
APPENDIX IB

**ACCOUNTANT'S REPORT OF SHANGHAI DETIAN
REAL ESTATE COMPANY LIMITED**

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



羅兵咸永道會計師事務所

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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 Shanghai Detian Real Estate Company Limited ("Shanghai Detian") for inclusion in [●]. The Financial Information comprises the balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the statements of comprehensive income, the statement of changes in equity and the 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.

Shanghai Detian was incorporated in the People's Republic of China (the "PRC") on 23 January 2003. The principal activity of Shanghai Detian is the property development of Shanghai Chengbang Villa project.

The statutory financial statements of Shanghai Detian for the three years ended 31 December 2006, 2007 and 2008 were prepared in accordance with the Accounting Standards for Business Enterprises promulgated before 15 February 2006 and the "Accounting System for Business Enterprises". The statutory financial statements of Shanghai Detian for the year ended 31 December 2006 were audited by Shanghai Shangshen Certified Public Accountants Co., Ltd., a firm of certified public accountants registered in the PRC. The statutory financial statements of Shanghai Detian for the year ended 31 December 2007 and 2008 were audited by Shanghai Xinning Certified Public Accountants, another firm of certified public accountants registered in the PRC.

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For the purpose of this report, the directors of Shanghai Detian have prepared financial statements of Shanghai Detian for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). 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 Shanghai Detian 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

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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 Shanghai Detian as at 31 December 2006, 2007, and 2008 and 30 June 2009, and of Shanghai Detian'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.

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I FINANCIAL INFORMATION

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	5	5,187	6,725	5,057	4,504
Land use rights	6	72,701	—	—	—
Available-for-sale financial assets	7	—	4,000	1,542	2,225
Deferred income tax assets	14	6,590	7,417	13,243	15,183
		<u>84,478</u>	<u>18,142</u>	<u>19,842</u>	<u>21,912</u>
Current assets					
Land use rights	6	47,749	120,915	119,030	118,088
Properties under development	8	120,591	434,599	568,566	635,587
Other receivables	9	86,774	171,683	39,839	27,348
Prepaid taxation		—	—	—	5,855
Cash and cash equivalents	10	769	14,845	947	56,650
		<u>255,883</u>	<u>742,042</u>	<u>728,382</u>	<u>843,528</u>
Total assets		<u>340,361</u>	<u>760,184</u>	<u>748,224</u>	<u>865,440</u>
EQUITY					
Capital and reserves attributable to equity owners of Shanghai Detian					
Paid-in capital	11	50,000	100,000	100,000	100,000
Capital reserve	12	30,000	165,000	165,000	—
Other reserve	12	—	—	—	512
Accumulated losses	12	(13,380)	(22,251)	(39,730)	(45,549)
Total equity		<u>66,620</u>	<u>242,749</u>	<u>225,270</u>	<u>54,963</u>
LIABILITIES					
Non-current liabilities					
Borrowings	13	130,000	410,000	280,000	405,000
Deferred income tax liabilities	14	—	—	—	171
		<u>130,000</u>	<u>410,000</u>	<u>280,000</u>	<u>405,171</u>
Current liabilities					
Advance proceeds received from customers		—	—	—	148,389
Trade and other payables	15	143,741	107,435	112,954	256,917
Borrowings	13	—	—	130,000	—
		<u>143,741</u>	<u>107,435</u>	<u>242,954</u>	<u>405,306</u>
Total liabilities		<u>273,741</u>	<u>517,435</u>	<u>522,954</u>	<u>810,477</u>
Total equity and liabilities		<u>340,361</u>	<u>760,184</u>	<u>748,224</u>	<u>865,440</u>
Net current assets		<u>112,142</u>	<u>634,607</u>	<u>485,428</u>	<u>438,222</u>
Total assets less current liabilities		<u>196,620</u>	<u>652,749</u>	<u>505,270</u>	<u>460,134</u>

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Statements of comprehensive income

	<i>Note</i>	Year ended 31 December			Six months ended	
		2006	2007	2008	2008	2009
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Other losses - net	16	—	—	(3,958)	(873)	—
Selling and marketing costs	17	(623)	(300)	(1,421)	(300)	(327)
Administrative expenses	17	(3,713)	(4,491)	(8,113)	(3,254)	(3,312)
Operating loss		(4,336)	(4,791)	(13,492)	(4,427)	(3,639)
Finance costs - net	18	—	(4,907)	(9,813)	(4,907)	(4,120)
Loss before income tax		(4,336)	(9,698)	(23,305)	(9,334)	(7,759)
Income tax credit	21	1,431	827	5,826	2,334	1,940
Loss for the year/period		<u>(2,905)</u>	<u>(8,871)</u>	<u>(17,479)</u>	<u>(7,000)</u>	<u>(5,819)</u>
Other comprehensive income:						
Gains/(losses) recognised directly in equity:						
Fair value gains on available-for-sale financial assets		—	—	—	—	683
Tax effect of fair value gains on available-for-sale financial assets		—	—	—	—	(171)
Other comprehensive income for the year/period, net of tax		—	—	—	—	512
Total comprehensive income for the year/period		<u>(2,905)</u>	<u>(8,871)</u>	<u>(17,479)</u>	<u>(7,000)</u>	<u>(5,307)</u>

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Statements of changes in equity

	Paid-in capital	Capital reserve	Other reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2006	50,000	30,000	—	(10,475)	69,525
Loss for the year/total comprehensive income for the year	—	—	—	(2,905)	(2,905)
Balance at 31 December 2006	50,000	30,000	—	(13,380)	66,620
Loss for the year/total comprehensive income for the year	—	—	—	(8,871)	(8,871)
Increase in paid-in capital	50,000	—	—	—	50,000
Contribution made by the equity owners of Shanghai Detian	—	135,000	—	—	135,000
Balance at 31 December 2007	100,000	165,000	—	(22,251)	242,749
Loss for the year/ total comprehensive income for the year	—	—	—	(17,479)	(17,479)
Balance at 31 December 2008	100,000	165,000	—	(39,730)	225,270
Loss for the period	—	—	—	(5,819)	(5,819)
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of tax	—	—	512	—	512
Total comprehensive income for the period	—	—	512	(5,819)	(5,307)
Distribution made to the equity owners of Shanghai Detian	—	(165,000)	—	—	(165,000)
Balance at 30 June 2009	<u>100,000</u>	<u>—</u>	<u>512</u>	<u>(45,549)</u>	<u>54,963</u>
Unaudited					
Balance at 1 January 2008	100,000	165,000	—	(22,251)	242,749
Loss for the period/total comprehensive income for the period	—	—	—	(7,000)	(7,000)
Balance at 30 June 2008	<u>100,000</u>	<u>165,000</u>	<u>—</u>	<u>(29,251)</u>	<u>235,749</u>

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Cash flow statements

	<i>Note</i>	Years ended 31 December			Six months ended	
		2006	2007	2008	2008	2009
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(unaudited)</i>
Cash flows from operating activities						
Cash (used in)/generated from operations	22	(120,873)	(290,060)	19,472	2,331	94,807
PRC land appreciation tax paid		—	—	—	—	(512)
Net cash (used in)/generated from operating activities		<u>(120,873)</u>	<u>(290,060)</u>	<u>19,472</u>	<u>2,331</u>	<u>94,295</u>
Cash flows from investing activities						
Purchases of property, plant and equipment		(2,572)	(3,085)	(253)	(63)	(412)
Purchase of available-for-sale financial assets	7	—	(4,000)	—	—	—
Interest received		44	405	33	21	55
Net cash used in investing activities		<u>(2,528)</u>	<u>(6,680)</u>	<u>(220)</u>	<u>(42)</u>	<u>(357)</u>
Cash flows from financing activities						
Contribution from the equity owners of Shanghai Detian		—	50,000	—	—	—
Distribution made to the equity owners of Shanghai Detian		—	—	—	—	(20,080)
Proceeds from borrowings		130,000	280,000	—	—	—
Repayments of borrowings		—	—	—	—	(5,000)
Interest paid		(5,975)	(19,184)	(33,150)	(16,725)	(13,155)
Net cash generated from/(used in) financing activities		<u>124,025</u>	<u>310,816</u>	<u>(33,150)</u>	<u>(16,725)</u>	<u>(38,235)</u>
Net increase/(decrease) in cash and cash equivalents		<u>624</u>	<u>14,076</u>	<u>(13,898)</u>	<u>(14,436)</u>	<u>55,703</u>
Cash and cash equivalents at the beginning of the year/period		<u>145</u>	<u>769</u>	<u>14,845</u>	<u>14,845</u>	<u>947</u>
Cash and cash equivalents at the end of the year/period		<u>769</u>	<u>14,845</u>	<u>947</u>	<u>409</u>	<u>56,650</u>

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II NOTES TO THE FINANCIAL INFORMATION**1 General information**

Shanghai Detian was incorporated in Shanghai on 23 January 2003. The address of its registered office is No.45 Fangxi Village, Zhaoxiang Town, Qipu District, Shanghai, the PRC. The address of its principal place of business is 5th Floor, Hongqiao Commercial Mansion, No. 2272 Hongqiao Road, Changning District, Shanghai, the PRC. During the Relevant Periods, Shanghai Detian is principally engaged in the property development business.

On 23 January 2003 (date of incorporation), the paid-in capital of Shanghai Detian was RMB5,000,000 and was contributed by the owners in the following proportion:

	Amount (RMB'000)	Percentage
上海嘉誠投資管理有限公司 Shanghai Justhink Investment & management Ltd. ("Shanghai Justhink")	2,000	40%
上海中祥房地產經營有限公司 Shanghai Zhongxiang Real Estate Company Limited ("Shanghai Zhongxiang")	1,500	30%
上海惠恒投資有限公司 Shanghai Huiheng Investment Ltd. ("Shanghai Huiheng")	500	10%
王永明 Wang Yongming	1,000	20%
	<u>5,000</u>	<u>100%</u>

On 17 October 2005, Shanghai Detian increased its paid-in capital from RMB5,000,000 to RMB50,000,000. The increased paid-in capital was contributed by Shanghai Justhink. As a result, the paid-in capital of Shanghai Detian was contributed by the owners in the following proportion:

	Amount (RMB'000)	Percentage
Shanghai Justhink	47,000	94%
Shanghai Zhongxiang	1,500	3%
Shanghai Huiheng	500	1%
Wang Yongming	1,000	2%
	<u>50,000</u>	<u>100%</u>

On 16 March 2007, Shanghai Zhongxiang transferred all its equity interest in Shanghai Detian to another existing owner, Wang Yongming. On 28 March 2007, Shanghai Detian further increased its paid-in capital from RMB50,000,000 to RMB100,000,000. In addition, on 30 May 2007, Wang Yongming transferred all his equity interest in Shanghai Detian to Shanghai Justhink.

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After the above transactions, Shanghai Detian was held by the owners in the following proportions:

	Amount (RMB'000)	Percentage
Shanghai Justthink	52,000	52%
Shanghai Huiheng	48,000	48%
	<u>100,000</u>	<u>100%</u>

On 17 August 2009, the Company, through its subsidiary, entered into an equity transfer agreement with Shanghai Justthink and Shanghai Huiheng to acquire the 100% equity interest in Shanghai Detian. The above transaction was completed in September 2009 and as a result, Shanghai Detian became a wholly-owned subsidiary of the Company.

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

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, which are carried at fair value, throughout the Relevant Periods.

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

For the purpose of preparing and presenting Financial Information of the Relevant Periods, Shanghai Detian 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 Shanghai Detian.

- 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 Shanghai Detian, as it does not have any hedged items.
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, '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. This is not currently applicable to Shanghai Detian, as Shanghai Detian has no business combination.
- 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 Shanghai Detian, 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 Shanghai Detian, as it has not received any assets from customers.

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- 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 Shanghai Detian, 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 Shanghai Detian.

Shanghai Detian 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 the new and revised HKFRSs are unlikely to have a significant impact on Shanghai Detian's results of operations and financial position.

2.2 *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which Shanghai Detian 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 Shanghai Detian.

2.3 *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 Shanghai Detian 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 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:

Motor vehicles	5 years
Furniture, fitting and equipment	3 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.

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2.4 *Impairment of 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.

2.5 *Financial assets*

Shanghai Detian classifies its financial assets in the following categories: 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) *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 “other receivables” and “cash and cash equivalents” in the balance sheet.

(b) *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 Shanghai Detian commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Shanghai Detian has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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 losses - 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 Shanghai Detian’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), Shanghai Detian 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.

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Shanghai Detian 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.

2.6 *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.

2.7 *Completed properties held for sale*

Completed properties remaining unsold at the end of each of the Relevant Periods 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.

During the Relevant Periods, Shanghai Detian has no completed properties held for sale.

2.8 *Other receivables*

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 other receivables is established when there is objective evidence that Shanghai Detian 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 reorganization, and default or delinquency in payments are considered indicators that the 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 and the amount of the loss is recognised in the income statements.

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2.9 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.

2.10 Trade payables

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

2.11 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 2.12, 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.

2.12 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.

2.13 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 Shanghai Detian operates and generates 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.

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2.14 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 Shanghai Detian participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Shanghai Detian 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, Shanghai Detian 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 Shanghai Detian in independently administrated funds managed by the PRC government.

Shanghai Detian's contributions to the defined contribution retirement schemes are expensed as incurred.

2.15 Provisions and contingent liabilities

Provisions are recognised when: Shanghai Detian 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 recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Shanghai Detian. 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.

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2.16 *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 Shanghai Detian’s activities. Revenue is shown, net of discount.

Shanghai Detian 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 Shanghai Detian’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 balance sheets as advance proceeds received from customers under current liabilities.

During the Relevant Periods, Shanghai Detian has no revenue from sales of properties.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, Shanghai Detian 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.

2.17 *Leases*

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

(a) *Shanghai Detian 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 income statements on a straight-line basis over the period of the leases.

(b) *Shanghai Detian 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 Shanghai Detian’s normal operating cycle.

2.18 *Dividend distribution*

Dividend distribution to owners of Shanghai Detian during the Relevant Periods is recognised in the period in which the dividends are approved by the owners of Shanghai Detian.

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2.19 *Insurance contracts*

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

Shanghai Detian 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.

3 **Financial risk management**

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

3.1 *Financial risk factor*

(a) *Interest rate risk*

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

Shanghai Detian currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, Shanghai Detian 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, loss before income tax for the year/period would have been nil, RMB668,000, RMB1,213,000 and RMB642,000, higher/lower respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Price risk*

Shanghai Detian is exposed to price risk of the securities fund because of such investment held by Shanghai Detian is stated at fair value and classified as available-for-sale financial assets. Gains and losses arising from changes in the fair value of available-for-sale financial assets are dealt with in equity. The performance of Shanghai Detian's security fund is monitored regularly, together with an assessment of Shanghai Detian's relationship with the fund administrator. Shanghai Detian is not exposed to commodity price risk.

As at 31 December 2007, 2008 and 30 June 2009, if the price of the securities fund classified as available-for-sale financial assets had been 10% higher/lower with all other variables held constant, Shanghai Detian's equity would have been RMB300,000, RMB116,000 and RMB167,000 higher/lower, respectively.

(c) *Credit risk*

Shanghai Detian is exposed to credit risk in relation to its other receivables and cash deposits with banks.

The carrying amounts of other receivables and cash and cash equivalents represent Shanghai Detian's maximum exposure to credit risk in relation to financial assets.

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To manage this exposure, Shanghai Detian has adopted some policies including credit approval procedures. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Shanghai Detian reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For properties that are still under construction, Shanghai Detian 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 Shanghai Detian to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, Shanghai Detian is able to retain the customer's deposit and sell the property to recover any amounts paid by Shanghai Detian to the bank. In this regard, the directors of Shanghai Detian consider that Shanghai Detian'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. Shanghai Detian assesses at each balance sheet date the liabilities based on the current estimates of future cashflows. As at 30 June 2009, no provision has been made in the financial statements.

(d) *Liquidity risk*

Shanghai Detian aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including bank loans and equity owner's loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, Shanghai Detian'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 Shanghai Detian to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

Shanghai Detian has some 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, accelerating sales with more flexible pricing. Shanghai Detian, 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, management is confident Shanghai Detian will be able to achieve its business plan.

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The table below analyses Shanghai Detian’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 RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	Total RMB’000
At 31 December 2006				
Borrowings	—	—	130,000	130,000
Interest	9,009	9,009	3,184	21,202
Trade and other payables	143,741	—	—	143,741
Total	152,750	9,009	133,184	294,943
At 31 December 2007				
Borrowings	—	130,000	280,000	410,000
Interest	34,096	27,106	12,312	73,514
Trade and other payables	107,435	—	—	107,435
Total	141,531	157,106	292,312	590,949
At 31 December 2008				
Borrowings	130,000	280,000	—	410,000
Interest	19,361	8,794	—	28,155
Trade and other payables	112,954	—	—	112,954
Total	262,315	288,794	—	551,109
At 30 June 2009				
Borrowings	—	405,000	—	405,000
Interest	24,354	2,789	—	27,143
Trade and other payables	256,917	—	—	256,917
Total	281,271	407,789	—	689,060

3.2 Capital risk management

Shanghai Detian’s objectives when managing capital are to safeguard Shanghai Detian’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. Shanghai Detian’s strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, Shanghai Detian may adjust the amount of dividends paid to equity owners, receive the contribution from equity owners or sell assets to reduce debt.

Consistent with others in the industry, Shanghai Detian 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 balance sheet) less cash and bank balance. Total capital is calculated as total equity, as shown in the balance sheet, plus net debt.

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The gearing ratios at 31 December 2006, 2007, 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 13)	130,000	410,000	410,000	405,000
Less: cash and bank balances (note 10)	(769)	(14,845)	(947)	(56,650)
Net debt	129,231	395,155	409,053	348,350
Total equity	66,620	242,749	225,270	54,963
Total capital	195,851	637,904	634,323	403,313
Gearing ratio	66%	62%	64%	86%

The increase in gearing ratio as at 30 June 2009 was mainly because Shanghai Detian distributed capital reserve with an amount of RMB165,000,000 to its owners.

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 Shanghai Detian 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. Shanghai Detian 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 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 Shanghai Detian 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. Shanghai Detian 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.

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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 utilization may be different.

4.2 *Impairment of available-for-sales financial assets*

Shanghai Detian assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Regarding to the securities fund classified as available-for-sale, a significant or prolonged decline in the fair value of the securities fund below its cost is considered an indicator that the securities fund is impaired. In such case, Shanghai Detian uses its judgement to provide the impairment provision for the investment of securities fund.

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5 **Property, plant and equipment**

	Motor vehicles	Furniture, fitting and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2006			
Cost	4,051	238	4,289
Accumulated depreciation	(592)	(74)	(666)
Net book amount	<u>3,459</u>	<u>164</u>	<u>3,623</u>
Year ended 31 December 2006			
Opening net book amount	3,459	164	3,623
Additions	2,473	99	2,572
Depreciation	(935)	(73)	(1,008)
Closing net book amount	<u>4,997</u>	<u>190</u>	<u>5,187</u>
At 31 December 2006			
Cost	6,524	337	6,861
Accumulated depreciation	(1,527)	(147)	(1,674)
Net book amount	<u>4,997</u>	<u>190</u>	<u>5,187</u>
Year ended 31 December 2007			
Opening net book amount	4,997	190	5,187
Additions	2,613	472	3,085
Depreciation	(1,376)	(171)	(1,547)
Closing net book amount	<u>6,234</u>	<u>491</u>	<u>6,725</u>
At 31 December 2007			
Cost	9,137	809	9,946
Accumulated depreciation	(2,903)	(318)	(3,221)
Net book amount	<u>6,234</u>	<u>491</u>	<u>6,725</u>
Year ended 31 December 2008			
Opening net book amount	6,234	491	6,725
Additions	—	253	253
Depreciation	(1,711)	(210)	(1,921)
Closing net book amount	<u>4,523</u>	<u>534</u>	<u>5,057</u>
At 31 December 2008			
Cost	9,137	1,062	10,199
Accumulated depreciation	(4,614)	(528)	(5,142)
Net book amount	<u>4,523</u>	<u>534</u>	<u>5,057</u>
Six months ended 30 June 2009			
Opening net book amount	4,523	534	5,057
Additions	—	412	412
Depreciation	(835)	(130)	(965)
Closing net book amount	<u>3,688</u>	<u>816</u>	<u>4,504</u>
At 30 June 2009			
Cost	9,137	1,474	10,611
Accumulated depreciation	(5,449)	(658)	(6,107)
Net book amount	<u>3,688</u>	<u>816</u>	<u>4,504</u>

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6 **Land use rights**

	Year ended 31 December			Six months
	2006	2007	2008	ended 30 June
	RMB'000	RMB'000	RMB'000	2009
Opening net book amount	120,438	120,450	120,915	119,030
Additions	1,863	2,350	—	—
Amortisation:				
- expensed in administrative expenses (note 17)	(1,117)	(367)	(735)	(367)
- capitalised in properties under development	(734)	(1,518)	(1,150)	(575)
Closing net book amount	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>
Included in current assets	47,749	120,915	119,030	118,088
Included in non-current assets	<u>72,701</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>
Outside Hong Kong, held on leases of:				
Between 50 to 70 years	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>

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

All land use rights as at each period end of the Relevant Periods were pledged as collaterals for Shanghai Detian's borrowings (note 13).

7 **Available-for-sale financial assets**

	Year ended 31 December			Six months
	2006	2007	2008	ended 30 June
	RMB'000	RMB'000	RMB'000	2009
Beginning of the year/period	—	—	4,000	1,542
Additions	—	4,000	—	—
Impairment (note 16)	—	—	(2,458)	—
Net gains transfer to equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>683</u>
End of the year/period	<u>—</u>	<u>4,000</u>	<u>1,542</u>	<u>2,225</u>

The available-for-sale financial assets represented an investment in a securities fund managed by Agriculture Bank of China. The security fund is redeemable after one year of the issuance date. The fair value of this security fund investment is determined by its quoted redemption market price.

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8 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	107,325	407,461	518,124	576,165
Interest capitalised	<u>13,266</u>	<u>27,138</u>	<u>50,442</u>	<u>59,422</u>
	<u>120,591</u>	<u>434,599</u>	<u>568,566</u>	<u>635,587</u>

The properties under development are located in Shanghai, the PRC.

All properties under development as at each period end of the Relevant Periods were pledged as collaterals for Shanghai Detian's borrowings (note 13). In addition, as at 31 December 2008 and 30 June 2009, 5 villas with carrying amount of approximately RMB39,688,000 of Shanghai Detian's properties under development were preserved by court for a pending litigation (note 23).

9 Other receivables

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
Related parties (<i>note 26(c)</i>)	—	49,840	26,681	15,257
Third parties	<u>3,001</u>	<u>3,804</u>	<u>4,125</u>	<u>3,057</u>
	3,001	53,644	30,806	18,314
Prepayments:				
Related parties (<i>note 26(c)</i>)	62,080	105,656	1,150	1,150
Third parties	<u>21,693</u>	<u>12,383</u>	<u>7,883</u>	<u>7,884</u>
	<u>83,773</u>	<u>118,039</u>	<u>9,033</u>	<u>9,034</u>
	<u>86,774</u>	<u>171,683</u>	<u>39,839</u>	<u>27,348</u>

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

The other receivables relate to a number of counterparties for whom there is no history of default.

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All other receivables are denominated in RMB. They are neither past due nor impaired.

10 Cash and cash equivalents

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	<u>769</u>	<u>14,845</u>	<u>947</u>	<u>56,650</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, no cash at bank and in hand was denominated in foreign currency, and approximately 4%, 44%, 85% and 92% of bank balances are placed in the state-owned banks in the PRC, respectively.

11 Paid-in capital

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	50,000	50,000	100,000	100,000
Additions (<i>note 1</i>)	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>—</u>
Closing balance	<u>50,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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12 Reserves

	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2006	30,000	—	(10,475)	19,525
Loss for the year	<u>—</u>	<u>—</u>	<u>(2,905)</u>	<u>(2,905)</u>
Balance at 31 December 2006	30,000	—	(13,380)	16,620
Loss for the year	—	—	(8,871)	(8,871)
Contribution made by the equity owners of Shanghai Detian (<i>note (a)</i>)	<u>135,000</u>	<u>—</u>	<u>—</u>	<u>135,000</u>
Balance at 31 December 2007	165,000	—	(22,251)	142,749
Loss for the year	<u>—</u>	<u>—</u>	<u>(17,479)</u>	<u>(17,479)</u>
Balance at 31 December 2008	165,000	—	(39,730)	125,270
Loss for the period	—	—	(5,819)	(5,819)
Fair value gains on available-for-sale financial assets, net of tax	—	512	—	512
Distribution made to the equity owners of Shanghai Detian (<i>note (b)</i>)	<u>(165,000)</u>	<u>—</u>	<u>—</u>	<u>(165,000)</u>
Balance at 30 June 2009	<u>—</u>	<u>512</u>	<u>(45,549)</u>	<u>(45,037)</u>
(Unaudited)				
Balance at 31 December 2007	165,000	—	(22,251)	142,749
Loss for the period	<u>—</u>	<u>—</u>	<u>(7,000)</u>	<u>(7,000)</u>
Balance at 30 June 2008	<u>165,000</u>	<u>—</u>	<u>(29,251)</u>	<u>135,749</u>

Note:

- (a) Pursuant to a resolution passed by the equity owners of Shanghai Detian on 30 March 2007, Shanghai Detian transferred the amount due to equity owners of Shanghai Detian of RMB135,000,000 to the capital reserve, which was accounted for as contribution made by the owners.
- (b) Pursuant to a resolution passed by the equity owners of Shanghai Detian on 30 June 2009, Shanghai Detian transferred capital reserve of a total amount of RMB165,000,000 out to amount due to equity owners of Shanghai Detian, which was accounted for as distribution made to owners.

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13 **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 (note (a))	130,000	410,000	410,000	275,000
Bank borrowings - secured and with guarantee (note (b))	—	—	—	130,000
Less: current portion of non-current borrowings (note (a))	—	—	(130,000)	—
	<u>130,000</u>	<u>410,000</u>	<u>280,000</u>	<u>405,000</u>
Borrowings included in current liabilities:				
Current portion of non-current borrowings (note (a))	—	—	130,000	—
	<u>—</u>	<u>—</u>	<u>130,000</u>	<u>—</u>

(a) As at 31 December 2006, 2007 and 2008 and 30 June 2009 the secured bank borrowings were secured by the properties under development of Shanghai Detian with net book value amounting to RMB120,591,000, RMB434,599,000, RMB568,566,000 and RMB635,587,000, respectively (note 8) and by land use rights of Shanghai Detian with net book value amounting to RMB120,450,000, RMB120,915,000, RMB119,030,000 and RMB118,088,000, respectively (note 6).

(b) During the six months ended 30 June 2009, the matured bank borrowing of RMB130,000,000 has been renewed for an additional period of one and a half year, then the maturity date is 14 October 2010. Other than the security mentioned in note (a) above, such bank borrowing is also jointly guaranteed by Shanghai Detian, Shanghai Justthink and Shanghai Huiheng.

(c) For the bank borrowing of RMB275,000,000 as at 30 June 2009, its maturity date is 12 July 2010.

The exposure of Shanghai Detian's borrowings to interest-rate change and the contractual repricing dates or maturity date which 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	—	—	130,000	—
Between 1 and 2 years	—	130,000	280,000	405,000
Between 2 and 5 years	130,000	280,000	—	—
	<u>130,000</u>	<u>410,000</u>	<u>410,000</u>	<u>405,000</u>

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All borrowings bear interest at floating rates. The weighted average 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
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	<u>7.14%</u>	<u>7.35%</u>	<u>8.09%</u>	<u>6.42%</u>

All borrowings are denominated in RMB.

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

14 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	6,590	7,417	13,243	—
- to be recovered within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,183</u>
	<u>6,590</u>	<u>7,417</u>	<u>13,243</u>	<u>15,183</u>
Deferred income tax liabilities:				
- to be settled after more than 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
- to be settled within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>

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	5,159	6,590	7,417	13,243
Recognised in the income statements (<i>note 21</i>)	1,431	827	5,826	1,940
Charged directly to equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>
End of the year/period	<u>6,590</u>	<u>7,417</u>	<u>13,243</u>	<u>15,012</u>

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The movement in deferred income 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:

	Impairment losses	Tax losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2006	—	5,159	5,159
Credited to the income statements	<u>—</u>	<u>1,431</u>	<u>1,431</u>
At 31 December 2006	—	6,590	6,590
Credited to the income statements	<u>—</u>	<u>827</u>	<u>827</u>
At 31 December 2007	—	7,417	7,417
Credited to the income statements	<u>615</u>	<u>5,211</u>	<u>5,826</u>
At 31 December 2008	615	12,628	13,243
Credited to the income statements	<u>—</u>	<u>1,940</u>	<u>1,940</u>
At 30 June 2009	<u>615</u>	<u>14,568</u>	<u>15,183</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related benefit through the future taxable profits is probable. Shanghai Detian recognised deferred tax assets for tax losses of RMB6,590,000, RMB7,417,000, RMB12,628,000 and RMB14,568,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 because Shanghai Detian has started its pre-sales of properties in the first six months ended 30 June 2009 and expected to generate enough taxable profit to utilise the relevant tax losses in the coming year.

Deferred income tax liabilities:

	Revaluation of available-for-sale financial assets
	<i>RMB'000</i>
At 1 January 2006, 2007, 2008 and 2009	—
Charged directly to equity	<u>(171)</u>
At 30 June 2009	<u>(171)</u>

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15 **Trade and other payables**

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade payables:				
Third parties	<u>7,335</u>	<u>50,579</u>	<u>31,307</u>	<u>37,108</u>
Other payables:				
Related parties (<i>note 26(c)</i>)	120,669	3,701	3,151	153,219
Third parties	<u>15,737</u>	<u>53,155</u>	<u>78,496</u>	<u>66,590</u>
	<u>136,406</u>	<u>56,856</u>	<u>81,647</u>	<u>219,809</u>
	<u>143,741</u>	<u>107,435</u>	<u>112,954</u>	<u>256,917</u>

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	7,335	50,579	31,207	35,673
Over 90 days and within 180 days	—	—	—	730
Over 180 days and within 365 days	—	—	100	705
Over 365 days	—	—	—	—
	<u>7,335</u>	<u>50,579</u>	<u>31,307</u>	<u>37,108</u>

All trade and other payables are denominated in RMB.

16 **Other losses - net**

	Year ended 31 December			Six months ended	
	2006	2007	2008	30 June	
	RMB'000	RMB'000	RMB'000	2008	2009
				RMB'000	RMB'000
				(unaudited)	
Impairment of available-for-sale financial assets (<i>note 7</i>)	—	—	2,458	873	—
Penalty fee (<i>note 23</i>)	—	—	1,500	—	—
	<u>—</u>	<u>—</u>	<u>3,958</u>	<u>873</u>	<u>—</u>

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17 **Expenses by nature**

Expenses included in selling and marketing costs and administration expenses are analyzed as follows:

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Staff costs (note 19)	—	373	950	686	926
Stamp duty and other levies	202	175	375	—	30
Auditors' remuneration	8	45	10	—	—
Advertising costs	623	300	1,421	300	327
Depreciation (note 5)	1,008	1,547	1,921	843	965
Amortisation of land use right (note 6)	1,117	367	735	367	367
Operating lease rental	625	808	750	357	251
Consulting expenses	5	358	1,500	367	54
Others	748	818	1,872	634	719
	<u>4,336</u>	<u>4,791</u>	<u>9,534</u>	<u>3,554</u>	<u>3,639</u>

18 **Finance costs - net**

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest expenses on bank borrowings					
Wholly repayable within five years	5,975	19,184	33,150	16,725	13,155
Other interest expenses (note 26(b))	7,335	—	—	—	—
Less: Interest income	(44)	(405)	(33)	(21)	(55)
Interest capitalised in properties under development	<u>(13,266)</u>	<u>(13,872)</u>	<u>(23,304)</u>	<u>(11,797)</u>	<u>(8,980)</u>
Finance costs - net	<u>—</u>	<u>4,907</u>	<u>9,813</u>	<u>4,907</u>	<u>4,120</u>

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19 **Staff costs**

	Year ended 31 December			Six months ended	
				30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Wages and salaries	—	114	466	270	645
Retirement scheme contribution (<i>note (a)</i>)	—	25	103	59	142
Staff welfare	—	224	339	332	81
Medical benefits	—	9	38	22	52
Other allowances and benefits	—	1	4	3	6
	<u>—</u>	<u>373</u>	<u>950</u>	<u>686</u>	<u>926</u>

Note (a):

Employees in Shanghai Detian are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. Shanghai Detian contributes 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.

20 **Emoluments for directors and five highest paid individuals**

(a) *Director's emoluments*

During the Relevant Periods, no emolument was paid to the executive director of Shanghai Detian, Ms Qiao Xiaohui (喬曉輝).

(b) *Five highest paid individuals*

The emoluments payable to the five highest paid individuals during 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	RMB'000
				<i>(unaudited)</i>	
Basis salaries, housing allowances, other allowances and benefits in kind	<u>—</u>	<u>93</u>	<u>192</u>	<u>96</u>	<u>96</u>

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21 **Income tax credit**

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax expenses	—	—	—	—	—
Deferred income tax income relating to the origination and reversal of temporary differences	1,431	3,200	5,826	2,334	1,940
Deferred income tax resulting from change in tax rate	—	(2,373)	—	—	—
	<u>1,431</u>	<u>827</u>	<u>5,826</u>	<u>2,334</u>	<u>1,940</u>

The income tax on Shanghai Detian's loss before taxation differs from the theoretical amount that would arise using the tax rates applicable to Shanghai Detian. In 2006 and 2007, the tax rate of 33% enacted in Shanghai, where the principal activities of Shanghai Detian 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	RMB'000
Loss before income tax	<u>(4,336)</u>	<u>(9,698)</u>	<u>(23,305)</u>	<u>(9,334)</u>	<u>(7,759)</u>
Calculated at PRC enterprise income tax rates (2006 and 2007: 33%, 2008 and 2009: 25%)	1,431	3,200	5,826	2,334	1,940
Effect of change in tax rate	<u>—</u>	<u>(2,373)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax credit	<u>1,431</u>	<u>827</u>	<u>5,826</u>	<u>2,334</u>	<u>1,940</u>

PRC enterprise income tax (the "PRC EIT") is provided on the assessable income of Shanghai Detian, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

Shanghai Detian established in Shanghai, the PRC is subject to PRC EIT at a rate of 33% before 2008.

Pursuant to the PRC EIT Law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax for domestic enterprises is unified at 25%, was be effective from 1 January 2008, and accordingly, Shanghai Detian is subject to PRC EIT at a rate of 25% from 1 January 2008 onwards.

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

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22 **Cash (used in)/generated from operations**

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss for the year/period	(2,905)	(8,871)	(17,479)	(7,000)	(5,819)
Adjustments for:					
Income tax credit	(1,431)	(827)	(5,826)	(2,334)	(1,940)
Depreciation (note 5)	1,008	1,547	1,921	843	965
Amortisation of land use rights (note 6)	1,117	367	735	367	367
Impairment of available-for-sale financial assets (note 7)	—	—	2,458	873	—
Financial costs - net (note 18)	—	4,907	9,813	4,907	4,120
Change in working capital					
Land use rights	(1,129)	(832)	1,150	575	575
Properties under development	(90,080)	(300,136)	(110,663)	(56,984)	(58,041)
Other receivables	(73,746)	(84,909)	131,844	72,747	12,491
Prepaid taxation	—	—	—	—	(5,343)
Advance proceeds received from customers	—	—	—	—	148,389
Trade and other payables	46,293	98,694	5,519	(11,663)	(957)
	<u>(120,873)</u>	<u>(290,060)</u>	<u>19,472</u>	<u>2,331</u>	<u>94,807</u>

Save as disclosed in note 12(a), Shanghai Detian has other material non-cash transactions during the Relevant Period.

23 **Pending litigation**

Shanghai Detian currently has the following material lawsuit pending against it.

The lawsuit arose out of an agreement between Shanghai Detian 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 RMB1,500,000, agency fees in the amount of RMB21,200,000 and other loss in the amount of RMB21,800,000. The PRC court of first instance has issued a judgment granting Shanghai Ceyuan liquidated damages in a total amount of RMB1,500,000 but denying all its other claims for damages. Both Shanghai Detian 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 directors believe that Shanghai Detian has a strong defense against the appeal and accordingly, provision of RMB1,500,000 only has been made for the year ended 31 December 2008 for this litigation according to the judgment made by the PRC court of the first instance.

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24 **Guarantee**

Shanghai Detian 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	—	—	—	62,950

Shanghai Detian has arranged bank financing for certain purchasers of Shanghai Detian'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, Shanghai Detian is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Shanghai Detian is entitled to take over the legal title and possession of the related properties. Shanghai Detian's guarantee period starts from the date of grant of the relevant mortgage loans.

25 **Commitments**

(a) *Capital commitments*

Shanghai Detian 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	682	750	571	242
Later than one year and not later than five years	1,194	589	18	—
	<u>1,876</u>	<u>1,339</u>	<u>589</u>	<u>242</u>

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26 **Related party transactions**

(a) *Name and relationship with related parties*

During the Relevant Periods, Shanghai Detian is ultimately controlled by Ms. Qiao Xiaohui.

Name	Relationship
喬曉輝 Qiao Xiaohui	The ultimate controlling shareholder of Shanghai Detian
Shanghai Justthink	The owner of Shanghai Detian
Shanghai Huiheng	The owner of Shanghai Detian
寧波寶恒汽車有限公司 Ningbo Baoheng Vehicle Sales Company Limited ("Ningbo Baoheng")	Under the common control of the ultimate party
上海新迎園(集團)股份有限公司 Shanghai Xinyingyuan (Group) Co., Ltd. ("Shanghai Xinyingyuan")	Under the common control of the ultimate party
上海毅德股份有限公司 Shanghai Yide Co., Ltd ("Shanghai Yide")	Under the common control of the ultimate party
上海興逸建築安裝有限公司 Shanghai Xingyi Construction & Installation Engineer Company ("Shanghai Xingyi")	Under the common control of the ultimate party

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 for the related parties transaction disclosed in note 13(b), Shanghai Detian 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
Purchase of the construction service:					
Shanghai Xingyi	22,920	118,790	—	—	—
Interest expenses:					
Shanghai Xinyingyuan	7,335	—	—	—	—

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(c) *Balances with related parties*

As at 31 December 2006, 2007 and 2008 and 30 June 2009, Shanghai Detian 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 other receivables:				
Qiao Xiaohui	—	—	—	15,257
Shanghai Justthink	—	49,840	26,681	—
	<u>—</u>	<u>49,840</u>	<u>26,681</u>	<u>15,257</u>
Included in prepayments:				
Shanghai Xingyi	62,080	105,656	1,150	1,150
	<u>62,080</u>	<u>105,656</u>	<u>1,150</u>	<u>1,150</u>
Included in other payables:				
Qiao Xiaohui	4,900	—	—	5,148
Shanghai Justthink	41,104	—	—	71,919
Shanghai Huiheng	—	—	—	73,000
Ningbo Baoheng	—	1,851	1,851	1,852
Shanghai Xinyingyuan (note)	72,000	—	—	—
Shanghai Xingyi	2,000	—	—	—
Shanghai Yide	665	1,850	1,300	1,300
	<u>120,669</u>	<u>3,701</u>	<u>3,151</u>	<u>153,219</u>

Note: The amount represented the advance made by Shanghai Xinyingyuan to Shanghai Detian, which is at an interest rate of around 10% per annum. Such advance, together with the total interest expense of RMB7,335,000, were repaid to Shanghai Xinyingyuan by Shanghai Detian during the year ended 31 December 2007.

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

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III SUBSEQUENT EVENTS

Saved as disclosed in Note 1, there were no other significant subsequent events.

IV SUBSEQUENT FINANCIAL STATEMENT

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

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong