rental segment included the fair value gains of investment properties.

The segment results for the year ended 31 December 2007, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			note (a)	
Segment revenue	867,675	68,317	54,767	990,759
Operating profit before finance income and costs	416,681	17,050	114,566	548,297
Finance costs - net				(114,297)
Profit before income tax				434,000
Income tax expenses				(111,914)
Profit for the year				322,086
Depreciation *(note 6)*	6,263	692	47	7,002
Amortisation *(note 8)*	11,548	—	—	11,548
Additions to non-current assets	932,319	687	2	933,008
Non-cash items:				
Fair value gain on investment properties	—	—	82,618	82,618

The segment results for the year ended 31 December 2008, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			note (a)	
Segment revenue	1,995,791	86,063	67,734	2,149,588
Operating profit/(loss) before finance income and costs	732,511	(838)	82,647	814,320
Finance costs - net				(217,978)
Profit before income tax				596,342
Income tax expenses				(410,999)
Profit for the year				185,343
Depreciation *(note 6)*	8,942	731	47	9,720
Amortisation *(note 8)*	20,733	—	—	20,733
Additions to non-current assets	225,964	644	—	226,608
Non-cash items:				
Fair value gain on investment properties	—	—	41,000	41,000

The unaudited segment results for the six months ended 30 June 2008, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development	Property management	Property rental	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			note (a)	
Segment revenue	673,167	36,427	35,450	745,044
Operating profit before finance income and costs	205,331	3,199	63,446	271,976
Finance costs - net				(119,702)
Profit before income tax				152,274
Income tax expenses				(127,428)
Profit for the period				24,846
Depreciation	4,899	288	28	5,215
Amortisation	9,857	—	—	9,857
Additions to non-current assets	219,434	164	—	219,598
Non-cash items:				
Fair value gain on investment properties	—	—	41,000	41,000

The segment results for the six months ended 30 June 2009, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development	Property management	Property rental	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			note (a)	
Segment revenue	2,101,336	42,305	35,024	2,178,665
Operating profit before finance income and costs	828,457	(3,730)	58,999	883,726
Finance costs - net				(98,041)
Share of loss of jointly controlled entities				(2,687)
Profit before income tax				782,998
Income tax expenses				(400,555)
Profit for the period				382,443
Depreciation *(note 6)*	3,727	417	9	4,153
Amortisation *(note 8)*	10,688	—	—	10,688
Additions to non-current assets	289	548	23	860
Non-cash items:				
Fair value gain on investment properties	—	—	35,000	35,000

Additions to non-current assets comprise additions to property, plant and equipment, investment properties, intangible assets and land use rights classified as non-current, including additions resulting from acquisitions through business combinations (notes 37).

The amounts of segment assets provided to the core management team consist primarily of property, plant and equipment, land use rights, investment properties, financial assets, properties under development, completed properties held for sale, and receivables and prepaid taxation. These assets are allocated based on the operations of the segment. Segment assets exclude deferred income tax assets and cash balances. These are part of the reconciliation to the total balance sheet assets.

Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities and borrowings. Borrowings are managed by the treasury function on a centralised basis. These are part of the reconciliation to the total balance sheet liabilities.

The segment assets and liabilities at 31 December 2006 are as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	4,221,360	28,258	574,638	4,824,256
Segment liabilities	1,715,921	19,765	296	1,735,982

The segment assets and liabilities at 31 December 2007 are as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	6,193,868	27,542	668,188	6,889,598
Segment liabilities	1,238,849	22,728	7,964	1,269,541

The segment assets and liabilities at 31 December 2008 are as follows:

	Property development	**Property management**	**Property rental**	**Group**
	RMB'000	*RMB'000*	*RMB'000* *(note)*	*RMB'000*
Segment assets	9,249,923	39,872	674,287	9,964,082
Segment liabilities	2,944,563	33,826	14,681	2,993,070

Note: Segment assets include investments in jointly controlled entities of RMB65,172,000.

The segment assets and liabilities at 30 June 2009 are as follows:

	Property development	Property management	Property rental	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(note)	
Segment assets	10,103,233	49,129	535,838	10,688,200
Segment liabilities	3,433,820	40,928	14,396	3,489,144

Note: Segment assets include investments in jointly controlled entities of RMB62,485,000.

The reportable segment assets and liabilities as at 31 December 2006, 2007 and 2008 and 30 June 2009 are reconciled to Group's total assets and total liabilities as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	4,824,256	6,889,598	9,964,082	10,688,200
Unallocated:				
Deferred income tax assets	34,032	54,469	82,529	79,737
Cash balances	1,209,684	1,289,782	1,009,027	2,043,479
Total assets shown in the consolidated balance sheet	6,067,972	8,233,849	11,055,638	12,811,416
Total segment liabilities	1,735,982	1,269,541	2,993,070	3,489,144
Unallocated:				
Deferred income tax liabilities	215,464	240,484	261,040	288,313
Current income tax liabilities	238,629	295,988	646,911	941,176
Borrowings	2,623,000	5,142,892	5,720,395	6,276,118
Total liabilities shown in the consolidated balance sheet	4,813,075	6,948,905	9,621,416	10,994,751

The Company is domiciled in the Cayman Islands. No revenue from external customers is derived from the Cayman Islands. All revenues from external customers are derived in the PRC for the Relevant Periods. All non-current assets other than financial instruments and deferred tax assets (there are no employment benefit asset and rights arising under insurance contracts) are located in the PRC.

6 Property, plant and equipment

	Buildings	Motor vehicles	Furniture, fitting & equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006				
Cost	18,621	9,234	9,432	37,287
Accumulated depreciation	(2,028)	(3,387)	(3,936)	(9,351)
Net book amount	16,593	5,847	5,496	27,936
Year ended 31 December 2006				
Opening net book amount	16,593	5,847	5,496	27,936
Acquisition of subsidiaries *(note 37)*	—	—	484	484
Additions	—	3,215	3,754	6,969
Depreciation	(1,985)	(1,634)	(1,389)	(5,008)
Closing net book amount	14,608	7,428	8,345	30,381
At 31 December 2006				
Cost	18,621	12,449	13,670	44,740
Accumulated depreciation	(4,013)	(5,021)	(5,325)	(14,359)
Net book amount	14,608	7,428	8,345	30,381
Year ended 31 December 2007				
Opening net book amount	14,608	7,428	8,345	30,381
Acquisition of subsidiaries *(note 37)*	—	—	550	550
Additions	—	10,654	1,959	12,613
Disposals	—	(40)	(97)	(137)
Depreciation	(1,985)	(3,063)	(1,954)	(7,002)
Closing net book amount	12,623	14,979	8,803	36,405
At 31 December 2007				
Cost	18,621	22,700	14,939	56,260
Accumulated depreciation	(5,998)	(7,721)	(6,136)	(19,855)
Net book amount	12,623	14,979	8,803	36,405

	Buildings	Motor vehicles	Furniture, fitting & equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2008				
Opening net book amount	12,623	14,979	8,803	36,405
Acquisition of subsidiaries *(note 37)*	—	—	1,111	1,111
Additions	—	6,238	2,306	8,544
Disposal	—	(1,650)	(265)	(1,915)
Depreciation	(1,985)	(5,703)	(2,032)	(9,720)
Closing net book amount	10,638	13,864	9,923	34,425
At 31 December 2008				
Cost	18,621	24,555	15,872	59,048
Accumulated depreciation	(7,983)	(10,691)	(5,949)	(24,623)
Net book amount	10,638	13,864	9,923	34,425
Six months ended 30 June 2009				
Opening net book amount	10,638	13,864	9,923	34,425
Additions	—	87	773	860
Disposals	—	(794)	(168)	(962)
Depreciation	(993)	(2,261)	(899)	(4,153)
Closing net book amount	9,645	10,896	9,629	30,170
At 30 June 2009				
Cost	18,621	23,162	16,190	57,973
Accumulated depreciation	(8,976)	(12,266)	(6,561)	(27,803)
Net book amount	9,645	10,896	9,629	30,170

7 Investment properties

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	140,000	572,500	665,000	706,000
Transfer from property under development	33,131	9,882	—	—
Acquisition of subsidiaries *(note 37)*	330,162	—	—	—
Fair value gains (included in other gains - net)	69,207	82,618	41,000	35,000
	572,500	665,000	706,000	741,000

The investment properties are stated at 31 December 2006, 2007, 2008 and 30 June 2009 at fair value, representing market value appraised by an independent, professionally qualified valuer, DTZ Debenham Tie Leung Limited who held a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. In valuing the investment properties, investment approach is adopted by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outside Hong Kong, held on leases of				
Between 50 to 70 years	212,500	235,000	236,000	236,000
Between 10 to 50 years (*note* below)	360,000	430,000	470,000	505,000
	572,500	665,000	706,000	741,000

Note: The investment property is located at Basements 1 to 3, Diwang Plaza, No.18 Jiaochang West Road, Yuexiu District, Guangzhou of the PRC ("Diwang Plaza"). The Group has not been provided with the certificate for the state-owned land use right of this property, the title of which vests with Guangzhou Sports Bureau.

According to an agreement dated 16 April 2002 entered into between Guangzhou People's Stadium and the Group, the Group has the right to use and operate Diwang Plaza for 40 years from the opening date of the property, and should return the interest of Diwang Plaza to Guangdong People's Stadium thereafter.

The following amounts have been recognised in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental income	21,718	54,767	67,734	35,450	35,024
Direct operating expenses arising from investment properties	(16,660)	(23,180)	(25,578)	(10,210)	(11,077)

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Not later than one year	16,057	20,741	49,388	70,249	66,336
Later than one year and not later than five years	36,416	82,386	62,640	71,508	78,332
Later than five years	15,138	3,950	5,701	7,598	3,852
	67,611	107,077	117,729	149,355	148,520

8 Land use rights

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	928,025	1,216,640	2,463,136	3,268,371
Acquisition of subsidiaries *(note 37)*	245,126	397,225	—	—
Additions	389,668	1,004,591	998,588	—
Amortisation:				
- expensed in administrative expenses	(4,143)	(11,548)	(20,733)	(10,688)
- capitalised in properties under development	(6,502)	(12,204)	(26,165)	(9,837)
Transfer to cost of sales	(335,534)	(131,568)	(146,455)	(114,711)
Closing net book amount	1,216,640	2,463,136	3,268,371	3,133,135
Included in current assets	445,275	1,276,249	1,947,517	1,820,666
Included in non-current assets	771,365	1,186,887	1,320,854	1,312,469
	1,216,640	2,463,136	3,268,371	3,133,135
Outside Hong Kong, held on leases of:				
Between 50 to 70 years	1,216,640	2,463,136	3,268,371	3,133,135

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. Land use rights are recognised as an expense on a straight-line basis over the unexpired period of the rights, except during the course of property development when the amortisation of land use rights is included as part of the cost of the property under development. When the relevant properties are sold, the remaining carrying amount is derecognised and included in cost of sales.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, no land use rights were pledged as collateral for the Group's borrowings.

9 Intangible assets

Goodwill	**Year ended 31 December**			**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	21,209	37,615	38,390	46,290
Acquisition of subsidiaries *(note 37)*	16,406	775	7,900	—
Closing net book amount	37,615	38,390	46,290	46,290
At the end of year/period				
Cost	37,615	38,390	46,290	46,290
Accumulated impairment	—	—	—	—
	37,615	38,390	46,290	46,290

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the operations of the company acquired.

A segment-level summary of the goodwill is presented as below.

Goodwill	**As at 31 December**			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment				
Property development	37,315	38,090	45,990	45,990
Property rental	300	300	300	300
	37,615	38,390	46,290	46,290

The recoverable amount of each of the acquired subsidiaries is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on management best estimates covering a five-year period. Management determined the estimated operating results based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the real estate projects developed by the acquired companies.

Key assumptions used for value-in-use calculations of CGU are as follows:

Profit margin	15% - 17%
Discount rate	7.5% - 12%

Based on the impairment test, no impairment provision is required as at 31 December 2006, 2007, 2008 and 30 June 2009.

Assuming no growth rate is applied and the discount rates increased by 1%, there is still enough headroom and no impairment charge is required.

10 Investment in jointly controlled entities

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	—	—	—	65,172
Addition arising from acquisition of a subsidiary *(note 37(f))*	—	—	65,000	—
Other addition	—	—	172	—
Share of loss	—	—	—	(2,687)
End of the year/period	—	—	65,172	62,485

Particulars of the jointly controlled entities are as follows:

	Place of incorporation	Percentage of interest attributable to the Group			
		As at 31 December			As at 30 June
		2006	**2007**	**2008**	**2009**
深圳市金地大百匯房地產開發有限公司 Shenzhen Jindi Dabaihui Real Estate Company Limited. ("Jindi Dabaihui")	PRC	—	—	33.15%	33.15%
Excellence Effort Property Development Limited	BVI	—	—	50%	50%

The Group's share of assets and liabilities of jointly controlled entities are as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	—	250	331
Current assets	—	—	243,001	1,017,991
Non-current liabilities	—	—	—	(260,000)
Current liabilities	—	—	(178,079)	(695,837)
	—	—	65,172	62,485

The Group's share of the revenue and results of jointly controlled entities are as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	—	—	—
Expenses	—	—	—	(2,687)
Results	—	—	—	(2,687)

11 Available-for-sale financial assets

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	183,471	322,712	—	—
Additions	—	—	—	—
Disposals	—	(330,000)	—	—
Net gains transferred to equity *(note 19)*	139,241	7,288	—	—
End of the year/period	322,712	—	—	—

The available-for-sale financial assets represent unlisted 40% equity investment in Shenzhen Yijing Commercial Centre Development Co., Ltd. ("Shenzhen Central Walk"). The Group did not have significant influence on Shenzhen Central Walk, mainly because the Group has no ability to impact the financial and operating policy decisions in Shenzhen Central Walk during the period when the Group held its 40% equity interest, and accordingly, the Group treated it as available-for-sale financial assets rather than an associate. The fair values of this unlisted investment are determined by discounted cash flow model.

Key assumptions used for the determination of the fair value of this unlisted investment are as follows:

Profit margin	10% - 25%
Discount rate	5.6%

During the year ended 31 December 2007, the Group disposed of its entire interests in Shenzhen Central Walk for a consideration of RMB330,000,000, resulting in a gain of RMB230,000,000 (note 24).

12 Properties under development

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount comprises:				
Construction costs and capital expenditure	229,812	563,265	1,637,054	1,796,604
Interest capitalised	25,667	53,589	133,600	141,867
	255,479	616,854	1,770,654	1,938,471

The properties under development are located in the PRC. No properties under development as at each period end of the Relevant Periods were pledged as collateral for the Group's borrowings.

13 Completed properties held for sale

No completed properties held for sale as at each period end of the Relevant Periods were pledged as collateral for the Group's borrowings.

14 Trade and other receivables

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets:				
Other receivables:				
Third parties *(note(c))*	—	—	—	300,000
Current assets:				
Trade receivables *(note (a))*:				
Related parties *(note 38(d))*	1,299	—	—	—
Third parties	147,230	24,256	65,295	97,701
Other receivables:				
Related parties *(note 38(d))*	233,237	184,964	215,615	845,350
Third parties *(note (b))*	774,020	580,621	635,120	649,897
Prepayments:				
Prepayment for land use rights	588,409	1,318,274	1,043,899	1,063,899
Third parties	31,953	172,042	102,699	137,803
	1,776,148	2,280,157	2,062,628	2,794,650
	1,776,148	2,280,157	2,062,628	3,094,650

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the fair value of trade and other receivables of the Group approximated their carrying amounts as at each balance sheet date of the Relevant Periods.

(a) Trade receivables mainly arose from sale of properties. Proceeds receivable in respect of sales of properties are settled in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the each of the balance sheet dates of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	144,247	19,855	33,180	68,613
Over 90 days and within 180 days	3,444	315	6,255	12,073
Over 180 days and within 365 days	—	3,662	18,131	2,735
Over 365 days	838	424	7,729	14,280
	148,529	24,256	65,295	97,701

Trade receivables aged over 365 days are past due but not impaired. These relate to a number of customers for whom there is no history of default. The remaining balances are neither past due nor impaired and these relate to a number of customers for whom there is no history of default.

(b) As at 31 December 2006, the balance includes an advance made by the Group to Shenzhen Central Walk, an investee company classified as available-for-sale financial assets, amounting to approximately RMB80,000,000. In accordance with the terms of the agreement, the interest rate of such advance is twice of the prevailing bank borrowing interest rates in the PRC. Such advance, together with aggregated interest of approximately RMB10,989,000, were repaid to the Group during the year ended 31 December 2007.

(c) As at 30 June 2009, the other receivables represent an advance made by the Group to a minority shareholder of a 51%-owned subsidiary of the Group, amounting to RMB300,000,000. In accordance with the terms of the agreement, the advance carries interest at the prevailing bank borrowing interest rates in the PRC and is repayable within 5 years. The advance is secured by the 49% equity interest in the aforesaid subsidiary.

(d) All trade receivables and other receivables are denominated in RMB, except for certain other receivables which are denominated in H.K. dollar with balances of RMB240,000, RMB1,822,000, RMB15,521,000 and RMB6,282,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

(e) Other receivables are neither past due nor impaired. These relate to a number of counterparties for whom there is no history of default.

15 Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss represented the investments in equity securities trading on The Stock Exchange of Hong Kong Limited. The investments are denominated in H.K. dollar and held for trading. The investments were disposed of during the year ended 31 December 2007.

16 Restricted cash

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 in designated bank accounts certain amount of proceeds from presale of properties as guarantee deposits for construction of related properties. The deposits can only be used for paying for construction materials and construction fee of the relevant property projects when approval from local State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion of related pre-sold properties or the issuance of the real estate ownership certificate, whichever is the earlier.

In addition, as at 31 December 2008 and 30 June 2009, RMB350,000,000 bank deposits has been pledged for the bank borrowings (note 20).

Restricted cash is excluded from cash and cash equivalents.

17 Cash and cash equivalents

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand:				
Denominated in RMB	1,172,250	1,236,555	1,005,068	1,787,082
Denominated in H.K. dollar	37,434	1,817	2,422	255,983
Denominated in U.S. dollar	—	51,410	1,537	414
	1,209,684	1,289,782	1,009,027	2,043,479
Less: Restricted cash *(note (16))*	(49,908)	(28,066)	(387,663)	(400,589)
	1,159,776	1,261,716	621,364	1,642,890

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 regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, approximately 57%, 58%, 78% and 75% of bank balances are placed in the state-owned banks in the PRC, respectively.

18 Share capital

Company	*Note*	**Number of ordinary shares**	**Nominal value of ordinary shares**	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
			USD	*HKD'000*	*RMB'000*
Authorised:					
Ordinary shares of USD1.00 each upon incorporation and as at 31 December 2007	(a)	50,000	50,000	—	
Increase in authorized share capital	(b)	950,000	950,000	—	
Ordinary shares of USD1.00 each as at 31 December 2008 and 30 June 2009		1,000,000	1,000,000	—	
Increase in authorized share capital from re-denomination of the shares from USD to HKD	(c)	499,999,000,000	(1,000,000)	5,000,000	
Ordinary share of HKD0.01 each as at date of this report		500,000,000,000	—	5,000,000	
Issued:					
Ordinary shares of USD1.00 each	(a)	50,000	50,000	—	344
As at 31 December 2007		50,000	50,000	—	344
Ordinary shares of USD1.00 each	(b)	950,000	950,000	—	6,535
As at 31 December 2008 and 30 June 2009		1,000,000	1,000,000	—	6,879

Group	**Year ended 31 December**			**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**
Beginning of the year/period *(Note (e))*	6,535	6,535	6,879	6,879
Shares issued *(Note (a))*	—	344	—	—
End of the year/period *(Note (e))*	6,535	6,879	6,879	6,879

Notes:

(a) On 4 June 2007 (the date of incorporation of the Company), the authorised share capital of the Company was USD50,000 divided into 50,000 shares of USD1.00 each. At the same date, 50,000 ordinary shares of the Company were allotted and issued to Original Shareholders at par.

(b) On 18 January 2008, the Company, through its wholly owned subsidiary, Excellence BVI, acquired the entire share capital of Excellence Hong Kong from Original Shareholders. In return, 950,000 ordinary shares have been authorised and issued by the Company to the wholly owned BVI subsidiaries of Original Shareholders (see note 1 for details).

(c) On 14 October 2009, the Company's shareholders passed resolutions to re-denominate the shares of the Company from U.S. dollars to H.K. dollars by way of:

- an increase in the authorized share capital by HKD5,000,000,000 by the creation of 500,000,000,000 shares of HKD0.01 each;
- the issue of 1,000,000 Shares, nil paid, to the shareholders of record pro rata to their existing shareholders;
- the repurchase of the 1,000,000 shares of USD1.00 in issue at par on the date the resolutions were passed;
- applying the proceeds from the repurchase toward the paying up, credited as fully paid, of the 1,000,000 nil paid shares in issue; and
- the cancellation of all 1,000,000 unissued shares of USD1.00.

(d) On 14 October 2009, the Company granted to Tam Lai Ling, one of the directors of the Company, options to subscribe for shares of the Company at an exercise price equal to the [●], amounting to a total value of HKD30,000,000.

(e) Pursuant to a board resolution dated 14 October 2009, conditional on the share premium amount of the Company being credited as a result of the [●], the Company will capitalise an amount of HKD89,990,000 standing to the credit of its share premium account in paying up in full at par 8,999,000,000 shares, each of which will be allotted and issued to its then shareholders.

(f) The share capital presented in the consolidated balance sheets as at 31 December 2006 and 2007 represented the share capital of the Company, arising from the transaction as described in note (b) above, which is deemed to have been in issue throughout the Relevant Periods presented in this report in accordance with the Reorganisation.

19 Reserves

Group

	Merger reserve	**Capital reserve**	**Statutory reserves**	**Investment revaluation reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note (a))		*(note (b))*			
Balance at 1 January 2006	**(5,458)**	**—**	**50,761**	**70,950**	**583,315**	**699,568**
Revaluation - gross *(note 11)*	—	—	—	139,241	—	139,241
Revaluation - tax *(note 21)*	—	—	—	(20,886)	—	(20,886)
Profit for the year	—	—	—	—	205,778	205,778
Transfer to statutory reserves	—	—	35,653	—	(35,653)	—
Acquisition of additional interest in subsidiaries	—	(2,600)	—	—	—	(2,600)
Balance at 31 December 2006	**(5,458)**	**(2,600)**	**86,414**	**189,305**	**753,440**	**1,021,101**
Revaluation — gross *(note 11)*	—	—	—	7,288	—	7,288
Revaluation — tax *(note 21)*	—	—	—	(1,093)	—	(1,093)
Disposal of available-for-sale financial assets	—	—	—	(195,500)	—	(195,500)
Profit for the year	—	—	—	—	323,714	323,714
Transfer to statutory reserves	—	—	22,359	—	(22,359)	—
Acquisition of additional interest in subsidiaries	—	(57,521)	—	—	—	(57,521)
Balance at 31 December 2007	**(5,458)**	**(60,121)**	**108,773**	**—**	**1,054,795**	**1,097,989**
Profit for the year	—	—	—	—	184,467	184,467
Transfer to statutory reserves	—	—	51,904	—	(51,904)	—
Acquisition of additional interest in subsidiaries	—	(19,699)	—	—	—	(19,699)
Balance at 31 December 2008	**(5,458)**	**(79,820)**	**160,677**	**—**	**1,187,358**	**1,262,757**
Profit for the period	—	—	—	—	382,938	382,938
Balance at 30 June 2009	**(5,458)**	**(79,820)**	**160,677**	**—**	**1,570,296**	**1,645,695**
(Unaudited)						
Balance at 31 December 2007	**(5,458)**	**(60,121)**	**108,773**	**—**	**1,054,795**	**1,097,989**
Profit for the period	—	—	—	—	25,429	25,429
Balance at 30 June 2008	**(5,458)**	**(60,121)**	**108,773**	**—**	**1,080,224**	**1,123,418**

Company

	Year ended 31 December		Six months ended 30 June
	2007	*2008*	*2009*
	RMB'000	*RMB'000*	*RMB'000*
Retained earnings:			
Beginning of the year/period	—	(66)	(175)
Loss for the year/period	(66)	(109)	—
End of the year/period	(66)	(175)	(175)

Notes:

(a) Merger reserve

The merger reserve of the Group represents the difference between par value of share capital of the Company issued and the share capital of Excellence Hong Kong transferred pursuant to the Reorganisation.

(b) Statutory reserve

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC before profit distributions are made to investors. The percentage for this appropriation was decided by the directors of the PRC subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

20 Borrowings

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings - secured	—	—	—	588,842
Bank borrowings - unsecured	1,963,000	4,405,000	4,645,500	4,984,000
Less: current portion of non-current borrowings	(230,000)	(1,240,000)	(1,061,000)	(1,587,000)
	1,733,000	3,165,000	3,584,500	3,985,842
Borrowings included in current liabilities:				
Bank borrowings - secured	—	—	334,895	273,276
Bank borrowings - unsecured	660,000	737,892	740,000	430,000
Current portion of non-current borrowings	230,000	1,240,000	1,061,000	1,587,000
	890,000	1,977,892	2,135,895	2,290,276

The details of the bank borrowings at the end of each of the Relevant Periods are as follows:

As at	Borrowing amount *RMB'000*	Guarantee details
31 December 2006	120,000	Guaranteed by Shenzhen Excellence, Shenzhen Pengyue, Shenzhen Yonggao, Mr. Li Wa and Mr. Li Xiaoping
	40,000	Guaranteed by Shenzhen Excellence Development and Shenzhen Pengyue
	1,155,000	Guaranteed by Excellence China
	350,000	Guaranteed by Shenzhen Excellence
	100,000	Guaranteed by Shenzhen Pengyue
	160,000	Guaranteed by Bank of China *(note (a))*
	498,000	Guaranteed by Excellence China and Shenzhen Yonggao
	200,000	Guaranteed by Excellence China, Mr. Li Wa and Mr. Li Xiaoping
	2,623,000	
31 December 2007	2,383,000	Guaranteed by Excellence China
	300,000	Guaranteed by Excellence China and Mr. Li Wa
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi'nian, Mr. Li Wa and Mr. Li Xiaoping
	357,892	Guaranteed by China Construction bank *(note (c))*
	80,000	Guaranteed by Shenzhen Qi'nian
	100,000	Guaranteed by Shenzhen Yonggao and Mr. Li Wa
	160,000	Guaranteed by Bank of China *(note (a))*

As at	Borrowing amount *RMB'000*	Guarantee details
	114,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	800,000	Guaranteed by Excellence Century City, Shenzhen Qi'nian and Mr. Li Wa
	180,000	Guaranteed by Bank of China and Shenzhen Excellence *(note (b))*
	348,000	Guaranteed by Excellence China and Shenzhen Yonggao
	120,000	Guaranteed by Excellence China, Mr. Li Wa and Mr. Li Xiaoping
	5,142,892	
31 December 2008	334,895	Pledged by a bank deposit with the amount of RMB350,000,000 and guaranteed by China Construction bank (Shenzhen Branch)
	102,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi'nian, Mr. Li Wa and Mr. Li Xiaoping
	1,400,000	Guaranteed by Excellence Century City, Shenzhen Qi'nian and Mr. Li Wa
	360,000	Guaranteed by Bank of China
	180,000	Guaranteed by Bank of China and Shenzhen Excellence *(Note(b))*
	3,143,500	Guaranteed by Excellence China
	5,720,395	
30 June 2009	588,842	Secured by the equity interest of Excellence China and Excellence Century City, and guaranteed by the Company, Mr. Li Wa and Mr. Li Xiaoping
	273,276	Pledged by a bank deposit with the amount of RMB350,000,000 and guaranteed by China Construction bank (Shenzhen Branch)
	96,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi'nian, Mr. Li Wa and Mr. Li Xiaoping
	1,550,000	Guaranteed by Excellence Century City, Shenzhen Qi'nian and Mr. Li Wa
	180,000	Guaranteed by Bank of China and Shenzhen Excellence *(note (b))*
	50,000	Guaranteed by Excellence Century City and Mr. Li Wa
	3,008,000	Guaranteed by Excellence China
	330,000	Guaranteed by Excellence China and Mr. Li Wa
	6,276,118	

Notes:

(a) Shenzhen Excellence, a subsidiary of the Company, also provided a counter-indemnity to Bank of China for its guarantee related to the bank borrowing of RMB160,000,000.

(b) Shenzhen Excellence, a subsidiary of the Company, also provided a counter-indemnity to Bank of China for its guarantee related to the bank borrowing of RMB 180,000,000.

(c) Shenzhen Excellence and Shenzhen Qi'nian, subsidiaries of the Company, also provided a counter-indemnity to China Construction Bank for its guarantee related to the bank borrowing of USD49,000,000 as at 31 December 2007 and 2008, and the bank borrowing of USD40,000,000 as at 30 June 2009.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are in 6 months or less.

The borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	890,000	1,977,892	2,135,895	2,290,276
Between 1 and 2 years	1,008,000	896,000	2,356,500	3,183,842
Between 2 and 5 years	725,000	2,215,000	1,186,000	802,000
Over 5 years	—	54,000	42,000	—
	2,623,000	5,142,892	5,720,395	6,276,118

All borrowings bear interest at floating rates. The effective interest rates at each of the balance sheet dates of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
Bank borrowings	5.09%	6.30%	7.09%	5.61%

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	2,623,000	4,785,000	5,385,500	5,414,000
U.S. dollar	—	357,892	334,895	273,276
H.K. dollar	—	—	—	588,842
	2,623,000	5,142,892	5,720,395	6,276,118

The fair values of borrowings approximate their carrying amounts as they are interest bearing at market interest rates.

21 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
- to be recovered after more than 12 months	23,225	38,035	9,613	4,185
- to be recovered within 12 months	10,807	16,434	72,916	75,552
	34,032	54,469	82,529	79,737
Deferred income tax liabilities				
- to be settled after more than 12 months	(214,841)	(196,674)	(144,452)	(173,202)
- to be settled within 12 months	(623)	(43,810)	(116,588)	(115,111)
	(215,464)	(240,484)	(261,040)	(288,313)

The net movement on the deferred taxation is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	(93,270)	(181,432)	(186,015)	(178,511)
Acquisition of subsidiaries *(note 37)*	(102,300)	(65,000)	—	—
Charged directly to equity *(note 19)*	(20,886)	(1,093)	—	—
Recognised in the income statements *(note 29)*	35,024	61,510	7,504	(30,065)
End of the year/period	(181,432)	(186,015)	(178,511)	(208,576)

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008 (note 29). The change in the carrying amount of the deferred tax assets and liabilities, as a result of change in tax rate, has been reflected in the financial information for the year ended 31 December 2007.

Movement in deferred tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Recognition of sales and related cost of sales	Recognition of expenses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	3,562	312	5,146	9,020
Credited to the income statements	12,779	2,068	10,165	25,012
At 31 December 2006	16,341	2,380	15,311	34,032
Credited to the income statements	4,875	2,361	13,201	20,437
At 31 December 2007	21,216	4,741	28,512	54,469
Credited/(charged) to the income statements	34,171	(4,639)	(1,472)	28,060
At 31 December 2008	55,387	102	27,040	82,529
Credited/(charged) to the income statements	3,038	639	(6,469)	(2,792)
At 30 June 2009	58,425	741	20,571	79,737

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB14,482,000, RMB19,275,000, RMB53,466,000 and RMB73,745,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009 in respect of accumulated losses amounting to RMB51,448,000, RMB66,122,000, RMB213,867,000 and RMB294,980,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. These tax losses will expire at various dates up to and including 2011, 2012, 2013 and 2014 respectively.

Deferred income tax liabilities:

	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of investment properties	Revaluation of available-for-sale financial assets	Withholding tax	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note (a))*	*RMB'000*
At 1 January 2006	(77,617)	(12,152)	(12,521)	—	(102,290)
Acquisition of subsidiaries	(16,500)	(85,800)	—	—	(102,300)
Charged directly to equity *(note 19)*	—	—	(20,886)	—	(20,886)
Credited/(charged) to the income statements	25,764	(15,752)	—	—	10,012
At 31 December 2006	(68,353)	(113,704)	(33,407)	—	(215,464)
Acquisition of subsidiaries	(65,000)	—	—	—	(65,000)
Charged directly to equity *(note 19)*	—	—	(1,093)	—	(1,093)
Credited/(charged) to the income statements	16,080	(9,507)	34,500	—	41,073
At 31 December 2007	(117,273)	(123,211)	—	—	(240,484)
Credited/(charged) to the income statements	685	(11,241)	—	(10,000)	(20,556)
At 31 December 2008	(116,588)	(134,452)	—	(10,000)	(261,040)
Credited/(charged) to the income statements	1,477	(8,750)	—	(20,000)	(27,273)
At 30 June 2009	(115,111)	(143,202)	—	(30,000)	(288,313)

Note:

(a) Pursuant to Detailed Implementation Regulations ("DIR") for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax will be levied on the dividends declared by the companies established in the PRC to their direct foreign investors starting from 1 January 2008. All these dividends shall come from the profits generated by the companies after 1 January 2008. A lower withholding tax rate of 5% is applied to the PRC subsidiaries, whose direct foreign investors are incorporated in Hong Kong because of the treaty arrangement between the PRC and Hong Kong.

As at 31 Dec 2008 and 30 June 2009, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately RMB62,425,000 and RMB77,732,000, as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

22 Trade and other payables

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
Third parties *(note (a))*	370,967	313,763	1,066,976	914,049
Notes payable	—	—	—	59,726
Other payables				
Related parties *(note 38(d))*	412,265	75,203	100,211	110,920
Third parties	282,446	319,013	514,941	586,691
Accrued expenses	435	1,944	279	253
Other taxes payable	71,355	1,474	92,938	92,367
	1,137,468	711,397	1,775,345	1,764,006

Notes:

(a) The ageing analysis of trade payables at each of the balance sheet dates of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	307,333	149,649	882,993	61,957
Over 90 days and within 180 days	1,727	2,118	1,546	127,744
Over 180 days and within 365 days	333	22,697	83,860	592,513
Over 365 days	61,574	139,299	98,577	131,835
	370,967	313,763	1,066,976	914,049

(b) All trade and other payables are denominated in RMB, except for certain other payables which are denominated in H.K. dollar with balances of RMB43,898,000, RMB51,889,000, RMB6,368,000 and RMB46,707,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively.

23 Other income

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Refund of enterprise income tax expenses arising from reinvestment	19,356	—	—	—	—
Forfeited non-refundable customer deposits	349	1,371	3,639	967	1,239
	19,705	1,371	3,639	967	1,239

24 Other gains - net

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	2,127	—	—	—	—
Fair value gain on investment properties *(note 7)*	69,207	82,618	41,000	41,000	35,000
Gain on disposal of available-for-sale financial assets	—	230,000	—	—	—
Reimbursement of cost incurred for ancillary facilities *(note (a))*	—	—	15,812	15,812	—
Fair value gain on financial assets at fair value through profit or loss	1,320	—	—	—	—
Others	99	4,851	4,086	2,548	529
	72,753	317,469	60,898	59,360	35,529

Note:

(a) During the year ended 31 December 2008, the Group was reimbursed by the government for the cost incurred for the ancilliary facilities located in a real estate development previously undertaken by the Group.

25 Expenses by nature

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

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Staff costs — including directors' emoluments *(note 27)*	48,358	68,460	115,503	61,698	64,469
Business tax and other levies *(note (a))*	68,734	52,108	110,494	37,533	105,896
Auditors' remuneration	812	580	776	376	313
Advertising costs	49,242	43,200	93,103	30,811	25,606
Depreciation *(note 6)*	5,008	7,002	9,720	5,215	4,153
Amortisation of land use right *(note 8)*	4,143	11,548	20,733	9,857	10,688
Cost of properties sold	789,028	501,700	934,362	316,284	1,047,864
Donation	2,115	7,250	9,560	6,601	544
Operating lease rental	500	1,106	2,134	725	575
Others	44,698	68,348	103,420	64,295	71,599
	1,012,638	761,302	1,399,805	533,395	1,331,707

Note:

(a) Business tax

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	**Rate**
Sale of properties	5%
Property management	3%
Property rental	5%

26 Finance income and cost

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest expenses on bank borrowings					
Wholly repayable within five years	114,762	181,316	443,562	232,376	187,847
Not wholly repayable within five years	—	5,129	3,062	1,735	—
Less: Interest capitalised in properties under development	(36,430)	(55,908)	(217,226)	(108,206)	(80,811)
Exchange gain	—	(6,310)	(2,393)	(569)	(280)
Finance costs	78,332	124,227	227,005	125,336	106,756
Less: Bank interest income from bank deposits	(9,231)	(9,197)	(9,027)	(5,634)	(5,170)
Other interest income *(note 14(b),(c))*	(8,791)	(733)	—	—	(3,545)
	60,310	114,297	217,978	119,702	98,041

Capitalisation rates of borrowings are 5.09%, 6.30%, 7.09%, 6.92% and 5.61% per annum for the year ended 31 December 2006, 2007 and 2008, and for the six months ended 30 June 2008 and 2009 respectively.

27 Staff costs - including directors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Wages and salaries	41,737	59,368	97,374	52,847	55,787
Retirement scheme contribution *(note (a))*	1,097	3,438	3,456	2,400	3,005
Staff welfare	4,387	5,008	13,307	5,376	4,793
Medical benefits	340	256	1,013	831	658
Other allowances and benefits	797	390	353	244	226
	48,358	68,460	115,503	61,698	64,469

Note (a):

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 fund 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.

28 Emoluments for directors and five highest paid individuals

(a) ***Directors' emoluments***

The remuneration of each Director of the Company for the year ended 31 December 2006 is set out below:

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of Director:				
Mr. Li Wa	—	763	19	782
Mr. Li Xiaoping	—	511	19	530
Mr. Wang Dou	—	331	19	350
Mr. Xie Limin	—	293	19	312
Mr. Duan Shijun	—	256	16	272
Ms. Deng Jingqiu	—	213	16	229
Mr. Zhang Yuan	—	—	—	—
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	2,367	108	2,475

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

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of Director:				
Mr. Li Wa	—	452	21	473
Mr. Li Xiaoping	—	477	21	498
Mr. Wang Dou	—	370	21	391
Mr. Xie Limin	—	319	21	340
Mr. Duan Shijun	—	279	18	297
Ms. Deng Jingqiu	—	317	18	335
Mr. Zhang Yuan	—	—	—	—
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	2,214	120	2,334

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

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of Director:				
Mr. Li Wa	—	739	31	770
Mr. Li Xiaoping	—	2,150	23	2,173
Mr. Wang Dou	—	1,749	21	1,770
Mr. Xie Limin	—	1,910	21	1,931
Mr. Duan Shijun	—	1,556	17	1,573
Ms. Deng Jingqiu	—	1,250	17	1,267
Mr. Zhang Yuan	—	629	17	646
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	9,983	147	10,130

The remuneration of each Director of the Company for the six months ended 30 June 2008 (unaudited) is set out below:

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of Director:				
Mr. Li Wa	—	385	16	401
Mr. Li Xiaoping	—	330	12	342
Mr. Wang Dou	—	253	11	264
Mr. Xie Limin	—	275	11	286
Mr. Duan Shijun	—	267	9	276
Ms. Deng Jingqiu	—	211	9	220
Mr. Zhang Yuan	—	270	9	279
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	1,991	77	2,068

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

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of Director:				
Mr. Li Wa	—	385	15	400
Mr. Li Xiaoping	—	386	12	398
Mr. Wang Dou	—	276	10	286
Mr. Xie Limin	—	253	10	263
Mr. Duan Shijun	—	282	8	290
Ms. Deng Jingqiu	—	35	3	38
Mr. Zhang Yuan	—	180	8	188
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	1,797	66	1,863

'' represent the independent non-executive directors.*

The above directors were appointed by the Company on 10 December 2007. During the Relevant Periods, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group in each of the three years ended 31 December 2006, 2007 and 2008, and for the six months ended 30 June 2008 and 2009 are directors and their emoluments are also reflected in the analysis presented above.

29 Income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Current income tax					
- Hong Kong profits tax *(note (a))*	13	—	—	—	—
- PRC enterprise income tax *(note (b))*	74,017	93,746	134,380	17,640	153,238
- PRC land appreciation tax *(note (c))*	149,256	79,678	284,123	97,606	217,252
Deferred income tax income relating to the origination and reversal of temporary differences	(35,024)	(40,831)	(7,504)	12,182	30,065
Deferred income tax income resulting from change in tax rate	—	(20,679)	—	—	—
	188,262	111,914	410,999	127,428	400,555

The income tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rates applicable to the PRC subsidiaries of the Group. In 2006 and 2007, the tax rate of 15% enacted in Shenzhen, where the principal activities of the Group are conducted, has been used; in 2008 and 2009, the tax rate of 25% unified by the new PRC Enterprise Income Tax Law has been used. The difference is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	389,448	434,000	596,342	152,274	782,998
Add: share of loss of an associate	10	—	—	—	—
share of loss of jointly controlled entities	—	—	—	—	2,687
	389,458	434,000	596,342	152,274	785,685
Calculated at PRC enterprise income tax rates (2006 and 2007: 15%, 2008 and 2009: 25%)	58,419	65,100	149,086	38,069	196,421
Effect of different tax rates	2,984	2,772	(6,887)	(5,454)	(1,635)
Effect of change in tax rates	—	(20,679)	—	—	—
Income not subject to tax	(2,905)	—	—	—	—
Tax losses not recognised	2,654	860	48,066	22,842	21,553
Utilisation of previously unrecognised tax losses	(358)	(4,476)	(2,866)	(2,533)	(40)
Expenses not deductible for income tax purposes	600	611	508	—	1,317
Withholding tax on the earnings expected to be remitted by subsidiaries	—	—	10,000	1,300	20,000
PRC land appreciation tax deductible for PRC enterprise income tax purpose	(22,388)	(11,952)	(71,031)	(24,402)	(54,313)
	39,006	32,236	126,876	29,822	183,303
PRC land appreciation tax	149,256	79,678	284,123	97,606	217,252
Income tax expenses	188,262	111,914	410,999	127,428	400,555

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is to be provided at 17.5% on the estimated assessable profit arising in Hong Kong after setting off available tax losses brought forward. No Hong Kong profits tax has been provided as the Group has no assessable profit arising in Hong Kong during the Relevant Periods.

(b) PRC enterprise income tax (the "PRC EIT")

PRC enterprise income tax is provided on the assessable income of the companies now comprising the Group in the PRC, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

The companies established in the Shenzhen Special Economic Zone, the PRC are subject to PRC EIT at a rate of 15% before 2008. The other companies established outside the above zone are subject to PRC EIT at a rate of 33% before 2008.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax for domestic and foreign enterprises are unified at 25%, was effective from 1 January 2008.

The PRC Enterprise Income Tax Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. On 26 December 2007, the State Council issued the "Circular to Implement of the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates of the PRC subsidiaries within the Group established in Shenzhen Special Economic Zone before 31 March 2007 should be 18%, 20%, 22%, 24% and 25% respectively in the year 2008, 2009, 2010, 2011 and 2012.

The change in the carrying amount of the deferred tax assets and liabilities, as a result of above change in tax rate, has been reflected in the consolidated financial information for the year ended 31 December 2007.

(c) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and property development expenditures.

30 Dividends

No dividend has been paid or declared by the Company during the Relevant Periods. On 17 October 2009, the Company declared a special dividend of RMB400,000,000 to the shareholders as of that date.

31 Earnings per share

Basic and dilute earnings per share is the same as there were no potential dilutive shares during the Relevant Periods.

Basic and diluted earnings per share is calculated for the Relevant Periods, as if the Reorganisation as mentioned in note 1 above had been completed as at 1 January 2006, based on the following:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
Profit attributable to equity owners of the Company (RMB'000)	205,778	323,714	184,467	25,429	382,938
Weighted average number of shares in issue during the year/period	950,000	978,904	1,000,000	1,000,000	1,000,000
Earnings per share (RMB)	217	331	184	25	383

When computing the weighted average number of shares in issue, the 950,000 shares of the Company issued in relation to the Reorganisation are deemed to have been in issue throughout the Relevant Periods.

The earnings per share as presented above has not taken into account the proposed [●] as described in note 18(e).

32 Cash generated from/(used in) operations

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period	201,186	322,086	185,343	24,846	382,443
Adjustments for:					
Income tax expenses *(note 29)*	188,262	111,914	410,999	127,428	400,555
Depreciation *(note 6)*	5,008	7,002	9,720	5,215	4,153
Amortisation of land use rights *(note 8)*	4,143	11,548	20,733	9,857	10,688
Finance income *(note 26)*	(18,022)	(9,930)	(9,027)	(5,634)	(8,715)
Finance costs *(note 26)*	78,332	124,227	227,005	125,336	106,756
Loss on disposal of property, plant and equipment *(note (a))*	—	137	1,915	—	962
Gain on disposal of available-for-sale financial assets	—	(230,000)	—	—	—
Fair value gain on investment properties	(69,207)	(82,618)	(41,000)	(41,000)	(35,000)
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	(2,127)	—	—	—	—
Share of loss of an associate/jointly controlled entities	10	—	—	—	2,687
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Land use rights	(47,632)	(860,817)	(825,968)	(913,757)	124,548
Property under development and completed properties held for sale	(324,531)	(516,098)	(2,118,829)	(765,071)	328,940
Trade and other receivables	324,301	(505,376)	329,952	370,499	(1,032,022)
Prepaid tax	(41,648)	21,551	(38,631)	38,133	(47,403)
Financial assets at fair value through profit or loss	67	2,323	—	—	—
Restricted cash	(26,589)	21,842	(9,597)	(2,785)	(12,926)
Advance proceeds from customers	351,296	(40,370)	659,581	(60,173)	507,413
Trade and other payables	(170,652)	(429,255)	938,055	1,006	(10,797)
	452,197	(2,051,834)	(259,749)	(1,086,100)	722,282

Note (a):

Loss on disposals of property, plant and equipment of each of the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Proceeds received	—	—	—	—	—
Net book amount disposed	—	(137)	(1,915)	—	(962)
	—	(137)	(1,915)	—	(962)

33 Investments in subsidiaries

Company

	31 December		30 June
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	344	7,567	7,567

Refer to Note 1 for the particulars of subsidiaries of the Company.

34 Guarantees

The Group provided the following guarantees at each of the balance sheet dates during the Relevant Periods:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers	908,171	606,509	533,425	1,287,653

The Group has arranged bank financing for certain purchasers of the Group's property unit and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties; 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 date of grant of the relevant mortgage loans.

In addition, during the year ended 31 December 2007, the Group also provided guarantee to Mr. Li Xiaoping and Ms. Xiao Xingping for their acquisition of 100% equity interest in an company at a total consideration of RMB30,000,000. Such guarantee has not been released as at 31 December 2007, 2008 and 30 June 2009.

35 Pending litigation

The Group currently has the following four material lawsuits pending against it.

(a) The first lawsuit arose out of an agreement entered in May 2007 for acquisition of the 100% equity interest in Fangzhou Industrial Co., Ltd. ("Fangzhou Industrial") from the previous owners of Fangzhou Industrial by Li Xiaoping and Xiao Xingping (肖興萍) with Excellence China as Guarantor. The total consideration for the acquisition is RMB30 million, guaranteed by Excellence China. The purpose of the agreement was to carry out an reorganisation of Wanghai Yikang Company, in which Fangzhou Industrial held a 67% equity interest by Li Xiaoping, Xiao Xingping and Excellence China. As contemplated by the agreement, Li Xiaoping and Xiao Xingping have made the initial payment of RMB5 million to the previous owners, and the previous owners have completed the transfer of their equity interest to Li Xiaoping and Xiao Xingping. Subsequently, however, the reorganisation of Wanghai Yikang Company was carried out by a third party in accordance with an order issued by Shenzhen Intermediate People's Court. Pursuant to the agreement, if Li Xiaoping, Xiao Xingping and Excellence China are unable to complete the reorganisation of Wanghai Yikang Company, the previous owners, on the one side, and Li Xiaoping and Xiao Xingping, on the other, should return the RMB5 million and the equity interest in Wanghai Yikang Company, respectively, to each other. The previous owners of Fangzhou Industrial have sued Li Xiaoping, Xiao Xingping and Excellence China for the balance of RMB25 million. In the event the court rules in favor of the previous owners of Fangzhou Industrial, Li Xiaoping and Xiao Xingping may be required to pay such previous owners the balance of RMB25 million and certain liquidated damages, with Excellence China liable as guarantor. But Excellence China may seek reimbursement from Li Xiaoping and Xiao Xingping for any loss incurred as such guarantor. The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(b) The second lawsuit is an action that could impact a 20-year lease agreement (renewable for another 20 years) for Guangzhou Diwang, which Guangzhou Guixin, as lessee, entered into in April 2002 with Guangdong People's Stadium (as authorized by Guangdong Sports Bureau) (廣東省人民體育場(經廣東省體育局授權)), as lessor. Guangzhou Diwang was initially developed by Hong Kong Yashi Enterprise (Group) Co., Ltd. (香港雅仕企業(集團)有限公司) ("Hong Kong Yashi"), Guangzhou Yashi Investment Development Co., Ltd. (廣州雅仕投資發展有限公司) ("Guangzhou Yashi") and Guangzhou Yuguan Industrial Development Co., Ltd. (廣州宇冠實業發展有限公司) ("Guangzhou Yuguan") in cooperation with Guangdong Sports Bureau, who provided the underlying land for the project. In 2002, Guangdong Sports Bureau terminated its cooperation agreements with Guangzhou Yashi, Guangzhou Yuguan and Hong Kong Yashi as the latter's inability to continue the project development. In April 2002, Guangdong Sports Bureau and other relevant parties entered into an agreement with Guangzhou Guixin, pursuant to which Guangzhou Guixin acquired the right to continue to develop the project and the long-term lease for Guangzhou Diwang. As consideration, Guangzhou Guixin made a direct payment of RMB38.85 million to Guangzhou Yuguang and a payment of RMB20 million to Guangzhou Yashi by assuming a debt of the same amount owing by Guangzhou Yashi.

Prior to Guangdong Sports Bureau's termination of its cooperation agreements with Guangzhou Yashi, Guangzhou Yashi owed RMB3.9 million in debt to Guangzhou Dongmo Economic Development Co., Ltd. (廣東東摩經濟發展有限公司) ("Guangzhou Dongmo"), for which Guangzhou Dongmo had obtained a court order from Guangzhou Dongshan District People's Court for enforcement. As Guangzhou Yashi failed to repay the RMB3.9 million, Guangzhou Dongmo has sued Hong Kong Yashi, Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau, requesting the court to invalidate Guangdong

Sports Bureau's termination of its cooperation agreements with Hong Kong Yashi, Guangzhou Yashi and Guangzhou Yuguan. Guangzhou Guixin joined the proceeding as a third party. Guangzhou Dongmo alleges that Guangzhou Yashi and Guangzhou Yuguan transferred their interests in the Guangzhou Diwang project to Guangdong Sports Bureau without consideration, which impaired Guangzhou Dongmo's right as creditor to recover the RMB3.9 million from Guangzhou Yashi. The PRC court of first instance has issued a judgment denying Guangzhou Dongmo's claim. This lawsuit is currently pending before the appellate court upon Guangzhou Dongmo's appeal of the trial court's decision. In the event the decision of the appellate court is unfavorable to the Group, the relevant parties may be required to revert to a position prior to the termination of the cooperation agreements among Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau. As a result, the Group may forfeit its leasehold interest in Guangzhou Diwang and be required to return the profits the Group derived from Guangzhou Diwang to a party as directed by the court. In such case, the Group will be entitle to claim back the consideration Guangzhou Guixin previously paid in acquiring the interest in Guangzhou Diwang from the relevant parties.

The directors believe that they have a strong defense against the appeal. In addition, Guangdong People's Stadium has further agreed to enter into new agreements with Guangzhou Guixin to keep the Group's interest in Guangzhou Diwang intact in case Guangzhou Guixin's interest in Guangzhou Diwang is invalidated by the court, while the Group will not need to pay any additional consideration. Mr. Li Wa and Mr. Li Xiaoping, the controlling shareholder, has agreed to indemnify the Group against any losses or damages as a result of this lawsuit. Accordingly, the directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(c) The third lawsuit arose out of an agreement between Shanghai Detian Real Estate Company Limited ("Shanghai Detian"), a subsidiary acquired by the Group subsequent to 30 June 2009 (note (i) in Section III), and Shanghai Ceyuan Real Estate Agency Co., Ltd. (上海策源房地產經紀有限公司) ("Shanghai Ceyuan"), in November 2006.

Pursuant to the agreement, Shanghai Detian appointed Shanghai Ceyuan as its sales agent for certain properties of the Shanghai Chengbang Villa project. After a dispute ensued between the parties in connection with the agency sales under the agreement, Shanghai Ceyuan sued Shanghai Detian for breach of contract, claiming for liquidated damages in the amount of Rmb 1.5 million, agency fees in the amount of Rmb 21.2 million and other loss in the amount of Rmb 21.8 million. The PRC court of first instance has issued a judgment granting Shanghai Ceyuan liquidated damages in a total amount of Rmb 1.5 million but denying all its other claims for damages. Both Shanghai Detain and Shanghai Ceyuan have appealed to the appellate court. On appeal, while Shanghai Ceyuan insisted on its original claims, Shanghai Detian asked the court to overrule the lower court's decision granting the liquidated damages. The case is currently pending before the appellate court. Since Shanghai Ceyuan has asked the court for property preservation during the proceedings, 5 villa of Shanghai Detian's properties under development have been attached in aid of execution by the court. In the event the court rules in favor of Shanghai Ceyuan, Shanghai Detian may be required to pay Shanghai Ceyuan the liquidated damages, agency fees and other losses. The liquidated damages in the amount of Rmb 1.5 million granted to Shanghai Ceyuan by the court have been factored into the total consideration the Group paid for the acquisition of the 100% equity interest in Shanghai Detian. The Group also has a contractual right to seek reimbursement from the previous shareholders of Shanghai Detian for any other damages the Group may incur as a result of an unfavorable court ruling against Shanghai Detian.

The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(d) The fourth lawsuit is related to Shenzhen Excellence Times Plaza (Phase 1). According to a complaint the Group received on September 23, 2009, this lawsuit was initiated in January 2005. In this lawsuit, Ridong Tiancheng Real Estate Development (Shenzhen) Co., Ltd. (日東天成房地產開發(深圳)有限責任公司) ("Ridong Tiancheng"), was initially named as one of the six defendants. Ridong Tiancheng was the predecessor of Shenzhen Excellence. In March 2005, the Group acquired the 100% equity interest in Ridong Tiancheng and changed its name to Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司), the current name of Shenzhen Excellence. The Group had fully paid the consideration for the equity acquisition in 2005. This is the first time the Group has received the complaint, which now names Shenzhen Excellence as one of the six defendants.

In the complaint, the plaintiffs allege to be the initial owner of Ridong Tiancheng's parent company and the property project which the Group has since developed as Shenzhen Excellence Time Plaza (Phase 1). According to the plaintiffs, they transferred their equity interest in Ridong Tiancheng's parent company and the property project in accordance with agreements to certain other defendants named in the complaint. The plaintiffs allege that they are entitled to retain certain property interests in the property project under such agreements. According to the plaintiffs, these defendants fraudulently arranged for several successive transfers of this property project in violation of the agreements, which impaired the plaintiffs' retained interest in the property project. As a result, the plaintiffs sued for invalidation of certain agreement for the initial transfer of Ridong Tiancheng's parent company and the property project. The plaintiffs initially sought (i) enforcement of their allegedly retained interest in this project, i.e., ownership right to two floors of office spaces and 15 carparks, the right to name the project, and the right to manage the completed project, or (ii) damages in the total amount of RMB96.0 million. As most of the properties at Shenzhen Excellence Time Plaza (Phase 1) have been sold to third parties, the plaintiffs have subsequently amended their complaint to seek only monetary damages in the total amount of RMB96.0 million, without the other claims.

While the lawsuit was initiated in 2005, the court has not yet ruled on the merit of the case because the parties have been arguing on jurisdictional issues in the previous years. Although the Group is still in the process of evaluating this lawsuit, the Group intends to vigorously defend its rights and interests in court.

Pursuant to the relevant agreements for the acquisition of Ridong Tiancheng, the Group may seek full indemnification from the seller of the equity interest in Ridong Tiancheng, who is an independent third party, and certain other independent third parties against any damages that may incur in connection with this lawsuit. Mr. Li Wa and Mr. Li Xiaoping, the controlling shareholders also have agreed to fully indemnify the Group and hold the Group harmless with respect to any losses that may incur in connection with this lawsuit.

The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

36 Commitments

(a) ***Capital commitments***

The Group has no significant capital commitments as at 31 December 2006, 2007 and 2008, and 30 June 2009.

(b) ***Operating leases commitments***

The future aggregate minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	1,041	653	1,661	1,412
Later than one year and not later than five years	40	173	2,982	2,400
	1,081	826	4,643	3,812

37 Business combinations

During the year ended 31 December 2006, the Group had the following business combinations:

Acquirees' name	**Acquisition date**	**Total consideration**	**Percentage of equity interest acquired**
		RMB'000	
Guangzhou Guixin Industrial Co., Ltd. *(note (a))*	29 August 2006	253,000	90%
Hunan Lushan Villas Investment Co., Ltd. *(note (b))*	22 December 2006	136,848	60%
Shenzhen Excellence Century City Real Estate Development Co., Ltd. *(note (c))*	15 December 2006	27,747	60%
Total		417,595	

(a) Acquisition of 90% equity interest in Guangzhou Guixin

This acquired company is engaged in property rental in Guangzhou City. The acquired company contributed to the Group revenue of RMB11,494,000 and a net profit of RMB172,314,000 for the period from the date of acquisition to 31 December 2006. If the above acquisition had occurred on 1 January 2006, the consolidated revenue would have been increased by RMB20,118,000 and net profit would have been increased by RMB14,448,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration - cash paid for equity interest	5,700
Fair value of net assets acquired - shown as below	(5,400)
Goodwill	300

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees' carrying amount
	RMB'000	*RMB'000*
Cash and cash equivalents	428	428
Property, plant and equipment	175	175
Investment properties	330,162	330,162
Other receivables	15,875	15,875
Bank borrowings	(167,000)	(167,000)
Other payables	(87,840)	(87,840)
Deferred tax liabilities	(85,800)	(85,800
Net assets	6,000	6,000
Minority interests (10%)	(600)	
Net assets acquired	5,400	
Total amount settled in cash		5,700
Cash and cash equivalents acquired		(428)
		5,272
Added: Cash paid for assignment of liabilities from this acquisition		247,300
Cash outflow on acquisition		252,572

During the year ended 31 December 2008, the Group further acquired the remaining 10% equity interest in Guangzhou Guixin. After the acquisitions, Guangzhou Guixin is 100% owned by the Group.

(b) Acquisition of 60% equity interest in Hunan Lushan

The acquired company is engaged in property development in Changsha city in Hunan province. For the year ended 31 December 2006 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

Details of net assets acquired and excess of fair value of net assets acquired over the cost of acquisition of a subsidiary are as follows:

	RMB'000
Purchase consideration	
- Cash paid	136,848
Fair value of net assets acquired - shown as below	(138,975)
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	(2,127)

The excess of fair value of net assets acquired over the cost of acquisition of the subsidiary is due to a slight discount over the market value of the relevant land use rights.

The acquired net assets comprised the following assets and liabilities:

	Fair value	**Acquirees' carrying amount**
	RMB'000	*RMB'000*
Cash and cash equivalents	3,000	3,000
Land use rights	245,126	195,126
Deferred tax liabilities	(16,500)	—
Net assets	231,626	198,126
Minority interests (40%)	(92,650)	
Net assets acquired	138,976	
Total amount settled in cash		136,848
Cash and cash equivalents acquired		(3,000)
Cash outflow on acquisition		133,848

During the year ended 31 December 2007 and 2008, the Group further acquired an additional 30% and 10% equity interest in Hunan Lushan, respectively. After the acquisitions, Hunan Lushan is 100% owned by the Group.

(c) Acquisition of additional 60% equity interest in a 40% owned associate, Excellence Century City.

This acquired company is engaged in property development in Shenzhen. For the year ended 31 December 2006 and since the date of acquisition, this company did not contribute any revenue to the Group and the losses incurred are also immaterial. If the above acquisitions had occurred on 1 January 2006, the consolidated revenue would have been increased by RMB446,000 and the net profit would have been decreased by RMB422,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
- Cash paid	27,747
Fair value of net assets acquired - shown as below	(11,641)
Goodwill	16,106

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value	**Acquirees' carrying amount**
	RMB'000	*RMB'000*
Cash and cash equivalents	14,089	14,089
Property, plant and equipment	309	309
Completed properties held for sale	45,266	45,266
Other receivables	710,423	710,423
Other payables	(750,680)	(750,680)
Net assets	19,407	19,407
40% equity interest previously held by the Group	(7,766)	
Net assets acquired	11,641	
Total amount settled in cash		27,747
Cash and cash equivalents acquired		(14,089)
Cash outflow on acquisition		13,658

During the year ended 31 December 2007, the Group has the following business combinations:

Acquirees' name	**Acquisition date**	**Total consideration**	**Percentage of equity interest acquired**
		RMB'000	
Dongguan Zhongtian Plaza Development Co., Ltd. (note (d))	29 May 2007	172,775	80%

(d) Acquisition of 80% equity interest in Dongguan Zhongtian Plaza Development Co., Ltd.

The acquired company is engaged in property development in Dongguan. For the year ended 31 December 2007 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

Details of aggregated net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
- Cash paid	172,775
Fair value of net assets acquired - shown as below	(172,000)
Goodwill	775

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value	**Acquirees' carrying amount**
	RMB'000	*RMB'000*
Cash and cash equivalents	1,095	1,095
Property, plant and equipment	550	550
Land use rights	397,225	137,225
Other receivables	8,913	8,913
Other payables	(558)	(558)
Borrowings	(127,225)	(127,225)
Deferred tax liabilities	(65,000)	—
Net assets acquired	215,000	20,000
Minority interest (20%)	(43,000)	
Net assets acquired	172,000	
Total amount settled in cash		172,775
Cash and cash equivalents acquired		(1,095)
Cash outflow on acquisition		171,680

During the year ended 31 December 2008, the Group had the following business combinations:

Acquirees' name	**Acquisition date**	**Total consideration**	**Percentage of equity interest acquired**
		RMB'000	
Hangzhou Hengxing *(note (e))*	30 January 2008	14,000	70%
Shenzhen Dabaihui *(note (f))*	31 December 2008	5,100	51%
Total		19,100	

(e) Acquisition of additional 70% equity interest in Hangzhou Hengxing Property Co., Ltd.

The acquired company is engaged in property development in Hangzhou. For the year ended 31 December 2008 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

Details of aggregated net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
- Cash paid	14,000
Fair value of net assets acquired - shown as below	(6,100)
Goodwill	7,900

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value	**Acquirees' carrying amount**
	RMB'000	*RMB'000*
Cash and cash equivalents	652	652
Property, plant and equipment	1,111	1,111
Other receivables	112,424	112,424
Other payables	(105,473)	(105,473)
Net assets acquired	8,714	8,714
Minority interests (30%)	(2,614)	
Net assets acquired	6,100	
Total amount settled in cash		14,000
Cash and cash equivalents acquired		(652)
Cash outflow on acquisition		13,348

(f) Acquisition of 51% equity interest in Shenzhen Dabaihui Property Co., Ltd.

The acquired company, through its jointly controlled entity, is engaged in property development in Shenzhen.

For the year ended 31 December 2008 and since the date of acquisition, this company did not generate any revenue or incur any losses.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration - cash paid for equity interest	5,100
Fair value of net assets acquired - shown as below	(5,100)
Goodwill	—

The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees' carrying amount
	RMB'000	*RMB'000*
Investment in a jointly controlled entity	65,000	65,000
Other payables	(55,000)	(55,000)
Net assets	10,000	10,000
Minority interest (49%)	(4,900)	
Net assets acquired	5,100	
Total amount settled in cash		5,100
Cash and cash equivalents acquired		—
		5,100
Added: Cash paid by way of shareholder's loan for this acquisition		28,050
Cash outflow on acquisition		33,150

38 Related party transactions

(a) ***Name and relationship with related parties***

Name	Relationship
Mr. Li Wa and Mr. Li Xiaoping, the Original Shareholders,	The Original Shareholder and Directors of the Company
Mr. Wang Dou	A director of the Company
Mr. Xie Limin	A director of the Company
Ms. Deng Jingqiu	A director of the Company
Excellence Century City	A former associate, which was changed to a subsidiary of the Group during the year ended 31 December 2006
深圳市勝策投資有限公司 Shenzhen Shengce Investment Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders

Name	Relationship
深圳市恒達實業有限公司 Shenzhen Hengda Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
先怡投資有限公司 Xianyi Investment Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
海南中銀實業有限公司 Hainan Zhongyin Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
深圳永高實業有限公司 Shenzhen Yonggao Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
卓越機械設備有限公司 Excellence Engine Equipment Co., Ltd.	This company is an associate of Mr. Li Wa
卓越機電有限公司 Excellence Engine Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders.
深圳市北師卓越教育科技發展公司 Shenzhen Beijing Normal College Excellence Education Technology Development Co., Ltd.	Mr. Li Xiaoping is the chairman of the board of this Company
深圳市地產顧問有限公司 Shenzhen Real Estate Consulting Co., Ltd.	This company is controlled by Mr. Li Wa.
Pine Full Investment Group Ltd.	This company is controlled by Mr. Li Wa.
深圳卓越百盛顧問管理有限公司 Shenzhen Excellence Baisheng Management Co., Ltd.	This company is controlled by Mr. Li Wa.
深圳市勝策商業經營管理 Shenzhen Shengce Commerce Operation Co., Ltd.	This company is controlled by a cousin of the Original Shareholders, being close family members of Original Shareholders.
深圳市方洲實業發展有限公司 Shenzhen Fangzhou Realty Co., Ltd	This company is controlled by Mr. Li Xiaoping
李小紅 Ms. Li Xiaohong	The sister of Mr. Li Wa and Mr. Li Xiaoping
肖興萍 Ms. Xiao Xingping	The wife of Mr. Li Xiaoping

Certain names of the companies referred to above in this note represent management's translation of the Chinese names of these companies as no English names have been registered or available for these companies.

(b) ***Transactions with related parties***

Save as disclosed elsewhere in the Financial Information, the Group also had following significant transactions with related parties during the Relevant Periods.

	Year ended 31 December			**Six months ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of properties:					
Ms. Li Xiaohong	—	1,021	—	—	—
Ms. Xiao Xingping	—	1,994	—	—	—
Mr. Wang Dou	—	—	—	—	—
Mr. Xie Limin	—	—	—	—	—
Ms. Deng Jingqiu	—	—	—	—	—
	—	3,015	—	—	—

(c) ***Key management compensation***

	Year ended 31 December			**Six months ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other short-term employee benefits	2,377	3,928	11,133	3,328	3,319
Retirement scheme contributions	301	230	362	181	157
	2,678	4,158	11,495	3,509	3,476

Key management includes directors, regional management of the Group.

(d) ***Balances with related parties***

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

	As at 31 December			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in trade receivables				
Mr. Wang Dou	994	—	—	—
Ms. Deng Jingqiu	305	—	—	—
	1,299	—	—	—

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in other receivables:				
Mr. Li Wa	25,000	—	—	—
深圳市勝策投資有限公司 Shenzhen Shengce Investment Co., Ltd.	84,316	—	—	—
先怡投資有限公司 Xianyi Investment Co., Ltd.	—	—	11,920	11,914
深圳市北師卓越教育科技發展公司 Shenzhen Beijing Normal College Excellence Education Technology Development Co., Ltd.	9,542	—	43	43
卓越機械設備有限公司 Excellence Engine Equipment Co., Ltd.	114,379	—	—	—
深圳永高實業有限公司 Shenzhen Yonggao Realty Co., Ltd.	—	153,236	196,944	291,635
深圳市地產顧問有限公司 Shenzhen Real Estate Consulting Co., Ltd.	—	728	6,708	6,708
深圳卓越柏盛顧問管理有限公司 Shenzhen Excellence Bosheng Management Co., Ltd.	—	31,000	—	—
深圳市金地大百匯房地產開發有限公司 Shenzhen Jindi Dabaihui Property Development Co., Ltd.	—	—	—	535,050
	233,237	184,964	215,615	845,350
Included in other payables:				
Mr. Li Wa	(42,945)	(51,305)	(80,069)	(85,945)
Mr. Li Xiaoping	(10,034)	(11,898)	(16,142)	(20,975)
深圳市勝策投資有限公司 Shenzhen Shengce Investment Co., Ltd.	—	(12,000)	—	—
先怡投資有限公司 Xianyi Investment Co., Ltd.	(29,630)	—	—	—
海南中銀實業有限公司 Hainan Zhongyin Realty Co., Ltd.	(10,000)	—	—	—
深圳永高實業有限公司 Shenzhen Yonggao Realty Co., Ltd.	(216,946)	—	—	—
深圳市恒達實業有限公司 Shenzhen Hengda Realty Co., Ltd.	(85,751)	—	—	—
卓越機電有限公司 Excellence Engine Co., Ltd.	(16,959)	—	—	—
深圳卓越柏盛顧問管理有限公司 Shenzhen Excellence Bosheng Management Co., Ltd.	—	—	(4,000)	(4,000)
	(412,265)	(75,203)	(100,211)	(110,920)

Non-trading balances due from/to related parties are unsecured, interest-free and repayable on demand.

(e) ***Guarantee provided by/to related parties***

Certain borrowings of the Group are guaranteed by related parties, details of which are disclosed in note 20.

As disclosed in note 35(a), Excellence China provided guarantee to Mr. Li Xiaoping and Ms. Xiao Xingping in favour of a third party.

III SUBSEQUENT EVENTS

Subsequent to 30 June 2009 and up to the date of this report, the Group has the following significant subsequent event:

(i) Business combination — acquisition of 100% equity interest in Shanghai Detian Real Estate Company Limited

On 17 August 2009, the Group entered into an equity transfer agreement with Shanghai Justhink Investment & Management Ltd. ("Shanghai Justhink") and Shanghai Huiheng Investment Ltd. ("Shanghai Huiheng"), independent third parties, to acquire their 100% equity interest in Shanghai Detian Real Estate Company Limited ("Shanghai Detian") for a consideration of RMB100,000,000. In addition, the Group made an interest-free loan of RMB290,000,000 to the initial shareholders for two years through entrusted bank loans in Shanghai Detian.

Shanghai Detian is engaged in property development in Shanghai City.

In September 2009, the above acquisition was completed and thus Shanghai Detian became a subsidiary of the Group.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Cash paid for equity interest	100,000
Transaction cost	33,856
Purchase consideration	133,856

	RMB'000
Purchase consideration	133,856
Fair value of net assets acquired — shown as below	133,856
Goodwill	—

The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees' carrying amount
	RMB'000	*RMB'000*
Cash and cash equivalents	3,928	3,928
Property, plant and equipment	4,344	4,344
Available-for-sale financial assets	2,225	2,225
Deferred income tax assets	15,644	15,644
Land use rights	224,869	117,970
Properties under development	656,131	656,131
Other receivables	10,918	10,918
Bank borrowings	(342,000)	(342,000)
Advance proceeds received from customers	(208,640)	(208,640)
Other payables	(206,838)	(206,838)
Deferred tax liabilities	(26,725)	—
Net assets acquired	133,856	53,682

Shanghai Detian currently has a lawsuit pending against it, see note 35(c) for details.

IV SUBSEQUENT FINANCIAL STATEMENT

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

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong