

*The following is the text of a report received from the Company’s reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.*



羅兵咸永道會計師事務所

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

[date]

[DRAFT]

The Directors  
Kaisa Group Holdings Ltd.

[●]

Dear Sirs,

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

The Company was incorporated in the Cayman Islands on August 2, 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. Pursuant to a group reorganisation as described in note 1 of Section II headed “Group reorganisation” below, which was completed in December 2007, 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 as set out in note 1 of Section II below. All of these companies are private companies.

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## APPENDIX I

## ACCOUNTANTS’ REPORT

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All companies comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared by the Company as there is no statutory audit requirement and it has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in note 1 of section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) 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 December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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 HKFRS.

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

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

### **Reporting accountants’ responsibility**

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A

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**APPENDIX I****ACCOUNTANTS' REPORT**

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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 December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and June 30, 2009 and of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and 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 June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section II below which are in conformity with HKFRS.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**I. FINANCIAL INFORMATION**

The following is the Financial Information of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009:

**(a) Consolidated Balance Sheets**

	Note	December 31,			June 30,
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment . . . . .	6	43,274	45,520	76,692	90,850
Investment properties . . . . .	7	482,060	518,560	1,278,400	1,570,150
Land use rights . . . . .	8	24,572	23,822	23,248	22,947
Associated companies . . . . .	9	102,135	—	—	—
Deferred income tax assets . . . .	21	8,520	18,318	91,122	96,146
		<u>660,561</u>	<u>606,220</u>	<u>1,469,462</u>	<u>1,780,093</u>
<b>Current assets</b>					
Land use rights . . . . .	8	1,225,577	3,194,562	4,816,003	4,619,694
Properties under development . .	11	1,022,693	2,134,897	2,375,017	2,707,982
Completed properties held for sale . . . . .	12	173,844	171,176	1,279,655	988,730
Debtors, deposits and other receivables . . . . .	13	1,156,296	1,858,045	1,318,719	1,535,187
Prepayments for proposed development projects . . . . .	14	418,827	769,064	1,144,409	1,206,218
Prepaid taxes . . . . .		16,634	25,960	108,821	138,819
Amounts due from related parties . . . . .	37(c)	398,051	—	—	—
Restricted cash . . . . .	15	88,995	84,400	105,836	290,505
Cash and cash equivalents . . . .	16	570,262	1,624,780	679,271	734,253
		<u>5,071,179</u>	<u>9,862,884</u>	<u>11,827,731</u>	<u>12,221,388</u>
<b>Total assets . . . . .</b>		<u><u>5,731,740</u></u>	<u><u>10,469,104</u></u>	<u><u>13,297,193</u></u>	<u><u>14,001,481</u></u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	Note	December 31,			June 30,
		2006	2007	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000
<b>EQUITY</b>					
Share capital . . . . .	17	1	1	1	1
Share premium . . . . .	17	—	1,490,772	1,490,772	1,490,772
Reserves . . . . .	18	642,986	1,150,259	1,651,180	2,019,152
		642,987	2,641,032	3,141,953	3,509,925
Minority interest . . . . .		—	(31,925)	(40,480)	(40,490)
<b>Total equity</b> . . . . .		<u>642,987</u>	<u>2,609,107</u>	<u>3,101,473</u>	<u>3,469,435</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings . . . . .	19	1,351,525	1,634,525	2,991,925	2,650,800
Long-term loan with detachable warrants . . . . .	20(e)	—	1,358,021	—	—
Deferred income tax liabilities . . . . .	21	69,542	78,667	156,239	226,588
		<u>1,421,067</u>	<u>3,071,213</u>	<u>3,148,164</u>	<u>2,877,388</u>
<b>Current liabilities</b>					
Advanced proceeds received from customers . . . . .		774,017	1,374,187	1,155,926	1,124,576
Accrued construction costs . . . . .		577,398	576,349	1,144,981	1,111,807
Income tax payable . . . . .		58,973	223,227	277,969	265,188
Borrowings . . . . .	19	1,010,000	1,576,000	2,200,000	2,773,749
Long-term loan with detachable warrants . . . . .	20(e)	—	—	1,305,546	1,333,658
Financial derivatives . . . . .	20(e)	—	116,739	80,522	100,514
Other payables . . . . .	22	421,666	919,272	880,776	944,830
Amounts due to related parties . . . . .	37(c)	825,632	3,010	1,836	336
		<u>3,667,686</u>	<u>4,788,784</u>	<u>7,047,556</u>	<u>7,654,658</u>
<b>Total liabilities</b> . . . . .		<u>5,088,753</u>	<u>7,859,997</u>	<u>10,195,720</u>	<u>10,532,046</u>
<b>Total equity and liabilities</b> . . . . .		<u>5,731,740</u>	<u>10,469,104</u>	<u>13,297,193</u>	<u>14,001,481</u>
<b>Net current assets</b> . . . . .		<u>1,403,493</u>	<u>5,074,100</u>	<u>4,780,175</u>	<u>4,566,730</u>
<b>Total assets less current liabilities</b> . . . . .		<u>2,064,054</u>	<u>5,680,320</u>	<u>6,249,637</u>	<u>6,346,823</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**(b) Balance Sheets**

	Note	December 31, 2007 RMB'000	December 31, 2008 RMB'000	June 30, 2009 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Subsidiary . . . . .	10	7	7	7
Deferred income tax assets . . . . .	21	3,282	—	2,270
		<u>3,289</u>	<u>7</u>	<u>2,277</u>
<b>Current assets</b>				
Prepaid interest . . . . .		20,280	20,455	—
Due from a subsidiary . . . . .	10(b)	2,882,484	2,504,659	2,471,285
		<u>2,902,764</u>	<u>2,525,114</u>	<u>2,471,285</u>
<b>Total assets</b> . . . . .		<u><u>2,906,053</u></u>	<u><u>2,525,121</u></u>	<u><u>2,473,562</u></u>
<b>EQUITY</b>				
Share capital . . . . .	17	1	1	1
Share premium . . . . .	17	1,490,772	1,490,772	1,490,772
Accumulated losses . . . . .		(59,480)	(353,017)	(451,383)
<b>Total equity</b> . . . . .		<u><u>1,431,293</u></u>	<u><u>1,137,756</u></u>	<u><u>1,039,390</u></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term loan with detachable warrants . . . . .	20(e)	1,358,021	—	—
Deferred income tax liabilities . . . . .	21	—	1,297	—
		<u>1,358,021</u>	<u>1,297</u>	<u>—</u>
<b>Current liabilities</b>				
Long-term loan with detachable warrants . . . . .	20(e)	—	1,305,546	1,333,658
Financial derivatives . . . . .	20(e)	116,739	80,522	100,514
		<u>116,739</u>	<u>1,386,068</u>	<u>1,434,172</u>
<b>Total liabilities</b> . . . . .		<u><u>1,474,760</u></u>	<u><u>1,387,365</u></u>	<u><u>1,434,172</u></u>
<b>Total equity and liabilities</b> . . . . .		<u><u>2,906,053</u></u>	<u><u>2,525,121</u></u>	<u><u>2,473,562</u></u>
<b>Net current assets</b> . . . . .		<u><u>2,786,025</u></u>	<u><u>1,139,046</u></u>	<u><u>1,037,113</u></u>
<b>Total assets less current liabilities</b> . . .		<u><u>2,789,314</u></u>	<u><u>1,139,053</u></u>	<u><u>1,039,390</u></u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(c) Consolidated Statements of Comprehensive Income**

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue . . . . .	5	2,398,660	2,239,360	3,110,446	1,287,736	2,473,732
Cost of sales . . . . .	24	(1,826,484)	(1,265,501)	(2,243,354)	(881,836)	(1,874,108)
<b>Gross profit</b> . . . . .		572,176	973,859	867,092	405,900	599,624
Other gains/(losses), net . . . . .	23	3,134	10,422	(116,216)	90,074	(482)
Selling and marketing costs . . . . .	24	(83,786)	(59,346)	(151,821)	(68,169)	(70,174)
Administrative expenses . . . . .	24	(81,518)	(157,243)	(165,721)	(85,568)	(99,389)
Change in fair value of investment properties . . . . .	7	231,742	36,500	302,557	575,369	281,397
Change in fair value of financial derivatives . . . . .	20(e)	—	(18,642)	27,221	(25,646)	(19,925)
<b>Operating profit</b> . . . . .		641,748	785,550	763,112	891,960	691,051
Finance income . . . . .	25	12,576	9,029	7,243	4,660	1,792
Finance costs . . . . .	25	(30,222)	(52,438)	(117,642)	(60,673)	(108,401)
Finance costs — net . . . . .		(17,646)	(43,409)	(110,399)	(56,013)	(106,609)
Share of results of associated companies . . . . .		(65)	(1)	—	—	—
<b>Profit before income tax</b> . . . . .		624,037	742,140	652,713	835,947	584,442
Income tax expenses . . . . .	28	(130,695)	(258,770)	(151,800)	(203,482)	(216,480)
<b>Profit for the year/period</b> . . . . .		493,342	483,370	500,913	632,465	367,962
<b>Profit attributable to:</b>						
Equity holders of the Company . . . . .		493,342	483,369	500,921	632,469	367,972
Minority interest . . . . .		—	1	(8)	(4)	(10)
		493,342	483,370	500,913	632,465	367,962
Earnings per share for profit attributable to equity holders of the Company during the year/period (expressed in RMB per share) . . . . .	29	Not applicable	47,115	46,083	58,187	33,853
<b>Profit for the year/period</b> . . . . .		493,342	483,370	500,913	632,465	367,962
<b>Other comprehensive income</b>						
Currency translation differences . . . . .		697	23,904	—	—	—
<b>Total comprehensive income for the year/period</b> . . . . .		494,039	507,274	500,913	632,465	367,962
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company . . . . .		494,039	507,273	500,921	632,469	367,972
Minority interest . . . . .		—	1	(8)	(4)	(10)
		494,039	507,274	500,913	632,465	367,962

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**(d) Consolidated Statements of Changes In Equity**

	Capital and reserves attributable to equity holders of the Company					
	Share capital	Share premium	Reserves	Total	Minority interest	Total
	RMB'000 (note 17)	RMB'000 (note 17)	RMB'000 (note 18)	RMB'000	RMB'000	RMB'000
Balance as at January 1, 2006 . . . . .	1	—	148,947	148,948	—	148,948
Profit for the year . . . . .	—	—	493,342	493,342	—	493,342
Exchange differences . . . . .	—	—	697	697	—	697
Balance as at December 31, 2006 . . . . .	<u>1</u>	<u>—</u>	<u>642,986</u>	<u>642,987</u>	<u>—</u>	<u>642,987</u>
Balance as at January 1, 2007 . . . . .	1	—	642,986	642,987	—	642,987
Profit for the year . . . . .	—	—	483,369	483,369	1	483,370
Exchange differences . . . . .	—	—	23,904	23,904	—	23,904
Total recognised income and expenses . . . . .	—	—	507,273	507,273	1	507,274
Issue of new shares . . . . .	—	1,490,772	—	1,490,772	—	1,490,772
Acquisition of a subsidiary (note 34)	—	—	—	—	(44,474)	(44,474)
Disposal of a subsidiary (note 35) . . . . .	—	—	—	—	2	2
Capital contribution from minority shareholders (note 36) . . . . .	—	—	—	—	12,546	12,546
Balance as at December 31, 2007 . . . . .	<u>1</u>	<u>1,490,772</u>	<u>1,150,259</u>	<u>2,641,032</u>	<u>(31,925)</u>	<u>2,609,107</u>
Balance as at January 1, 2008 . . . . .	1	1,490,772	1,150,259	2,641,032	(31,925)	2,609,107
Profit for the year . . . . .	—	—	500,921	500,921	(8)	500,913
Disposal of a subsidiary (note 35) . . . . .	—	—	—	—	(10,547)	(10,547)
Capital contribution from minority shareholder (note 36) . . . . .	—	—	—	—	2,000	2,000
Balances as at December 31, 2008 . . . . .	<u>1</u>	<u>1,490,772</u>	<u>1,651,180</u>	<u>3,141,953</u>	<u>(40,480)</u>	<u>3,101,473</u>
Balance as at January 1, 2009 . . . . .	1	1,490,772	1,651,180	3,141,953	(40,480)	3,101,473
Profit for the period . . . . .	—	—	367,972	367,972	(10)	367,962
Balance as at June 30, 2009 . . . . .	<u>1</u>	<u>1,490,772</u>	<u>2,019,152</u>	<u>3,509,925</u>	<u>(40,490)</u>	<u>3,469,435</u>



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(e) Consolidated Cash Flow Statements**

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations . . . . .	30	188,668	(891,554)	(1,309,277)	(1,047,632)	530,052
Income tax paid . . . . .		(48,085)	(104,515)	(175,151)	(97,040)	(193,934)
Interest paid . . . . .		(168,514)	(247,384)	(502,500)	(254,370)	(273,745)
<b>Net cash (used in)/generated from operating activities . . . . .</b>		<b>(27,931)</b>	<b>(1,243,453)</b>	<b>(1,986,928)</b>	<b>(1,399,042)</b>	<b>62,373</b>
<b>Cash flows from investing activities</b>						
Purchase of property and equipment . . . . .		(29,089)	(8,614)	(44,693)	(12,991)	(17,000)
Acquisition of subsidiaries, net of cash acquired . . . . .	34	(223,236)	(1,029,621)	(824,655)	(824,655)	(159,891)
Decrease in purchase consideration of subsidiaries . . . . .		—	—	(68,287)	(47,288)	(63,769)
Disposal of subsidiaries . . . . .	35	—	86,604	—	—	—
Investment in associated companies . . . . .		(102,200)	—	—	—	—
Amounts due from related companies . . . . .		(240,079)	391,711	—	—	—
Proceeds from disposal of property and equipment . . . . .	30	45	881	364	335	1,008
Interest received . . . . .	25	12,576	9,029	7,243	4,660	1,792
<b>Net cash used in investing activities</b>		<b>(581,983)</b>	<b>(550,010)</b>	<b>(930,028)</b>	<b>(879,939)</b>	<b>(237,860)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings . . . . .		1,518,053	1,406,121	3,914,000	2,494,000	1,622,624
Repayments of borrowings . . . . .		(561,582)	(577,000)	(1,932,600)	(1,302,000)	(1,390,000)
Capital injection from minority shareholders . . . . .		—	12,546	2,000	—	—
Proceeds from long-term loan with detachable warrants . . . . .	20(e)	—	1,353,249	—	—	—
Proceeds from financial derivatives . . . . .	20(e)	—	99,312	—	—	—
Issue of new shares . . . . .	17(iii)	—	1,490,772	—	—	—
Decrease in amounts due to related companies . . . . .		(164,697)	(821,732)	(1,174)	(1,533)	(1,500)
Increase/(decrease) in amount due to an associated company . . . . .		101,828	(101,828)	—	—	—
<b>Net cash generated from financing activities . . . . .</b>		<b>893,602</b>	<b>2,861,440</b>	<b>1,982,226</b>	<b>1,190,467</b>	<b>231,124</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>		<b>283,688</b>	<b>1,067,977</b>	<b>(934,730)</b>	<b>(1,088,514)</b>	<b>55,637</b>
Cash and cash equivalents at beginning of year/period . . . . .		286,574	570,262	1,624,780	1,624,780	679,271
Exchange adjustments . . . . .		—	(13,459)	(10,779)	(14,649)	(655)
<b>Cash and cash equivalents at end of year/period . . . . .</b>	<b>16</b>	<b>570,262</b>	<b>1,624,780</b>	<b>679,271</b>	<b>521,617</b>	<b>734,253</b>

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## APPENDIX I

## ACCOUNTANTS’ REPORT

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### II. NOTES TO THE FINANCIAL INFORMATION

#### 1. Group reorganisation

Kaisa Group Holdings Ltd. (the “Company”) was incorporated in the Cayman Islands on August 2, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is engaged in investment holding. During the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, the Company and its subsidiaries (the “Group”) were principally engaged in the property development, property investment, property management and project consultancy businesses.

Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, and Mr. Kwok Chun Wai (hereinafter collectively referred to as the “Kwok Family”) are siblings and jointly owned various companies established in the People’s Republic of China (the “PRC”) engaging in property development, property investment, property management and project consultancy business (the “Property Businesses”). Pursuant to a memorandum dated 25 April 2008, the Kwok Family confirmed that they have acted in concert in respect of their respective rights to vote during the Relevant Periods. In December 2007, pursuant to the reorganisation (the “Reorganisation”) in preparation for [●], the Company acquired all these companies carrying on the Property Businesses (“Core Business Entities”) from the Kwok Family. The Reorganisation principally involved:

- (i) the incorporation of Rui Jing Investment Company Limited (“Rui Jing”), a limited liability company incorporated in the British Virgin Islands (“BVI”), by the Kwok Family;
- (ii) the incorporation of 4 intermediate holding companies in the BVI (“Business Holding Companies”) by Rui Jing, which are established to act as the intermediate holding companies for the business divisions of the Group;
- (iii) the incorporation of 10 intermediate holding companies in the BVI (“Project Holding Companies”) by Business Holding Companies, which are established to act as the intermediate holding companies for the projects of the Group;
- (iv) the transfer of equity interests in the Core Business Entities and four other investment holding companies, namely Dongguan Yinglian Shiye Investment Co. Ltd., Guangzhou Xinhongrui Shiye Co. Ltd., Shenzhen Jiachangxin Property Development Co., Ltd. and Shenzhen Kaisa Baihuo Co. Ltd. (the “Four Other Investment Holding Companies”) from the Kwok Family to the Project Holding Companies;
- (v) the transfer of the equity interests in the Four Other Investment Holding Companies to the Kwok Family at an aggregate cash consideration of RMB86,800,000.
- (vi) the transfer of the entire equity interest in Rui Jing to the Company by the Kwok Family in consideration of shares issued by the Company to the Kwok Family.

The Reorganisation was completed in December 2007 and the Company became the holding company of the Core Business Entities.

## APPENDIX I

## ACCOUNTANTS’ REPORT

Particulars of the subsidiaries of the Group during the Relevant Periods and at the date of this report are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital at the date of this report	Percentage of attributable equity interest					At the date of this report	Principal activities
			December 31,			June 30,	At the date of this report		
			2006	2007	2008				
<i>Incorporated in the BVI, with limited liability and operate in Hong Kong:</i>									
Directly:									
Rui Jing Investment Company Limited 瑞景投資有限公司 . . . . .	July 23, 2007	USD1,000	—	100%	100%	100%	100%	100%	Investment holding
Indirectly:									
Jie Feng Investment Company Limited 捷豐投資有限公司 . . . . .	July 23, 2007	USD4	—	100%	100%	100%	100%	100%	Investment holding
Heng Chang Investment Company Limited 恒昌投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Guang Feng Investment Company Limited 廣豐投資有限公司 . . . . .	July 23, 2007	USD1	—	100%	100%	100%	100%	100%	Investment holding
Ye Chang Investment Company Limited 葉昌投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Chang Ye Investment Company Limited 昌業投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Rong Hui Investment Company Limited 榮輝投資有限公司 . . . . .	July 25, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Yuan Yuan Investment Company Limited 遠源投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Da Hua Investment Company Limited 大華投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Tai He Xiang Investment Company Limited 泰和祥投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Zheng Zhong Tian Investment Company Limited 正中天投資有限公司 . . . . .	July 23, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
Dong Chang Investment Company Limited 東昌投資有限公司 . . . . .	July 25, 2007	USD1	—	100%	100%	100%	100%	100%	Investment holding
Jin Chang Investment Company Limited 進昌投資有限公司 . . . . .	July 25, 2007	USD1	—	100%	100%	100%	100%	100%	Investment holding
Dong Sheng Investment Company Limited 東升投資有限公司 . . . . .	July 25, 2007	USD1	—	100%	100%	100%	100%	100%	Investment holding
Xie Mao Investment Company Limited 協茂投資有限公司 . . . . .	July 26, 2007	USD2	—	100%	100%	100%	100%	100%	Investment holding
China Agriculture Technology Limited 中國農業科技有限公司 . . . . .	March 18, 2004	USD1	100%	100%	100%	100%	100%	100%	Investment holding
Ace Start Enterprises Limited <sup>#</sup> 佳始企業有限公司 . . . . .	May 2, 2007	USD1	—	100%	100%	100%	100%	100%	Investment holding
<i>Incorporated in Hong Kong, with limited liability and operate in Hong Kong:</i>									
Kaisa Holdings Limited 佳兆業集團有限公司 . . . . .	July 16, 1999	HK\$100,000	100%	100%	100%	100%	100%	100%	Investment holding
Cornwell Holdings (Hong Kong) Limited 冠華基業集團(香港)有限公司 . . .	September 7, 1993	HK\$2	100%	100%	100%	100%	100%	100%	Investment holding
Leisure Land Hotel Management (China) Limited 可域酒店管理(中國)有限公司 . . .	August 13, 2004	HK\$10,000	100%	100%	100%	100%	100%	100%	Investment holding
Regal Silver Manufacturing Limited 靈菊銀器製品有限公司 . . . . .	September 24, 1976	HK\$50,000	100%	100%	100%	100%	100%	100%	Investment holding
China Manfort Properties Limited 中國萬科地產有限公司 . . . . .	September 28, 2007	HK\$1	—	100%	100%	100%	100%	100%	Investment holding
Yi Qing Investment Company Limited 怡慶投資有限公司 . . . . .	August 13, 2007	HK\$1	—	100%	100%	100%	100%	100%	Investment holding

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital at the date of this report	Percentage of attributable equity interest					At the date of this report	Principal activities
			December 31,			June 30, 2009			
			2006	2007	2008				
China Dong Sheng Agriculture Technology Limited 中國東升農業科技有限公司 . . . . .	November 1, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	
Onfair Asia Pacific Limited <sup>#</sup> 安信亞太有限公司 . . . . .	May 17, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	
Zhan Zheng Consulting Company Limited 展正諮詢有限公司 . . . . .	August 10, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	
Yong Rui Xiang Investment Company Limited 永瑞祥投資有限公司 . . . . .	August 13, 2007	HK\$1	—	100%	100%	100%	100%	Investment holding	
Success Take International Limited 迪升國際有限公司 . . . . .	March 28, 2003	HK\$100,000	100%	100%	100%	100%	100%	Investment holding	
Kaisa Technology Limited 佳兆業科技有限公司 . . . . .	June 30, 2005	HK\$10,000	100%	100%	100%	100%	100%	Investment holding	
Woodland Height Holdings Limited 桂芳園集團有限公司 . . . . .	July 2, 2003	HK\$100,000	100%	100%	100%	100%	100%	Investment holding	
<i>Established and operate in the PRC, all of which are foreign investment enterprises:</i>									
Kaisa Electronic (Shenzhen) Co., Ltd. 佳兆業電子(深圳)有限公司 . . . . .	May 28, 2001	HK\$390,000,000	100%	100%	100%	100%	100%	Investment holding	
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業(深圳)有限公司 . . . . .	Feb 15, 2004	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Fenglong Group Co., Ltd. <sup>#</sup> 豐隆集團有限公司 . . . . .	October 29, 1993	RMB168,000,000	—	55%	55%	55%	55%	Property development	
Cornwell Jiye Shiye (Shenzhen) Co., Ltd. 冠華基業實業(深圳)有限公司 . . . . .	August 23, 2004	RMB550,000,000	100%	100%	100%	100%	100%	Investment holding	
Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd. 萬裕昌計算機技術開發(深圳)有限公司 . . . . .	October 26, 2001	HK\$2,000,000	100%	100%	100%	100%	100%	Investment holding	
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產(深圳)有限公司 . . . . .	June 3, 1999	RMB730,000,000	100%	100%	100%	100%	100%	Property development	
Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技(深圳)有限公司 . . . . .	July 27, 2001	HK\$12,000,000	100%	100%	100%	100%	100%	Property development	
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司 . . . . .	October 20, 1999	RMB5,000,000	100%	100%	100%	100%	100%	Property management	
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理(深圳)有限公司 . . . . .	May 23, 2005	RMB540,000,000	100%	100%	100%	100%	100%	Property management	
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司 . . . . .	March 21, 1997	RMB12,000,000	100%	100%	100%	100%	100%	Property development	
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業(深圳)有限公司 . . . . .	March 26, 2004	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Woodland Height Shiye (Shenzhen) Co., Ltd. 桂芳園實業(深圳)有限公司 . . . . .	October 13, 2003	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Sichuan Tianzi Ziye Co., Ltd. <sup>#</sup> 四川天姿置業有限公司 . . . . .	September 15, 2006	RMB20,000,000	—	100%	100%	100%	100%	Property development	
Hunan Kaisa Zhiye Co., Ltd. 湖南佳兆業置業有限公司 . . . . .	September 14, 2007	HK\$100,000,000	—	100%	100%	100%	100%	Property development	
Huidongxian Dongsheng Agriculture Technology Development Co., Ltd. 惠東縣東升農業科技開發有限公司 . . . . .	March 12, 2007	HK\$20,000,000	—	100%	100%	100%	100%	Property development	
Huizhou Weitong Property Co., Ltd. <sup>#</sup> 惠州緯通房產有限公司 . . . . .	January 14, 1994	HK\$109,200,000	—	100%	100%	100%	100%	Property development	
Huizhou Canrong Property Co., Ltd. <sup>#</sup> 惠州燦榮房產有限公司 . . . . .	January 14, 1994	HK\$31,878,000	—	100%	100%	100%	100%	Property development	

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital at the date of this report	Percentage of attributable equity interest					At the date of this report	Principal activities
			December 31,			June 30, 2009			
			2006	2007	2008				
Shenyang Kaisa Property Development Co., Ltd. 瀋陽佳兆業房地產開發有限公司 . . .	November 7, 2007	HK\$0 (note i)	—	100%	100%	100%	100%	Property development	
Shenyang Woodland Height Property Development Co., Ltd. 瀋陽桂芳園房地產開發有限公司 . . .	November 20, 2007	HK\$0 (note ii)	—	100%	100%	100%	100%	Property development	
Shenzhen Kaisa Baihuo Co., Ltd. <sup>⊗</sup> 深圳市佳兆業百貨有限公司 . . . . .	June 13, 2002	RMB6,000,000	100%	—	—	—	—	Investment holding	
Woodlands Height Electronic Technology Development (Shenyang) Co., Ltd. <sup>^</sup> 桂芳園電子技術開發（瀋陽）有限公司 . . . . .	January 17, 2008	RMB0	—	—	100%	100%	—	Investment holding	
Kaisa (Huizhou) Infrastructure Development Co., Ltd. 佳兆業（惠州）基建發展有限公司 . . .	February 2, 2008	USD11,534,691 (note iii)	—	—	100%	100%	100%	Infrastructure development	
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業（惠州）道路建設發展有限公司 . . . . .	February 2, 2008	USD40,000,000 (note iv)	—	—	100%	100%	100%	Construction	
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技（惠州）有限公司 . . . . .	March 24, 2008	USD6,442,561 (note v)	—	—	100%	100%	100%	Property development	
Kaisa Investment Management (Shanghai) Co., Ltd. 佳兆業投資管理（上海）有限公司 . . .	March 27, 2008	USD2,000,000	—	—	100%	100%	100%	Investment holding	
Huizhou Jinhui Entertainment Park Co., Ltd. <sup>†</sup> 金湖遊樂園（惠州）有限公司 . . . . .	June 11, 1993	USD4,800,000	—	—	100%	100%	100%	Property development	
Huizhou Jinhui Resort Village Co., Ltd. <sup>†</sup> 金湖渡假村（惠州）有限公司 . . . . .	June 2, 1993	USD12,000,000	—	—	100%	100%	100%	Property development	
Shenzhen Wanyuhua Investment Consulting Co., Ltd. 深圳市萬裕華投資諮詢有限公司 . . .	July 11, 2008	RMB1,000,000	—	—	—	100%	100%	Investment holding	
<i>Established and operate in the PRC, all of which are local investment enterprises:</i>									
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司 . . .	March 3, 2006	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Huizhou Jinhui Property Co., Ltd. <sup>#</sup> 惠州市金湖房地產有限公司 . . . . .	March 26, 1993	RMB51,480,000	—	100%	100%	100%	100%	Property development	
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司 . . .	July 31, 2006	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Guangzhou Jiasui Zhiye Co., Ltd. 廣州市佳穗置業有限公司 . . . . .	May 31, 2006	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司 . . . . .	October 27, 2005	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Guangzhou Jinmao Property Management Co., Ltd. 廣州金貿物業管理有限公司 . . . . .	June 22, 2006	RMB5,000,000	100%	100%	100%	100%	100%	Property management	
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司 . . .	January 26, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Shenzhen Jiachangxin Investment Consulting Co., Ltd. <sup>□</sup> 深圳市佳昌信投資諮詢有限公司 . . .	November 14, 2006	RMB204,680,000	30%	100%	100%	100%	100%	Property development	
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	July 19, 2004	RMB1,000,000	100%	100%	100%	100%	100%	Commerce management	

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid-in capital/ the date of this report	Percentage of attributable equity interest					At the date of this report	Principal activities
			December 31,			June 30,			
			2006	2007	2008				
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司 . . .	June 13, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Shenzhen Zhongwei Investment Consulting Co., Ltd. <sup>△</sup> 深圳市中衛投資諮詢有限公司 . . . . .	August 31, 2005	RMB13,480,000	100%	100%	100%	100%	100%	Property development	
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司 . . . . .	May 16, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司 . . .	January 17, 2007	RMB50,000,000	—	100%	100%	100%	100%	Property development	
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司 . .	January 29, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Dongguan Kaisa Property Development Co., Ltd. 東莞佳兆業房地產開發有限公司 . . .	September 6, 2004	RMB38,000,000	100%	100%	100%	100%	100%	Property development	
Chengdu Nanxing Yinji Property Development Co., Ltd. <sup>#</sup> 成都南興銀基房地產開發有限公司 . .	November 5, 2004	RMB20,000,000	—	100%	100%	100%	100%	Property development	
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司 . . .	July 18, 2007	RMB2,500,000	—	100%	100%	100%	100%	Property management	
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司 . . .	July 12, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅信息有限公司 . . . . .	December 5, 2005	RMB24,400,000	100%	100%	100%	100%	100%	Investment holding	
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司 . . .	August 22, 2007	RMB20,000,000	—	100%	100%	100%	100%	Property development	
Huizhou Kaisa Tangquan Forest Tourism Development Co., Ltd. 惠州市佳兆業湯泉森林公園旅遊開發有限公司 . . . . .	September 29, 2007	RMB10,000,000	—	80%	80%	80%	80%	Property development	
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司 . . .	September 14, 2007	RMB1,000,000	—	100%	100%	100%	100%	Property development	
Huizhou Yingbo Property Development Co., Ltd. <sup>■</sup> 惠州市盈博房地產開發有限公司 . . .	August 20, 2007	RMB10,000,000	—	62%	—	—	—	Property development	
Shenzhen Chuangzhan Investment Development Co., Ltd. 深圳市創展投資發展有限公司 <sup>#</sup> . . . . .	November 17, 2000	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Chengdu Pengzhou Kaisa Zhiye Co., Ltd. <sup>^</sup> 成都彭州佳兆業置業有限公司 . . . . .	August 9, 2007	RMB10,000,000	—	100%	100%	—	—	Property development	
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司 . . . . .	June 22, 2007	RMB20,000,000	—	100%	100%	100%	100%	Property development	
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司 . . . . .	July 19, 2007	RMB27,000,000	—	100%	100%	100%	100%	Construction	
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司 . . .	December 11, 2007	RMB2,000,000	—	100%	100%	100%	100%	Commerce management	
Shenzhen Xingwoer Shihua Co., Ltd. <sup>△</sup> 深圳市興沃爾石化有限公司 . . . . .	January 29, 1999	RMB10,000,000	100%	100%	100%	100%	100%	Property development	
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司 . . .	January 4, 2007	RMB10,000,000	—	100%	100%	100%	100%	Property development	
Huidongxian Kaisa Investment Co., Ltd. 惠東縣佳兆業投資有限公司 . . . . .	November 20, 2007	RMB10,000,000	—	100%	100%	100%	100%	Construction	

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital at the date of this report	Percentage of attributable equity interest					Principal activities
			December 31,			June 30,	At the date of this report	
			2006	2007	2008	2009		
Shenzhen Finance Investment Services Co., Ltd. <sup>@</sup> 深圳市金融投資服務有限公司 . . . . .	December 24, 2007	RMB15,000,000	—	55%	—	—	—	Investment holding
Shenzhen Jiachangxin Property Development Co., Ltd. <sup>□</sup> <sup>∇</sup> 深圳市佳昌信房地產開發有限公司 . . . . .	September 30, 2006	RMB40,800,000	30%	—	—	—	—	Property development
Guangzhou Xinhongrui Shiye Co., Ltd. <sup>∅</sup> 廣州市新鴻銳實業有限公司 . . . . .	July 24, 1998	RMB30,000,000	100%	—	—	—	—	Property development
Jinmao International Investment Co., Ltd. <sup>∅</sup> 金貿國際投資有限公司 . . . . .	March 25, 1996	RMB100,000,000	100%	—	—	—	—	Property development
Dongguan Yinglian Shiye Investment Co., Ltd. <sup>∅</sup> 東莞市盈聯實業投資有限公司 . . . . .	April 11, 2007	RMB10,000,000	100%	—	—	—	—	Property development
Chengdu Kaisa Property Management Co., Ltd. 成都市佳兆業物業管理有限公司 . . . . .	January 30, 2008	RMB3,000,000	—	—	100%	100%	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. <sup>†</sup> 江陰市泰昌房地產開發有限公司 . . . . .	November 22, 2007	RMB200,000,000	—	—	100%	100%	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. <sup>†</sup> 上海新灣投資發展有限公司 . . . . .	January 17, 2007	RMB60,000,000	—	—	100%	100%	100%	Property development
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司 . . . . .	January 29, 2008	RMB2,000,000	—	—	100%	100%	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司 <sup>†</sup> . . . . .	August 29, 2007	RMB60,000,000	—	—	100%	100%	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司 . . . . .	June 2, 2008	RMB10,000,000	—	—	—	100%	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司 . . . . .	June 2, 2008	RMB10,000,000	—	—	—	100%	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司 . . . . .	July 4, 2008	RMB10,000,000	—	—	80%	80%	80%	Property development
Keyu Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司 <sup>•</sup> . . . . .	June 17, 1997	RMB50,000,000	—	—	—	100%	100%	Hotel
Huizhou Zhaoruijing Commerce Operation Management Co., Ltd. 惠州市兆瑞景商業經營管理有限公司 . . . . .	April 7, 2009	RMB5,000,000	—	—	—	100%	100%	Commerce management
Beijing Kaisa Investment Consulting Co., Ltd. 北京佳兆業投資諮詢有限公司 . . . . .	August 26, 2009	RMB1,000,000	—	—	—	—	100%	Investment holding

(note i) The registered capital of HK\$370,000,000 of Shenyang Kaisa Property will be fully paid up within required framework on or before June 30, 2010.

(note ii) The registered capital of HK\$370,000,000 of Shenyang Woodland Height will be fully paid up within required timeframe on or before June 30, 2010.

(note iii) The first installment of the registered capital has not yet been fully paid, of which the remaining registered capital of USD 11,760,000 will be paid up on or before December 31, 2009 and the remaining USD74,705,309 will be paid up on or before December 31, 2010.

## APPENDIX I

## ACCOUNTANTS' REPORT

(note iv) The installment of registered capital of USD40,000,000 has been paid up, and the remaining registered capital of USD1,500,000 and USD8,500,000 will be fully paid up within the required timeframe on or before June 30, 2010 and December 31, 2010 respectively.

(note v) The first installment of the registered capital has not yet been fully paid up, of which the remaining registered capital of USD9,450,000 will be fully paid up with the required timeframe on or before June 2010. The remaining USD74,107,439 will be fully paid up on or before June 2012.

No statutory audited financial statements have been prepared for the above subsidiaries except for the following companies of the corresponding financial year(s):

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	Sichuan Wanfang Accountant Service Co. Ltd. 四川萬方會計師事務所有限責任公司	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Guangzhou Jiasui Zhiye Co., Ltd. 廣州市佳穗置業有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guangzhou Nanhua Certified Public Accountants 廣州南華會計師事務所有限公司
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guangzhou Nanhua Certified Public Accountants 廣州南華會計師事務所有限公司
Guangzhou Jinmao Property Management Co., Ltd. 廣州金貿物業管理有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Zhonghezhenxin Certified Public Accountants 中和正信會計師事務所
Kaisa Holdings Limited 佳兆業集團有限公司	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師事務所
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資諮詢有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Jiachangxin Property Development Co., Ltd. 深圳市佳昌信房地產開發有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— <sup>(1)</sup>	— <sup>(1)</sup>
Shenzhen Kaisa Department Company Limited 深圳市佳兆業百貨有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— <sup>(1)</sup>	— <sup>(1)</sup>
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	Shenzhen Shanhe Tax Consultant 深圳市山河稅務師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Success Take International Limited 迪升國際有限公司	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝、余仲良會計師事務所
Kaisa Technology (Shenzhen) Co., Ltd. 佳兆業科技(深圳)有限公司	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業(深圳)有限公司	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所



**APPENDIX I**

**ACCOUNTANTS' REPORT**

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Shenzhen Xingwoer Shihua Co., Ltd. 深圳市興沃爾石化有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產 (深圳) 有限公司 . . . . .	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Cornwell Jiye Shiye (Shenzhen) Co., Ltd. 冠華基業實業 (深圳) 有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理 (深圳) 有限公司 . . . . .	Shenzhen Yida Certified Public Accountants Company Limited 深圳市義達會計師事務所有限責任公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Keyu Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理 (深圳) 有限公司 . . . . .	Shenzhen Yida Certified Public Accountants Company Limited 深圳市義達會計師事務所有限責任公司	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司 . . . . .	Shenzhen Yong Xin Ruihe Certified Public Accountants 深圳永信瑞和會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業 (深圳) 有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Woodland Height Shiye (Shenzhen) Co., Ltd. 桂芳園實業 (深圳) 有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司 . . . . .	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Guangzhou Shiye Xinhongrui Co., Ltd. 廣州市新鴻銳實業有限公司 . . . . .	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	— <sup>(1)</sup>	— <sup>(1)</sup>
Kaisa Electronic (Shenzhen) Co., Ltd. 佳兆業電子 (深圳) 有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd. 深圳萬裕昌計算機技術開發 (深圳) 有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants Limited 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Woodland Height Holdings Limited 桂芳園集團有限公司 . . . . .	Yau & Leung CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Leisure Land Hotel Management (China) Limited 可域酒店管理 (中國) 有限公司 . . . . .	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Huizhou Weitong Property Co., Ltd. 惠州緯通房產公司 . . . . .	— <sup>(2)</sup>	Huizhou Dong Fang Certified Public Accountants 惠州市東方會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產公司 . . . . .	— <sup>(2)</sup>	Huizhou Dong Fang Certified Public Accountants 惠州市東方會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Zhuhai Zhanda Property Development Co. Ltd. 珠海市展大房地產開發有限公司 . . . . .	— <sup>(2)</sup>	Zhuhai De Yuan Certified Public Accountants 珠海德源會計師事務所	Zhuhai Yong An Da Certified Public Accountants 珠海市永安達會計師事務所有限公司
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司 . . . . .	— <sup>(3)</sup>	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司 . . . . .	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Fenglong Group Co., Ltd. 豐隆集團有限公司 . . . . .	— <sup>(2)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Sichuan Tianzi Ziyue Co., Ltd. 四川天姿置業有限公司 . . . . .	— <sup>(2)</sup>	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司 . . . . .	— <sup>(2)</sup>	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Shenzhen Zhengchangtai Investment Consulting Co., Ltd. 深圳市正昌泰投資諮詢有限公司 . . . . .	— <sup>(3)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Shenzhen Daye Property Management Co., Ltd. 深圳市大業房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司 . . . . .	— <sup>(2)</sup>	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chendu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司 . . . . .	— <sup>(3)</sup>	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Zhonghezhenxin Certified Public Accountants 中和正信會計師事務所
Regal Silver Manufacturing Limited 靈菊銀器製品有限公司 . . . . .	Leung & Yau CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Cornwell Holdings (Hong Kong) Limited 冠華基業集團(香港)有限公司 . . . . .	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Beijing Jinmao Caixun Xinci Co., Ltd. 北京金貿財迅信息有限公司 . . . . .	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Hunan Kaisa Zhiye Co., Ltd. 湖南佳兆業置業有限公司 . . . . .	— <sup>(3)</sup>	Changsha Hua Ming Certified Public Accountants Limited 長沙華明會計師事務所有限責任公司	Changsha Hua Ming Certified Public Accountants 長沙華明會計師事務所有限責任公司
Huidongxian Dongsheng Agriculture Co., Ltd. 惠東縣東升農業科技有限公司 . . . . .	— <sup>(3)</sup>	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Changsha Hua Ming Certified Public Accountants Limited 長沙華明會計師事務所有限責任公司	Changsha Hua Ming Certified Public Accountants 長沙華明會計師事務所有限責任公司
Huizhou Kaisa Tangquan Forest Co., Ltd. 惠州市湯泉森林公園旅遊開發有限公司 . . . . .	— <sup>(3)</sup>	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Huizhou Yingbo Property Development Co., Ltd. 惠州市盈博房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	— <sup>(5)</sup>
Shenzhen Chuangzhun Investment Development Co., Ltd. 深圳市創展投資發展有限公司 . . . . .	— <sup>(2)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Chengdu Pengzhou Kaisa Zhiye Co., Ltd. 成都彭州佳兆業置業有限公司 . . . . .	— <sup>(3)</sup>	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chengdu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司 . . . . .	— <sup>(3)</sup>	Chengdu Zhong Da Certified Public Accountants 成都中大會計師事務所	Chengdu Xindingsheng United Certified Public Accountants 成都鑫鼎盛聯合會計師事務所
Shenzhen Taijian Construction & Engineering Co., Ltd. 泰建建築工程有限公司 . . . . .	— <sup>(3)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司 . . . . .	— <sup>(3)</sup>	Guang Zhou Zhong Shen Certified Public Accountants Limited 廣州市中審會計師事務所有限公司	Zhonghezhenxin Certified Public Accountants 中和正信會計師事務所
China Manfort Properties Limited 中國萬科地產有限公司 . . . . .	— <sup>(3)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Yi Qing Investment Company Limited 怡慶投資有限公司 . . . . .	— <sup>(3)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Kaisa Technology Limited 佳兆業科技有限公司 . . . . .	Leung & Yau CPA Limited 梁游會計師事務所有限公司	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
China Dong Seng Agriculture Limited 中國東升農業科技有限公司 . . . . .	— <sup>(3)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Onfair Asia Pacific Limited 安信亞太有限公司 . . . . .	— <sup>(4)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Zhang Zheng Consulting Company Limited 展正投資有限公司 . . . . .	— <sup>(3)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Yong Rui Xiang Investment Company Limited 永瑞祥投資有限公司 . . . . .	— <sup>(3)</sup>	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所	Lee & Yu Certified Public Accountants 李志輝,余仲良會計師事務所
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司 . . . . .	— <sup>(3)</sup>	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Huidongxian Kaisa Investment Co., Ltd. 惠東縣佳兆業投資有限公司 . . . . .	— <sup>(3)</sup>	Huizhou An Xin Certified Public Accountants Limited 惠州市安信會計師事務所有限公司	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Shenzhen Finance Investment Co., Ltd. 深圳市金融投資服務有限公司 . . . . .	— <sup>(3)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所	— <sup>(5)</sup>
Shenyang Kaisa Property Development Co., Ltd. 瀋陽佳兆業房地產開發有限公司 . . . . .	— <sup>(8)</sup>	— <sup>(8)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Dongguan City Xinlong Certified Public Accountants 東莞市信隆會計師事務所
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Sichuan Chong Xin Certified Public Accountants 四川崇信會計師事務所有限公司
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Sichuan Chong Xin Certified Public Accountants 四川崇信會計師事務所有限公司
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Kaisa (Huizhou) Infrastructure Development Co., Ltd. 佳兆業(惠州)基建發展有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Shenyang Woodland Height Property Development Co., Ltd. 瀋陽桂芳園房地產開發有限公司 . . . . .	— <sup>(8)</sup>	— <sup>(8)</sup>	Liaoning Sheng Da Certified Public Accountants Company Limited 遼寧盛達會計師事務所有限公司
Kaisa Investment Management (Shanghai) Co., Ltd. 佳兆業投資管理(上海)有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Shanghai New Shanghai Co., Ltd. Certified Public Accountants 上海新滬會計師事務所有限公司

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司 . . . . .	— <sup>(7)</sup>	— <sup>(7)</sup>	Shanghai New Shanghai Co., Ltd. Certified Public Accountants 上海新滬會計師事務所有限公司
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司 .	— <sup>(7)</sup>	— <sup>(7)</sup>	Wuxi Wendezhi Certified Public Accountants 文德智信會計師事務所
Huizhou Jinhua Entertainment Park Co., Ltd. 金湖遊樂園（惠州）有限公司 . . .	— <sup>(7)</sup>	— <sup>(7)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Jinhua Resort Village Co., Ltd. 金湖度假村（惠州）有限公司 . . .	— <sup>(7)</sup>	— <sup>(7)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司 . . . . .	— <sup>(7)</sup>	— <sup>(7)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產有限公司 . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司 . . . . .	— <sup>(6)</sup>	— <sup>(6)</sup>	Huizhou An Xin Certified Public Accountants 惠州市安信會計師事務所有限公司
Woodlands Height Electronic Technology Development (Shenyang) Co., Ltd. 桂芳園電子技術開發（瀋陽）有限公司 . . . . .	— <sup>(8)</sup>	— <sup>(8)</sup>	Shenzhen Kwokxintai Certified Public Accountants 深圳國信泰會計師事務所

*Note: The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.*

- (1) *No statutory audited financial statements have been obtained for these companies as they were disposed in year 2007.*
- (2) *No statutory audited financial statements have been obtained for these companies as they were acquired in year 2007 by the Group and no audited financial statements before the date of acquisition were made available by the previous shareholders.*
- (3) *No statutory audited financial statements have been prepared for these companies as they were established in year 2007.*
- (4) *No statutory audited financial statements have been prepared for this company as it was established in year 2007 and subsequently acquired by the Group in year 2007.*
- (5) *No statutory audited financial statements have been prepared for this company as it was established in year 2007 and subsequently disposed by the Group in year 2008*
- (6) *No statutory audited financial statements have been prepared for these companies as they were established in year 2008.*
- (7) *No statutory audited financial statements have been obtained for these companies as they were acquired in year 2008 by the Group and no audited financial statements before the date of acquisition were made available by the previous shareholders.*
- (8) *No statutory audited financial statements have been prepared for these companies as they are established in year 2007 but no transactions occurred in 2007.*

**2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

As the companies comprising the Group were directly or indirectly owned by the Kwok Family prior to and after the Reorganisation, the Reorganisation has been accounted for as a reorganisation of businesses under common control using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (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 throughout the Relevant Periods, or since the respective dates of incorporation/establishment, whichever is the shorter period. For companies acquired from (or disposed to) a third party during the Relevant Periods, they are included in (excluded from) the Financial Information from the date of that acquisition (disposal). All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information has been prepared in accordance with the HKFRS issued by the HKICPA under the historical cost convention as modified by the valuation of investment properties and financial derivatives 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 accounting policies of the Company. 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 of Section II below.

The Group finances the development of its projects primarily through proceeds from the shareholders’ contributions, bank borrowings, pre-sale proceeds of properties and the long-term loan with detachable warrants. The directors of the Company have prepared and reviewed the working capital forecast for the 18 months ending December 31, 2010. The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to maintain its operating existence in the foreseeable future and accordingly have prepared and presented the Financial Information on a going concern basis.

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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

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

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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- HKFRS 5 (Amendment), “Non-current assets held for sale and discontinued operations” (and consequential amendment to HKFRS 1, “First-time adoption”) (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.
- There are a number of minor amendments to HKFRS 7, “Financial instruments: Disclosures”, HKAS 8, “Accounting policies, changes in accounting estimates and errors”, HKAS 10, “Events after the balance sheet date”, HKAS 18, “Revenue” and HKAS 34, “Interim financial reporting” which are not addressed above. These amendments are unlikely to have an impact on the Group’s financial statements and have therefore not been analysed in detail.
- HKAS 39, “Financial instruments: Recognition and measurement” on eligible hedged items, effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it does not have any hedged items.
- HK(IFRIC) 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC) 18, “Transfers of assets from customers”, effective for transfer of assets received on or after July 1, 2009. This is not relevant to the Group, as it has not received any assets from customers.



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## APPENDIX I

## ACCOUNTANTS' REPORT

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- In May 2009, the HKICPA published certain improvements to the HKFRS which will be effective for period beginning on or after January 1, 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

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

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

**(b) *Merger accounting for common control combination***

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

The net assets of the 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 acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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**APPENDIX I****ACCOUNTANTS' REPORT**

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A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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 are recognised as expenses in the period in which they are incurred.

**(c) *Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, 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 share of the Group 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 statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(d) *Transaction with minority interest***

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

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**(e) *Associated companies***

Associated companies 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 associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The investment in associated companies of the Group includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group’s share of its associated companies’ post-acquisition profits or losses is recognised in the statement of comprehensive income, 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 associated company equals or exceeds its interest in the associated company, 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 associated companies are eliminated to the extent of the Group’s interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associated companies are recognised in the statement of comprehensive income.

**(f) *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 is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

**(g) *Foreign currency translation*****(i) *Functional and presentation currency***

Items included in the financial statements of each of the companies 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.

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**APPENDIX I****ACCOUNTANTS' REPORT**

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(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. 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 statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments revaluation reserve in equity.

(iii) *Group companies*

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

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.

(h) *Property and equipment*

Property 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. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the Relevant Periods in which they are incurred.

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	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 and are recognised within “Other gains” in the statement of comprehensive income.

**(i) *Investment properties***

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

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Prior to January 1, 2009, investment property was measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Investment properties that were under construction were measured at cost. On or after January 1, 2009, investment properties are stated at fair value, unless they are still under construction and the fair value cannot be reasonably estimated.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

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

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## APPENDIX I

## ACCOUNTANTS' REPORT

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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, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements until a later date.

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

Changes in fair values of investment property are recognised in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as other properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Other properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

**(j) *Impairment of non-financial assets***

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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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**APPENDIX I****ACCOUNTANTS' REPORT**

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**(k) *Financial assets***

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

**(i) *Financial asset 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. Assets in this category are classified as current assets.

**(ii) *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 recognised as trade and other receivables and cash and cash equivalents in the balance sheet.

**(l) *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 sale proceeds of properties sold in the ordinary course business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale, buildings within property and equipment or investment properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

**(m) *Completed properties held for sale***

Completed properties remaining unsold at the end of each of the Relevant Periods are stated as inventory (or current assets held for sale) 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 sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

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**APPENDIX I****ACCOUNTANTS' REPORT**

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**(n) *Goodwill***

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/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated company is included in investments in associated companies and is tested annually 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. The Group allocates goodwill to each business segment in each country in which it operates.

**(o) *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 it 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 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 statement of comprehensive income. 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 against the statement of comprehensive income.

**(p) *Cash and cash equivalents***

Cash and cash equivalent includes cash in hand and at banks, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Bank deposits which are restricted to use are not included in cash and cash equivalents.

**(q) *Trade and other payables***

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



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**APPENDIX I****ACCOUNTANTS' REPORT**

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**(r) Borrowings**

Borrowings are initially recognised 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

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.

**(s) Long-term loan with detachable warrants**

Long-term loan with detachable warrants that contain liability, warrants, and options are classified as long-term loan liabilities, equity instruments and derivatives on initial recognition.

Derivatives and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Long-term loan with detachable warrants is initially recognised at fair value and is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

The derivatives are initially recognised at fair value and are remeasured at their fair value with changes recognised in the statement of comprehensive income.

Issue costs are allocated proportionately to the long-term loan, equity instruments and financial liabilities based on their relative fair values at the date of issue.

**(t) Borrowing costs**

Borrowing costs are charged to the statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

**(u) 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 company's subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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## APPENDIX I

## ACCOUNTANTS’ REPORT

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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 statements. 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, 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.

(v) *Employee benefits*

(i) *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.

(ii) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans 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

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## APPENDIX I

## ACCOUNTANTS' REPORT

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assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

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

(iii) *Termination benefits*

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

(w) *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 more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not 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 statements. 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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**APPENDIX I****ACCOUNTANTS' REPORT**

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**(x) *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 after eliminating sales with the companies 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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(i) *Sales of properties***

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and 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 sheet as advanced proceeds received from customers under current liabilities.

**(ii) *Rental income***

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

**(iii) *Project consultancy services***

Project consultancy services income is recognised in the accounting period in which the service is rendered.

**(iv) *Property management***

Commission arising from property management is recognised in the accounting period in which the service is rendered.

**(v) *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.

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**APPENDIX I****ACCOUNTANTS' REPORT**

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**(y) Leases**

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

**(i) The Group is the lessee**

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for the land use rights, are charged to the statements of comprehensive income on a straight-line basis over the period of the lease or capitalised in the properties under development.

**(ii) The Group is the lessor**

Assets leased out under operating leases are included in investment properties in the balance sheet.

**(z) Land use rights**

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the statement of comprehensive income. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties.

**(aa) Dividend distribution**

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

**(ab) Financial guarantee liabilities**

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

**3. Financial risk management**

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries, refundable deposits received for renovation contract, bank borrowings, long-term loan with detachable warrants and instruments. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other 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. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

**(a) Financial risk factor**

**(i) Market risk**

**(i) Foreign currency exchange risk**

**The Group**

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong which have recognised assets and liabilities in currencies other than RMB. The directors consider the exposures to those assets and liabilities to be insignificant. As at December 31, 2007, the Group holds a significant amount of United States dollars ("USD"), which represented the long-term loan with detachable warrants (note 20) drew down from a number of financial institutions in August 2007 in the form of USD cash. As the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the USD cash have not yet been converted into RMB for the Group's property development projects as at December 31, 2007. For the year ended December 31, 2008, the majority of the USD cash have been converted into RMB.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2006, the Group's financial assets and liabilities were mainly denominated in RMB. As at December 31, 2007 and 2008 and June 30, 2009, if RMB had strengthened/weakened by 5% against USD, with all other variables held constant, the Group's post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been approximately RMB16,366,000, RMB65,008,000 and RMB64,410,000 higher/lower respectively.

**The Company**

As at December 31, 2007 and 2008 and June 30, 2009, If RMB had strengthened/weakened by 5% against USD, with all other variables held constant, the Company's post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been approximately RMB70,286,000, RMB65,091,000 and RMB65,066,000 higher/lower respectively.

(ii) Interest rate risk

**The Group**

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate bank borrowings and long-term loan with detachable warrants. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

At the respective balance sheet dates, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the finance costs, net of amount capitalised in the properties under development, would decrease/increase the Group's profit by approximately RMB12,230,000, RMB14,615,000, RMB14,758,000 and RMB26,653,000 for each of the three years ended December 31, 2006, 2007, 2008 and for the six months ended June 30, 2009 respectively.

**The Company**

The Company's interest rate risk arises from its fixed rate long-term loan with detachable warrants.

As at December 31, 2007 and 2008 and June 30, 2009, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 would have been RMB15,000,000, RMB16,000,000 and RMB16,000,000 lower/higher respectively.

(iii) *Other price risk*

The Group is exposed to financial derivatives price risks arising from the financial derivatives. The fair values of these instruments were calculated by an independent appraiser (note 4(e)).

(ii) *Credit risk*

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and certain amounts of prepayments for proposed development project, represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of trade and other receivables and certain amounts of prepayments for proposed development project on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and certain amounts of prepayments for proposed development projects. In addition, the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. 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 low.



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**APPENDIX I****ACCOUNTANTS' REPORT**

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(iii) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans 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.

Certain terms and covenants of the long-term loan with detachable warrants have been breached by the Group for the measurement periods ended on December 31, 2008 and June 30, 2009 (note 20). On October 24, 2009, the Group has obtained waivers from the lenders with respect to the breach of terms and covenants (note 20(f)). In addition, the Group has certain 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 plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The following table details the Group’s contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal cash flows.

**The Group**

	Less than 1 year	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 December 31, 2006					
Borrowings . . . . .	1,126,436	1,063,101	390,074	—	2,579,611
Accrued construction costs . . . . .	577,398	—	—	—	577,398
Other payables . . . . .	421,666	—	—	—	421,666
Amounts due to related parties . . . . .	825,632	—	—	—	825,632
<b>Total . . . . .</b>	<b>2,951,132</b>	<b>1,063,101</b>	<b>390,074</b>	<b>—</b>	<b>4,404,307</b>
At December 31, 2007					
Borrowings . . . . .	1,729,238	1,435,466	280,016	—	3,444,720
Long-term loan with detachable warrants . . . . .	433,944	97,416	1,204,416	—	1,735,776
Accrued construction costs . . . . .	576,349	—	—	—	576,349
Other payables . . . . .	919,272	—	—	—	919,272
Amounts due to related parties . . . . .	3,010	—	—	—	3,010
Financial derivatives . . . . .	17,084	—	—	—	17,084
<b>Total . . . . .</b>	<b>3,678,897</b>	<b>1,532,882</b>	<b>1,484,432</b>	<b>—</b>	<b>6,696,211</b>
At December 31, 2008					
Borrowings . . . . .	2,464,597	2,728,432	395,669	—	5,588,698
Long-term loan with detachable warrants . . . . .	1,607,498	—	—	—	1,607,498
Accrued construction costs . . . . .	1,144,981	—	—	—	1,144,981
Other payables . . . . .	880,776	—	—	—	880,776
Amounts due to related parties . . . . .	1,836	—	—	—	1,836
Financial derivatives . . . . .	20,848	—	—	—	20,848
<b>Total . . . . .</b>	<b>6,120,536</b>	<b>2,728,432</b>	<b>395,669</b>	<b>—</b>	<b>9,244,637</b>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	Less than 1 year	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 June 30, 2009					
Borrowings . . . . .	3,029,946	1,775,267	825,698	449,320	6,080,231
Long-term loan with detachable warrants . . . . .	1,546,742	—	—	—	1,546,742
Accrued construction costs . . . . .	1,111,807	—	—	—	1,111,807
Other payables . . . . .	944,830	—	—	—	944,830
Amounts due to related parties . . . . .	336	—	—	—	336
Financial derivatives . . . . .	8,066	—	—	—	8,066
Total . . . . .	<u>6,641,727</u>	<u>1,775,267</u>	<u>825,698</u>	<u>449,320</u>	<u>9,692,012</u>

**The Company**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2007				
Long-term loan with detachable warrants . . . . .	433,944	97,416	1,204,416	1,735,776
Financial derivatives . . . . .	17,084	—	—	17,084
Total . . . . .	<u>451,028</u>	<u>97,416</u>	<u>1,204,416</u>	<u>1,752,860</u>
At December 31, 2008				
Long-term loan with detachable warrants . . . . .	1,607,498	—	—	1,607,498
Financial derivatives . . . . .	20,848	—	—	20,848
Total . . . . .	<u>1,628,346</u>	<u>—</u>	<u>—</u>	<u>1,628,346</u>
At June 30, 2009				
Long-term loan with detachable warrants . . . . .	1,546,742	—	—	1,546,742
Financial derivatives . . . . .	8,066	—	—	8,066
Total . . . . .	<u>1,554,808</u>	<u>—</u>	<u>—</u>	<u>1,554,808</u>

**(b) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, long-term loan with detachable warrants disclosed in note 20 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing 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 borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The Group aims to maintain a gearing ratio within 50% to 70% in the future. The gearing ratios at December 31, 2006, 2007 and 2008 and June 30, 2009 were as follows:

	Year ended December 31,			Six months ended
	2006	2007	2008	June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (note 19) . . . . .	2,361,525	3,210,525	5,191,925	5,424,549
Long-term loan with detachable warrants (note 20) . . . . .	—	1,358,021	1,305,546	1,333,658
Less: cash and cash equivalents (note 16) . . . . .	(570,262)	(1,624,780)	(679,271)	(734,253)
Net debt . . . . .	1,791,263	2,943,766	5,818,200	6,023,954
Total equity . . . . .	642,987	2,609,107	3,101,473	3,469,435
Total capital . . . . .	2,434,250	5,552,873	8,919,673	9,493,389
Gearing ratio . . . . .	74%	53%	65%	63%

**(c) Fair value estimation**

The fair value of financial instruments traded in active markets 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 takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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

**4. Critical accounting estimates and judgments**

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

**(a) *Income taxes, land appreciation taxes and deferred income taxes***

Significant judgment 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 income tax provision in the period in which such determination is made.

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 judgment 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 best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income 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.

**(b) *Fair value of investment properties***

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Changes in subjective input assumptions can materially affect the fair value estimate. For the years ended December 31, 2006, 2007 and 2008 and for the six

months ended June 30, 2009, the change in fair value of the investment properties were approximately RMB231.7 million, RMB36.5 million, RMB302.6 million, and RMB281.4 million, respectively.

**(c) *Provision for land use rights, properties under development and completed properties held for sale***

The Group performs impairment tests for its land use rights in accordance with the accounting policies stated in note 2(j).

The management has assessed the recoverable amounts of land use rights by reference to the market condition, value-in-use calculations and the Group's latest business plan. The value-in-use calculations require the use of estimates such as the projection of future cash inflow generated by the underlying assets (cash generating units) and appropriate discount rates.

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

**(d) *Land deposits and prepayments for proposed development projects***

The Group assesses the carrying amounts of land deposits and prepayments for proposed development projects according to their net recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

**(e) *Long-term loan with detachable warrants***

As described in note 20, the Company's long-term loan with detachable warrants contain a number of financial derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these financial derivatives. The determination of fair value was made after consideration of a number of factors, including: effective interest rate, probability of the qualifying initial public offering, risk-free interest rate and expected initial public offering price. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**5. Segment information**

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit after tax.

The Board of Directors considers the business from services perspective only. From a services perspective, management assesses the performance of sales of properties, project consultancy services, rental income and property management services. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the Relevant Periods consists of the following:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Sales of properties . . . . .	2,374,735	2,095,052	2,947,371	1,186,525	2,404,762
Project consultancy services . . . . .	—	104,839	70,320	70,320	—
Rental income . . . . .	20,269	28,378	52,478	21,885	42,727
Property management services . . . . .	3,656	11,091	40,277	9,006	26,243
	<u>2,398,660</u>	<u>2,239,360</u>	<u>3,110,446</u>	<u>1,287,736</u>	<u>2,473,732</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

Segment information during the Relevant Periods is as follows:

*Primary reporting format — business segments*

The segment results for the year ended December 31, 2006 are as follows:

	<b>Property development</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Revenue. . . . .	2,374,735	20,269	3,656	—	2,398,660
Segment results before change in fair value of investment properties . . . . .	399,306	12,366	1,021	(2,687)	410,006
Change in fair value of investment properties . . . . .	—	231,742	—	—	231,742
Segment results. . . . .	399,306	244,108	1,021	(2,687)	641,748
Finance income. . . . .					12,576
Finance costs . . . . .					(30,222)
Finance costs — net . . . . .					(17,646)
Share of results of associated companies. . . . .					(65)
Profit before income tax. . . . .					624,037
Income tax expenses . . . . .					(130,695)
Profit for the year . . . . .					493,342

The segment results for the year ended December 31, 2007 are as follows:

	<b>Property development</b>	<b>Project consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Revenue. . . . .	2,095,052	104,839	28,378	11,091	—	2,239,360
Segment results before change in fair value of investment properties and financial derivatives . . . . .	658,630	82,353	26,812	6,204	(6,307)	767,692
Change in fair value of investment properties . . . . .	—	—	36,500	—	—	36,500
Change in fair value of financial derivatives . . . . .	—	—	—	—	(18,642)	(18,642)
Segment results. . . . .	658,630	82,353	63,312	6,204	(24,949)	785,550
Finance income. . . . .						9,029
Finance costs . . . . .						(52,438)
Finance costs — net . . . . .						(43,409)
Share of results of associated companies . . . . .						(1)
Profit before income tax. . . . .						742,140
Income tax expenses . . . . .						(258,770)
Profit for the year . . . . .						483,370



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The segment results for the year ended December 31, 2008 are as follows:

	<b>Property development</b>	<b>Project consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Revenue . . . . .	2,947,371	70,320	52,478	40,277	—	3,110,446
Segment results before change in fair value of investment properties and financial derivatives . . . . .	241,680	51,488	35,569	10,378	94,219	433,334
Change in fair value of investment properties . . . . .	—	—	302,557	—	—	302,557
Change in fair value of financial derivatives . . . . .	—	—	—	—	27,221	27,221
Segment results . . . . .	241,680	51,488	338,126	10,378	121,440	763,112
Finance income . . . . .						7,243
Finance costs . . . . .						(117,642)
Finance costs — net . . . . .						(110,399)
Profit before income tax . . . . .						652,713
Income tax expenses . . . . .						(151,800)
Profit for the year . . . . .						500,913

The segment results for the period ended June 30, 2008 are as follows:

	<b>Property development</b>	<b>Project consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Group</b>
	<b>RMB’000 (unaudited)</b>	<b>RMB’000 (unaudited)</b>	<b>RMB’000 (unaudited)</b>	<b>RMB’000 (unaudited)</b>	<b>RMB’000 (unaudited)</b>	<b>RMB’000 (unaudited)</b>
Revenue . . . . .	1,186,525	70,320	21,885	9,006	—	1,287,736
Segment results before change in fair value of investment properties and financial derivatives . . . . .	177,458	58,688	12,102	662	93,327	342,237
Change in fair value of investment properties . . . . .	—	—	575,369	—	—	575,369
Change in fair value of financial derivatives . . . . .	—	—	—	—	(25,646)	(25,646)
Segment results . . . . .	177,458	58,688	587,471	662	67,681	891,960
Finance income . . . . .						4,660
Finance costs . . . . .						(60,673)
Finance costs — net . . . . .						(56,013)
Profit before income tax . . . . .						835,947
Income tax expenses . . . . .						(203,482)
Profit for the period . . . . .						632,465

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The segment results for the period ended June 30, 2009 are as follows:

	<b>Property development</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Revenue . . . . .	2,404,762	42,727	26,243	—	2,473,732
Segment results before change in fair value of investment properties and financial derivatives . . . . .	400,269	33,115	6,506	(10,311)	429,579
Change in fair value of investment properties . . . . .	—	281,397	—	—	281,397
Change in fair value of financial derivatives . . . . .	—	—	—	(19,925)	(19,925)
Segment results . . . . .	400,269	314,512	6,506	(30,236)	691,051
Finance income . . . . .					1,792
Finance costs . . . . .					(108,401)
Finance costs — net . . . . .					(106,609)
Profit before income tax . . . . .					584,442
Income tax expenses . . . . .					(216,480)
Profit for the period . . . . .					367,962

The segment assets and liabilities as at December 31, 2006, depreciation, amortisation and capital expenditure for the year are as follows:

	<b>Property development</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Segment assets</b> . . . . .	6,873,825	517,102	36,236	1,325,840	(3,148,552)	5,604,451
Associated companies . . . . .	102,135	—	—	—	—	102,135
Unallocated . . . . .						25,154
Total assets . . . . .						5,731,740
<b>Segment liabilities</b> . . . . .	4,102,456	76,697	14,982	1,081,445	(2,676,866)	2,598,714
Unallocated . . . . .						2,490,039
Total liabilities . . . . .						5,088,753
Depreciation (note 6) . . . . .	3,578	—	161	402	—	4,141
Amortisation (note 8) . . . . .	1,011	—	—	—	—	1,011
Capital expenditure (notes 6, 7 and 8) . . . . .	361,107	—	168	447	—	361,722

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The segment assets and liabilities as at December 31, 2007, depreciation, amortisation and capital expenditure for the year are as follows:

	<b>Property development</b>	<b>Project consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Segment assets</b> . . . . .	14,490,769	696,718	531,887	573,216	8,937,550	(14,805,314)	10,424,826
Unallocated . . . . .							44,278
Total assets . . . . .							<u>10,469,104</u>
<b>Segment liabilities</b> . . .	8,409,603	491,714	81,315	6,329	6,255,606	(12,371,749)	2,872,818
Unallocated . . . . .							4,987,179
Total liabilities . . . . .							<u>7,859,997</u>
Depreciation ( <i>note 6</i> ) . .	4,414	599	28	75	387	—	5,503
Amortisation ( <i>note 8</i> ) . .	1,074	—	—	—	—	—	1,074
Capital expenditure ( <i>notes 6, 7 and 8</i> ) . .	<u>2,210,050</u>	<u>1,987</u>	<u>9</u>	<u>131</u>	<u>1,939</u>	<u>—</u>	<u>2,214,116</u>

The segment assets and liabilities as at December 31, 2008, depreciation, amortisation and capital expenditure for the period are as follows:

	<b>Property development</b>	<b>Property consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Segment assets</b> . . . . .	23,111,264	—	2,859,652	623,666	7,557,329	(21,054,661)	13,097,250
Unallocated . . . . .							199,943
Total assets . . . . .							<u>13,297,193</u>
<b>Segment liabilities</b> . . .	13,944,303	22,452	1,981,736	41,192	4,449,827	(17,255,992)	3,183,518
Unallocated . . . . .							7,012,202
Total liabilities . . . . .							<u>10,195,720</u>
Depreciation ( <i>note 6</i> ) . .	6,743	1,353	1,246	353	998	—	10,693
Amortisation ( <i>note 8</i> ) . .	4,129	—	—	—	—	—	4,129
Capital expenditure ( <i>notes 6, 7 and 8</i> ) . .	<u>2,426,187</u>	<u>1,909</u>	<u>868</u>	<u>2,202</u>	<u>4,597</u>	<u>—</u>	<u>2,435,763</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The segment assets and liabilities as at June 30, 2009, depreciation, amortisation and capital expenditure for the period are as follows:

	<b>Property development</b>	<b>Property consultancy services</b>	<b>Property investment and agency</b>	<b>Property management</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Segment assets</b> . . . . .	24,539,972	—	3,432,029	772,832	10,362,852	(25,341,168)	13,766,517
Unallocated . . . . .							234,964
Total assets . . . . .							<u>14,001,481</u>
<b>Segment liabilities</b> . .	15,654,546	17,421	1,717,299	321,844	6,969,778	(21,504,240)	3,176,648
Unallocated . . . . .							7,355,398
Total liabilities . . . . .							<u>10,532,046</u>
Depreciation ( <i>note 6</i> ) .	2,487	—	665	3,000	505	—	6,657
Amortisation ( <i>note 8</i> ) .	6,559	—	—	—	—	—	6,559
Capital expenditure ( <i>notes 6, 7 and 8</i> ) .	<u>34,299</u>	<u>—</u>	<u>86</u>	<u>208</u>	<u>261,676</u>	<u>—</u>	<u>296,269</u>

No inter-segment transfers or transactions are entered during the Relevant Periods.

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, prepayments and other receivables, prepayments for proposed development projects, restricted cash and, cash and cash equivalents. They exclude associated companies, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advanced proceeds received from customers, accrued construction costs and other payables. They exclude deferred income tax liabilities, income tax payable, long-term loan with detachable warrants, borrowings and financial derivatives.

Capital expenditure comprises additions to property and equipment, land use rights and investment properties that are expected to be used for more than one period (notes 6, 7, and 8).

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**6. Property and equipment**

	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Furniture, fitting and equipment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At January 1, 2006</b>				
Cost . . . . .	10,590	11,142	6,168	27,900
Accumulated depreciation . . . . .	(1,008)	(6,248)	(2,118)	(9,374)
Net book amount . . . . .	<u>9,582</u>	<u>4,894</u>	<u>4,050</u>	<u>18,526</u>
<b>Year ended December 31, 2006</b>				
Opening net book amount . . . . .	9,582	4,894	4,050	18,526
Acquisition of subsidiaries ( <i>note 34</i> ) . . . . .	—	—	22	22
Additions . . . . .	25,093	2,463	1,533	29,089
Disposals . . . . .	—	(190)	(21)	(211)
Depreciation . . . . .	(1,048)	(1,867)	(1,226)	(4,141)
Exchange differences . . . . .	—	(11)	—	(11)
Closing net book amount . . . . .	<u>33,627</u>	<u>5,289</u>	<u>4,358</u>	<u>43,274</u>
<b>At January 1, 2007</b>				
Cost . . . . .	35,683	13,297	7,661	56,641
Accumulated depreciation . . . . .	(2,056)	(8,008)	(3,303)	(13,367)
Net book amount . . . . .	<u>33,627</u>	<u>5,289</u>	<u>4,358</u>	<u>43,274</u>
<b>Year ended December 31, 2007</b>				
Opening net book amount . . . . .	33,627	5,289	4,358	43,274
Acquisition of subsidiaries ( <i>note 34</i> ) . . . . .	—	—	53	53
Additions . . . . .	—	5,470	3,144	8,614
Disposals . . . . .	—	(636)	(274)	(910)
Disposals of subsidiaries ( <i>note 35</i> ) . . . . .	—	(8)	—	(8)
Depreciation . . . . .	(1,804)	(2,220)	(1,479)	(5,503)
Closing net book amount . . . . .	<u>31,823</u>	<u>7,895</u>	<u>5,802</u>	<u>45,520</u>
<b>At January 1, 2008</b>				
Cost . . . . .	35,683	16,886	10,229	62,798
Accumulated depreciation . . . . .	(3,860)	(8,991)	(4,427)	(17,278)
Net book amount . . . . .	<u>31,823</u>	<u>7,895</u>	<u>5,802</u>	<u>45,520</u>
<b>Year ended December 31, 2008</b>				
Opening net book amount . . . . .	31,823	7,895	5,802	45,520
Acquisition of subsidiaries ( <i>note 34</i> ) . . . . .	—	643	54	697
Additions . . . . .	15,102	4,265	25,215	44,582
Disposals . . . . .	—	(1,351)	(2,063)	(3,414)
Depreciation . . . . .	(1,784)	(4,251)	(4,658)	(10,693)
Closing net book amount . . . . .	<u>45,141</u>	<u>7,201</u>	<u>24,350</u>	<u>76,692</u>
<b>At January 1, 2009</b>				
Cost . . . . .	50,784	17,149	32,309	100,242
Accumulated depreciation . . . . .	(5,643)	(9,948)	(7,959)	(23,550)
Net book amount . . . . .	<u>45,141</u>	<u>7,201</u>	<u>24,350</u>	<u>76,692</u>
<b>Period ended June 30, 2009</b>				
Opening net book amount . . . . .	45,141	7,201	24,350	76,692
Acquisition of subsidiaries ( <i>note 34</i> ) . . . . .	—	27	4,487	4,514
Additions . . . . .	13,012	—	3,988	17,000
Disposals . . . . .	—	(665)	(34)	(699)
Depreciation . . . . .	(1,603)	(1,269)	(3,785)	(6,657)
Closing net book amount . . . . .	<u>56,550</u>	<u>5,294</u>	<u>29,006</u>	<u>90,850</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

As at December 31, 2006, 2007 and 2008 and June 30, 2009, buildings with net book amounts totalling RMB11,516,000, RMB31,823,000 and RMB30,039,000 and RMB28,780,000 were pledged as collateral for the Group's borrowings (note 19), respectively.

Depreciation expense of RMB4,141,000, RMB5,503,000, RMB10,693,000 and RMB6,657,000 has been charged in administrative expenses for the years ended December 31, 2006, 2007, 2008 and for the six months ended June 30, 2009 respectively.

**7. Investment properties**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year . . . . .	58,930	482,060	518,560	1,278,400
Transfer from land use rights . . . . .	55,415	—	144,050	1,346
Transfer from properties under development . . . . .	135,973	—	313,233	—
Transfer from completed properties held for sale . . . . .	—	—	—	9,007
Increase in fair value . . . . .	<u>231,742</u>	<u>36,500</u>	<u>302,557</u>	<u>281,397</u>
At end of year . . . . .	<u><u>482,060</u></u>	<u><u>518,560</u></u>	<u><u>1,278,400</u></u>	<u><u>1,570,150</u></u>

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

	December 31,			June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental income . . . . .	398	9,472	32,206	11,518	34,230
Direct operating expenses arising from investment properties that generate rental income . . . . .	37	374	5,516	1,905	4,459
Change in fair value of investment properties ( <i>note</i> ). . . . .	<u>231,742</u>	<u>36,500</u>	<u>302,557</u>	<u>575,369</u>	<u>281,397</u>

*Note: In May 2008, certain land use rights and properties under development were transferred to investment properties upon completion of construction of properties and were measured at fair value.*

All investment properties as at December 31, 2006, 2007 and 2008 and June 30, 2009 were valued by Savills Valuation and Professional Services Limited, independent professional valuers. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows, or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The Group's interests in investment properties are analysed as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC, held on:				
Leases of over 50 years . . . . .	80,060	80,060	64,800	147,050
Leases of between 10 to 50 years . .	<u>402,000</u>	<u>438,500</u>	<u>1,213,600</u>	<u>1,423,100</u>
	<u>482,060</u>	<u>518,560</u>	<u>1,278,400</u>	<u>1,570,150</u>

As at December 31, 2006, 2007 and 2008 and June 30, 2009 the investment properties with carrying values totalling RMB80,060,000, RMB518,560,000, RMB477,800,000 and RMB1,493,860,000 were pledged as collateral for the Group's borrowings (note 19), respectively.

**8. Land use rights**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount. . . . .	1,376,221	1,250,149	3,218,384	4,839,251
Additions . . . . .	320,661	1,483,897	1,442,011	237,864
Acquisition of subsidiaries ( <i>note 34</i> ) . .	11,950	721,552	948,473	36,891
Amortisation expensed in administrative expenses . . . . .	(1,011)	(1,074)	(4,129)	(6,559)
Amortisation capitalised in properties under development . . . . .	(18,065)	(54,481)	(73,205)	(34,221)
Impairment loss. . . . .	—	—	(89,609)	—
Transfer to cost of sales . . . . .	(384,192)	(181,659)	(458,624)	(429,239)
Transfer to investment properties. . . . .	<u>(55,415)</u>	<u>—</u>	<u>(144,050)</u>	<u>(1,346)</u>
	1,250,149	3,218,384	4,839,251	4,642,641
Expected amount of land use rights to be completed within normal operating cycle included under current assets . .	<u>(1,225,577)</u>	<u>(3,194,562)</u>	<u>(4,816,003)</u>	<u>(4,619,694)</u>
Land use rights — non-current portion .	<u>24,572</u>	<u>23,822</u>	<u>23,248</u>	<u>22,947</u>
In the PRC, held on leases of:				
Between 10 to 50 years . . . . .	639,780	1,216,660	1,152,612	1,344,357
Between 50 to 70 years . . . . .	<u>610,369</u>	<u>2,001,724</u>	<u>3,686,639</u>	<u>3,298,284</u>
	<u>1,250,149</u>	<u>3,218,384</u>	<u>4,839,251</u>	<u>4,642,641</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. Amortisation of land use rights is recognised as an expense or capitalised in properties under development on a straight-line basis over the unexpired period of the rights and the remaining carrying amount is recognised as cost of sales when the relevant properties are sold.

## APPENDIX I

## ACCOUNTANTS' REPORT

As at December 31, 2006, 2007 and 2008 and June 30, 2009, land use rights with net book amounts totalling RMB84,529,000, RMB830,581,000, RMB1,933,979,000 and RMB2,601,454,000 were pledged as collateral for the Group's borrowings (note 19), respectively.

### 9. Associated companies

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets. . . . .	102,135	—	—	—

Note: As at December 31, 2006 the Group's interest in its associated companies, all of which are unlisted, are as follows:

Name	Particulars of registered capital	Place of incorporation					Interest indirectly held
			Assets	Liabilities	Revenues	Net loss	(note)
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	%
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資 諮詢有限公司 . . . . .	61,400	PRC	61,380	(24)	—	(44)	30%
Shenzhen Jiachangxin Property Development Co., Ltd. 深圳市佳昌信房地 產開發有限公司 . . . . .	40,800	PRC	40,779	—	—	(21)	30%

Note: Except for the interests held by the Group, the Kwok Family does not have any other direct or indirect interests in these associated companies.

### 10. Subsidiary

#### Company

	December 31,	December 31,	June 30,
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost. . . . .	7	7	7

Notes:

(a) Details of subsidiaries are set out in note 1 under section II.

(b) The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment.



**APPENDIX I**

**ACCOUNTANTS' REPORT**

**11. Properties under development**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amount comprises:				
Construction costs . . . . .	971,728	1,956,189	2,075,263	2,421,968
Interest capitalised . . . . .	30,284	107,647	188,005	160,140
Amortisation of land use rights . . . . .	20,681	71,061	111,749	125,874
	1,022,693	2,134,897	2,375,017	2,707,982

The properties under development are all located in the PRC.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, properties under development of approximately RMB81,011,000, RMB131,043,000 and RMB1,401,223,000 and RMB1,564,424,000 respectively, were pledged as collateral for the Group's borrowings (note 19).

**12. Completed properties held for sale**

Completed properties held for sale are all located in the PRC.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, no completed property held for sale was pledged as collateral for the Group's bank borrowings (note 19).

**13. Debtors, deposits and other receivables**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables ( <i>note i</i> ) . . . . .	14,208	5,132	17,350	26,503
Other receivables ( <i>note ii</i> ) . . . . .	382,115	48,521	49,882	86,636
Prepayments ( <i>note iii</i> ) . . . . .	40,642	282,452	302,230	270,775
Prepaid interest ( <i>note iv</i> ) . . . . .	—	20,280	20,455	—
Land deposits ( <i>note v</i> ) . . . . .	675,047	1,470,908	871,051	1,095,019
Prepaid other taxes . . . . .	44,284	30,752	57,751	56,254
	1,156,296	1,858,045	1,318,719	1,535,187

Notes:

(i) Trade receivables mainly arose from sales of properties. Customers are generally granted credit terms of 1 to 3 months for property development business. The ageing analysis of trade receivables at each of the balance sheet dates is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days . . . . .	14,208	5,132	17,350	26,503

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**APPENDIX I****ACCOUNTANTS' REPORT**

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- (ii) *Other receivables primarily consist of deposits paid for construction of property projects. Other receivables as at December 31, 2006 also included deposits paid to third parties for carrying out business opportunities which were not related to property development and were recovered in 2007.*
- (iii) *Prepayments mainly represent prepayments for construction costs to third parties.*
- (iv) *Prepaid interest represents the payment of interests arising from the long-term loan with detachable warrants.*
- (v) *Land deposits arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.*

As at December 31, 2006, 2007 and 2008 and June 30, 2009, no trade and other receivables were past due or impaired.

The maximum credit risk exposure is the amount shown on the balance sheet.

**14. Prepayments for proposed development projects**

During the Relevant Periods, the Group has entered into a number of contracts of property development projects and has made prepayments in accordance with the terms of the contracts. These prepayments would be converted into land use rights and properties under development when the rights to use the lands have been obtained.

**15. Restricted cash**

Restricted cash mainly comprised of:

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at December 31, 2006, 2007 and 2008 and June 30, 2009, such guarantee deposits amounted to approximately RMB21,272,000, RMB34,850,000 and RMB21,085,000 and RMB20,495,000, respectively. They will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier.
- (b) As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group's cash of approximately RMB67,723,000, RMB49,550,000 and RMB84,751,000 and RMB177,386,000 was deposited in certain banks respectively as guarantee deposits for the benefit of mortgage loan facilities (note 32) granted by the banks to the purchasers of the Group's properties.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**16. Cash and cash equivalents**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in — RMB . . . . .	651,729	345,530	778,395	1,001,255
Denominated in — HKD . . . . .	7,499	231,330	4,965	9,731
Denominated in — USD. . . . .	29	1,132,320	1,747	13,772
	659,257	1,709,180	785,107	1,024,758
Less: Restricted cash ( <i>note 15</i> ) . . . . .	(88,995)	(84,400)	(105,836)	(290,505)
	570,262	1,624,780	679,271	734,253

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

**17. Share capital and share premium**

	December 31,		June 30,
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Authorised:			
3,800,000 ordinary shares of HK\$0.1 ( <i>note i</i> ) . . . . .	380	380	380
Issued and fully paid:			
10,869.565217 ordinary shares of HK\$0.1 ( <i>note ii &amp; iii</i> ). . . . .	1	1	1

*Notes:*

- (i) *The Company was incorporated in the Cayman Islands on August 2, 2007 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On the same date, 1 share was issued and fully paid at par to the Kwok Family.*
- (ii) *The Company allotted and issued 99 and 9,900 shares to the Kwok Family on August 8, 2007 and August 16, 2007 respectively in satisfying the transfer of equity interests in the Core Business Entities from the Kwok Family.*
- (iii) *On November 16, 2007, certain other investors subscribed an aggregate of 870 shares in the Company of a total subscription price of USD200,000,000 which contributed a share premium of RMB1,490,772,000.*
- (iv) *Pursuant to the resolutions in writing of the shareholders of the Company passed on [●] below, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,962,000,000 shares.*

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**18. Reserves**

	<b>Merger reserve (Note a)</b>	<b>Exchange reserve</b>	<b>Statutory reserves (Note b)</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Balance at January 1, 2006 . . . . .	382	234	11,078	137,253	148,947
Profit for the year . . . . .	—	—	—	493,342	493,342
Transfer to statutory reserves . . . . .	—	—	26,008	(26,008)	—
Exchange differences arising from subsidiaries in Hong Kong . . . . .	—	697	—	—	697
Balance at January 1, 2007 . . . . .	382	931	37,086	604,587	642,986
Profit for the year . . . . .	—	—	—	483,369	483,369
Transfer to statutory reserves . . . . .	—	—	93,843	(93,843)	—
Exchange differences arising from subsidiaries in Hong Kong . . . . .	—	23,904	—	—	23,904
Balance at January 1, 2008 . . . . .	382	24,835	130,929	994,113	1,150,259
Profit for the year . . . . .	—	—	—	500,921	500,921
Transfer to statutory reserves . . . . .	—	—	100,091	(100,091)	—
Balance at January 1, 2009 . . . . .	382	24,835	231,020	1,394,943	1,651,180
Profit for the period . . . . .	—	—	—	367,972	367,972
Balance at June 30, 2009 . . . . .	<u>382</u>	<u>24,835</u>	<u>231,020</u>	<u>1,762,915</u>	<u>2,019,152</u>

*Notes:*

- (a) *The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.*
- (b) *In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before January 1, 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively “the Statutory Reserves”), respectively. After January 1, 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.*

*For foreign investment enterprises, before January 1, 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After January 1, 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.*

*During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the boards of directors of the Company’s subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB26,008,000, RMB93,843,000 and RMB100,091,000 and nil to the Statutory Reserves respectively.*

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**19. Borrowings**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings — secured . . . . .	291,000	600,000	1,232,800	2,650,800
Bank borrowings — unsecured . . . . .	786,000	760,000	1,484,600	—
Other borrowings — secured. . . . .	274,525	274,525	274,525	—
	<u>1,351,525</u>	<u>1,634,525</u>	<u>2,991,925</u>	<u>2,650,800</u>
Borrowings included in current liabilities:				
Bank borrowings — secured . . . . .	270,000	600,000	990,000	814,624
Bank borrowings — unsecured . . . . .	740,000	976,000	1,210,000	1,684,600
Other borrowings — secured . . . . .	—	—	—	274,525
	<u>1,010,000</u>	<u>1,576,000</u>	<u>2,200,000</u>	<u>2,773,749</u>

*Notes:*

- (i) *The Group's bank borrowings of RMB561,000,000, RMB1,200,000,000, RMB2,222,800,000 and RMB3,372,800,000 at each of the balance sheet date were jointly secured by certain properties and land use rights of the Group (notes 6, 7 and 8). At June 30, 2009, RMB92,624,000 was secured by cash of the Group.*
- (ii) *Other borrowings from third parties are secured, interest-bearing at 8% and repayable in 2010. Other borrowings are initially recognised at fair value which is determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.*
- (iii) *Bank borrowings are guaranteed by:*

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Group companies				
— Secured . . . . .	150,000	280,000	1,142,800	2,868,424
— Unsecured . . . . .	1,480,000	1,696,000	2,969,125	1,959,125
	1,630,000	1,976,000	4,111,925	4,827,549
Controlling shareholders				
— Secured (note) . . . . .	300,000	180,000	222,800	222,800
— Unsecured . . . . .	100,000	250,000	—	—
	400,000	430,000	222,800	222,800
Close Family members of controlling shareholders				
— Unsecured . . . . .	240,000	536,000	—	—
	<u>2,270,000</u>	<u>2,942,000</u>	<u>4,334,725</u>	<u>5,050,349</u>

*Note:*

*The guarantees by controlling shareholders and close family members of controlling shareholders have been released as at the date of this report. The Group did not pay for or provide any benefits to these guarantors to induce them to provide the guarantee.*

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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

	<u>6 months or less</u>	<u>6–12 months</u>	<u>1–5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings included in non-current liabilities:					
At December 31, 2006 . . . . .	400,000	—	951,525	—	1,351,525
At December 31, 2007 . . . . .	535,000	—	1,099,525	—	1,634,525
At December 31, 2008 . . . . .	1,007,400	—	1,984,525	—	2,991,925
At June 30, 2009 . . . . .	1,057,800	—	1,593,000	—	2,650,800
Borrowings included in current liabilities:					
At December 31, 2006 . . . . .	550,000	460,000	—	—	1,010,000
At December 31, 2007 . . . . .	1,109,500	466,500	—	—	1,576,000
At December 31, 2008 . . . . .	1,760,000	440,000	—	—	2,200,000
At June 30, 2009 . . . . .	1,160,224	1,613,525	—	—	2,773,749

(v) *The maturity of the borrowings included in non-current liabilities is as follows:*

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RMB’000	RMB’000	RMB’000	RMB’000
Between 1 and 2 years . . . . .	990,000	1,360,000	2,619,125	1,672,800
Between 2 and 5 years . . . . .	361,525	274,525	372,800	685,000
Over 5 years . . . . .	—	—	—	293,000
	<u>1,351,525</u>	<u>1,634,525</u>	<u>2,991,925</u>	<u>2,650,800</u>

The effective interest rates at each of the balance sheet dates were as follows:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bank borrowings, included in non-current liabilities . . . . .	6.1%	6.7%	7.9%	5.9%
Bank borrowings, included in current liabilities . . . . .	5.8%	6.2%	7.4%	5.7%
Other borrowings . . . . .	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>

The carrying amounts of all the Group’s borrowings are denominated in RMB and approximate to their fair value.

**20. Long-term loan with detachable warrants**

- (a) On August 24, 2007 (as amended and restated on September 12, 2007), the Company entered into a 36 months, USD200,000,000 term loan with detachable warrants agreements (the "Loan Plus Warrant Agreements") with a number of financial institutions.

There are two tranches of warrants of the Loan Plus Warrant Agreements. Tranche A warrants would be converted into 0.667% of issued share capital of the Company. Tranche B warrants would be converted into a certain number of shares of the Company which are linked to the offer price of the share of the Company in the Qualifying Initial Public Offering ("QIPO"). Each warrant of both tranches would be converted at a predetermined strike price of RMB0.1.

In accordance to the Loan Plus Warrant Agreements, QIPO means the IPO of the shares in the Company and the listing of such shares on The Stock Exchange of Hong Kong Limited, provided that the aggregate value (calculated at the IPO Price) of all the shares in the Company in issue and outstanding on the IPO Listing Date:

- (i) assuming that all shares in the Company to be issued upon the exercise of the rights under the warrants have been issued on that date; and
- (ii) including all shares in the Company issued as part of such IPO,

is at least USD2,000,000,000.

Both tranches could only be exercised on (i) the IPO listing date in the case of QIPO or (ii) the completion date of a third party sale of shares before the QIPO (exercise of tag along options). Both tranches will lapse on the earliest of: (a) the date falling 28 months after August 24, 2007; (b) business day falling immediately after [●]; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is passed or made.

- (b) The prepayment options of the loan portion of the Loan Plus Warrant Agreements are as follows:

- (i) Mandatory prepayment of the loan amount under the following conditions:

- (a) QIPO

Each lender may request the Company to prepay 25% of the loan amount or a higher amount as agreed with the Company at a later stage.

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**APPENDIX I****ACCOUNTANTS' REPORT**

---

- (b) Long Stop Date (the date falling 28 months after the Loan Plus Warrant Agreement Date when no QIPO has occurred), change of control events and IPO other than a QIPO (in case of changes in terms and conditions required by the Company)

Each lender may request the Company to prepay the entire loan amount. The Company shall also pay to the lender an amount which would yield an internal rate of return of 15% of the entire loan amount excluding any prepayments previously paid. All interest payments previously paid to the lender would be taken into account.

- (ii) Voluntary repayment

The Company may prepay the entire loan amount or in part on any interest payment date after the QIPO.

- (iii) Additional rights of prepayment and cancellation

Should the lender require the Company to pay any additional costs during the loan period, the Company may prepay the entire loan amount plus a yield of an internal rate of return of 15% of the entire loan amount excluding any prepayments previously paid. All interest payments previously paid to the lender would be taken into account.

- (c) The long-term loan with detachable warrants is secured by corporate guarantees provided by the offshore subsidiaries of the Company and security interests over shares of the Company and the offshore subsidiaries of the Company, which will be released on [●].

- (d) The net proceeds received from the Loan Plus Warrant Agreements have been split amongst a liability component, a number of financial derivatives and an equity component as follows:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 13.5% per annum to the liability component since the loan was issued. Interest of 8.8% per annum is payable semi-annually in accordance to the Loan Plus Warrant Agreements.

- (ii) Financial derivatives comprise of:

- (a) Derivative financial instruments represents the fair value of tranche B warrants.

- (b) Embedded derivatives, comprising:

- (i) The fair value of the option of the lender to require the Company to prepay a portion of the loan amount in the case of QIPO;



**APPENDIX I**

**ACCOUNTANTS' REPORT**

- (ii) the fair value of the option of the lender to require the Company to prepay the entire loan amount in the event of the change of control and IPO other than QIPO;
  - (iii) the fair value of the option of the Company to prepay the loan amount on any interest payment date after the QIPO; and
  - (iv) the fair value of the option of the Company on additional rights of prepayment and cancellation.
- (iii) Equity component represents the tranche A warrants.
- (e) The movements of the liability and derivative components of the Loan Plus Warrant Agreement are set out as below:

	<u>Group and Company</u>	
	<u>Liability component</u>	<u>Derivatives component</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amount initially recognised . . . . .	1,353,249	99,312
Interest charged. . . . .	61,879	—
Interest paid . . . . .	(40,561)	—
Change in fair value . . . . .	—	18,642
Exchange difference. . . . .	<u>(16,546)</u>	<u>(1,215)</u>
At December 31, 2007 . . . . .	1,358,021	116,739
Interest charged. . . . .	179,319	—
Interest paid . . . . .	(126,929)	—
Change in fair value . . . . .	—	(27,221)
Exchange difference. . . . .	<u>(104,865)</u>	<u>(8,996)</u>
At December 31, 2008 . . . . .	1,305,546	80,522
Interest charged. . . . .	90,493	—
Interest paid/payable . . . . .	(63,465)	—
Change in fair value . . . . .	—	19,925
Exchange difference. . . . .	<u>1,084</u>	<u>67</u>
At June 30, 2009. . . . .	<u><u>1,333,658</u></u>	<u><u>100,514</u></u>

The fair values of the liability component of the long-term loan with detachable warrants at December 31, 2007 and 2008 and June 30, 2009 amounted to RMB1,460,923,000 and RMB1,178,322,000 and RMB1,398,083,000 respectively. The fair values are calculated using the cash flows discounted at a rate based on the borrowing rate of 12.6% and 33% and 15.5% respectively. Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 13.5% to the liability component.

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**APPENDIX I****ACCOUNTANTS' REPORT**

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- (f) Certain terms and covenants of the long-term loan with detachable warrants have been breached by the Group for the measurement periods ended on December 31, 2008 and June 30, 2009. On October 24, 2009, the Company and the lenders have amended and restated the Loan Plus Warrant Agreement with respect to the breach of terms and covenants.

Pursuant to the amended Loan Plus Warrant Agreement, certain terms and covenants of the Loan Plus Warrant Agreement have been amended and the key changes are summarised below:

- (i) The maturity date of the amended Loan Plus Warrant Agreement has been extended to December 1, 2010.
- (ii) The prepayment option at Long Stop date has been eliminated.
- (iii) The internal rate of return has been amended as follows:
- 15% for the period from August 24, 2007 to February 28, 2009;
  - 17% for the period from March 1, 2009 onwards.

The amendment is applicable to the following circumstances, (a) change of control events; (b) IPO other than a QIPO (in case of changes in terms and conditions required by the Company) or (c) no IPO by December 1, 2010.

- (iv) The Company will be required to repay 15% of the loan amount upon signing of the amended Loan Plus Warrant Agreement, 10% by December 31, 2009, 21% in three equal instalments, each being 7% of the loan amount by March 31, 2010, June 30, 2010 and September 30, 2010, respectively. The Company will also be required to prepay 25% of the loan amount on the listing date of an IPO and the remaining loan amount by December 1, 2010.
- (v) The expiry date of both tranches of warrants has been extended to December 1, 2010. The predetermined strike price of Tranche B warrants has been eliminated.

Also, the Company has paid USD500,000 (equivalent of RMB3,415,000) as consent fee for the revision of the above terms to the Loan Plus Warrant Agreement.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**21. Deferred income tax**

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

	Group			
	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
— to be recovered after more than 12 months . . . . .	1,096	15,783	79,522	57,396
— to be recovered within 12 months . . . . .	7,424	2,535	11,600	38,750
	<u>8,520</u>	<u>18,318</u>	<u>91,122</u>	<u>96,146</u>
Deferred income tax liabilities:				
— to be settled after more than 12 months . . . . .	(69,542)	(78,667)	(156,239)	(226,588)
The net movement on the deferred income tax is as follows:				
Beginning of the year/period. . . . .	(5,974)	(61,022)	(60,349)	(65,117)
Recognised in the consolidated statements of comprehensive income ( <i>note 28</i> ). . . . .	(55,048)	673	(4,768)	(65,325)
End of the year/period . . . . .	<u>(61,022)</u>	<u>(60,349)</u>	<u>(65,117)</u>	<u>(130,442)</u>
	Company			
	December 31,		June 30,	
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	
Deferred income tax assets:				
— to be recovered after more than 12 months . . . . .	3,282	—	2,270	
— to be recovered within 12 months . . . . .	—	—	—	
	<u>3,282</u>	<u>—</u>	<u>2,270</u>	
Deferred income tax liabilities:				
— to be settled after more than 12 months . . . . .	—	(1,297)	—	

**APPENDIX I**

**ACCOUNTANTS' REPORT**

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

*Deferred income tax assets:*

	Group and Company	Group		
	Fair value change arising from financial derivatives	Tax losses	Provisions	Total
		RMB'000	RMB'000	RMB'000
At January 1, 2006 . . . . .	—	5,632	—	5,632
Credited to the consolidated statement of comprehensive income . . . . .	—	2,888	—	2,888
At December 31, 2006 . . . . .	—	8,520	—	8,520
Credited to the consolidated statement of comprehensive income . . . . .	3,282	6,516	—	9,798
At December 31, 2007 . . . . .	3,282	15,036	—	18,318
(Debited)/credited to the consolidated statement of comprehensive income . . . . .	(4,579)	27,033	50,350	72,804
At December 31, 2008 . . . . .	(1,297)	42,069	50,350	91,122
Credited/(debited) to the consolidated statement of comprehensive income . . . . .	3,567	13,057	(11,600)	5,024
At June 30, 2009 . . . . .	<u>2,270</u>	<u>55,126</u>	<u>38,750</u>	<u>96,146</u>

*Deferred income tax liabilities:*

	Group Revaluation arising from investment properties
	RMB'000
At January 1, 2006 . . . . .	(11,606)
Charged to the consolidated statement of comprehensive income . . . . .	(57,936)
At December 31, 2006 . . . . .	(69,542)
Charged to the consolidated statement of comprehensive income . . . . .	(9,125)
At December 31, 2007 . . . . .	(78,667)
Charged to the consolidated statement of comprehensive income . . . . .	(77,572)
At December 31, 2008 . . . . .	(156,239)
Charged to the consolidated statement of comprehensive income . . . . .	(70,349)
At June 30, 2009 . . . . .	<u>(226,588)</u>

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 tax losses amounting to RMB9,514,000, RMB20,186,000 and RMB63,858,000 and RMB90,508,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively that can be carried forward against future taxable income. These tax losses have no expiry dates.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**22. Other payables**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals . . . . .	420,289	245,507	167,142	237,845
Associated companies ( <i>note i</i> ) . . . . .	101,828	—	—	—
Third parties ( <i>note ii</i> ) . . . . .	318,461	245,507	167,142	237,845
Purchase consideration of subsidiaries ( <i>note iii</i> ) . . . . .	—	407,608	509,344	545,574
Refundable deposit received for renovation contract ( <i>note iv</i> ) . . . . .	—	250,000	198,998	152,896
Other taxes payables ( <i>note v</i> ) . . . . .	1,377	16,157	5,292	8,515
	421,666	919,272	880,776	944,830

*Notes:*

- (i) *The amounts due to associated companies are unsecured, interest-free and have no fixed terms of repayment. The amounts were settled in 2007.*
- (ii) *The balance mainly consists of deposits received for carrying out business opportunities which were settled in 2007, amounts received from the Group's customers to pay for stamp duty on their behalf, other taxes payables and proceeds from sales of properties of Riverside Hill Town received on behalf of the developer.*
- (iii) *As of December 31, 2007, the amount represents deferred consideration payable for the acquisitions of subsidiaries acquired during 2007, namely Chengdu Nanxing Yunji Property Development Co., Ltd., Huizhou Weitong Property Co., Ltd., Huizhou Canrong Property Co., Ltd., and Fenglong Group Co., Ltd, of which RMB68,287,000 and RMB43,785,000 were settled during 2008 and 2009 respectively. As of December 31, 2008, the amount includes deferred consideration payable for the acquisitions of subsidiaries acquired during 2008, namely Jiangyin Taichung Property Development Co., Ltd and Huizhou Huasheng Investment Co, Ltd, of which RMB19,984,000 was settled during 2009. As of June 30, 2009, the amount also includes deferred consideration payable for the acquisition of a subsidiary acquired during 2009, namely Jinshawan Hotel Co., Limited.*
- (iv) *The amount represents refundable deposit received for renovation contract for Guangzhou Kaisa Plaza project.*
- (v) *Other taxes payables mainly represent business tax payable.*

**23. Other gains/(losses), net**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Forfeited customer deposits ( <i>note i</i> ) . . . . .	1,881	1,512	1,582	578	1,324
Investment income . . . . .	1,253	—	—	—	—
Gain on disposal of subsidiaries ( <i>note 35</i> ) . . . . .	—	2,405	—	—	—
Impairment losses ( <i>note ii</i> ) . . . . .	—	—	(213,000)	—	—
Exchange gains/(losses), net . . . . .	—	6,505	95,202	89,496	(1,806)
	3,134	10,422	(116,216)	90,074	(482)

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

Notes:

- (i) The amount represents the forfeited customer deposits on the customers who have not fulfilled the payment obligations in accordance with the original sales and purchase agreements.
- (ii) The amount represents impairment losses on land use rights, properties under development and completed properties held for sale.

**24. Expenses by nature**

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

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Auditors’ remuneration . . . . .	223	260	900	642	656
Advertising and other promotional costs . . . . .	61,688	52,036	119,765	55,864	53,548
Agency fee . . . . .	12,722	6,043	10,310	3,414	10,995
Business taxes (note i) . . . . .	105,644	106,671	114,424	23,306	123,687
Cost of completed properties sold . . . . .	1,717,903	1,156,187	2,097,172	850,412	1,732,179
Donations . . . . .	2,871	37,449	2,829	2,779	1,280
Legal and professional fees . . . . .	4,840	11,191	6,994	4,703	3,217
Depreciation (note 6) . . . . .	4,141	5,503	10,693	3,618	6,657
Land use rights amortisation (note 8) . . . . .	1,011	1,074	4,129	699	6,559
Staff costs — excluding directors’ emoluments (note 26) . . . . .	40,686	50,200	89,387	44,474	47,947
Operating lease rental . . . . .	1,838	2,511	7,362	2,560	5,505
Others (note ii) . . . . .	38,221	52,965	96,931	43,102	51,441
	<u>1,991,788</u>	<u>1,482,090</u>	<u>2,560,896</u>	<u>1,035,573</u>	<u>2,043,671</u>

Notes:

- (i) The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties . . . . .	5%
Project consultancy . . . . .	5%
Property management . . . . .	5%

- (ii) Others mainly represents entertainment expenses, travelling expenses and other selling expenses.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**25. Finance income and costs**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expense:					
— bank borrowings . . . . .	146,602	163,659	301,335	157,545	172,329
— long-term loan with detachable warrants . . . . .	—	61,879	179,319	85,902	90,493
— other borrowings . . . . .	21,912	21,846	21,846	10,923	10,923
Total interest expense . . . . .	168,514	247,384	502,500	254,370	273,745
Less: interest capitalised ( <i>note</i> ) . . . . .	(138,292)	(194,946)	(384,858)	(193,697)	(165,344)
Finance costs . . . . .	30,222	52,438	117,642	60,673	108,401
Finance income:					
Interest income on bank deposits . . . . .	12,576	9,029	7,243	4,660	1,792

*Note: The capitalisation rate of borrowings is 6.19%, 6.31% and 6.96% and 5.02% for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.*

**26. Staff costs — excluding directors’ emoluments**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages and salaries . . . . .	35,861	43,478	73,953	37,277	41,163
Pension costs — statutory pension . . . . .	1,231	3,618	3,517	1,470	1,974
Medical benefits . . . . .	471	326	1,856	873	807
Other allowances and benefits . .	3,123	2,778	10,061	4,854	4,003
	40,686	50,200	89,387	44,474	47,947

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**27. Emoluments for directors and five highest paid individuals**

(a) *Directors' emoluments*

Details of emoluments paid to each director for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are as follows:

Year ended December 31, 2006						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Kwok Chun Wai . . .	—	—	—	—	—	—
Mr. Kwok Ying Shing . .	—	—	—	—	—	—
Mr. Kwok Ying Chi. . .	—	509	—	—	13	522
	—	509	—	—	13	522
Year ended December 31, 2007						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Han. . . . .	—	—	—	—	—	—
Mr. Kwok Chun Wai . . .	—	—	—	—	—	—
Mr. Kwok Ying Shing . .	—	—	—	—	—	—
Mr. Kwok Ying Chi. . .	—	456	—	—	11	467
	—	456	—	—	11	467
Year ended December 31, 2008						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Han. . . . .	—	—	—	—	—	—
Mr. Kwok Ying Shing . .	—	160	—	—	4	164
Mr. Kwok Ying Chi. . .	—	1,128	—	—	11	1,139
Mr. Liu Qiang. . . . .	—	1,636	82	2	37	1,757
	—	2,924	82	2	52	3,060



**APPENDIX I**

**ACCOUNTANTS' REPORT**

Six months ended June 30, 2009					
Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Han. . . . .	—	—	—	—	—
Mr. Kwok Ying Shing..	—	1,846	—	5	1,851
Mr. Kwok Ying Chi. . .	—	1,052	—	5	1,057
	—	2,898	—	10	2,908

Six months ended June 30, 2008					
Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Total
RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Mr. Chen Han. . . . .	—	—	—	—	—
Mr. Kwok Ying Shing..	—	24	—	—	24
Mr. Kwok Ying Chi. . .	—	211	—	5	216
Mr. Liu Qiang. . . . .	—	1,226	82	13	1,322
	—	1,461	82	18	1,562

The above directors, except Mr. Chen Han and Mr. Liu Qiang who were appointed by the Company on November 16, 2007 and May 27, 2008 respectively, were all appointed by the Company on May 2, 2007. During the Relevant Periods, no director received any emoluments 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. Mr. Kwok Chun Wai and Mr. Liu Qiang resigned on May 27, 2008 and October 10, 2008 respectively.

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group in each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 included Nil, Nil, Nil, 1 and 2 directors respectively, whose emolument is reflected in note (a) above. The emoluments for the remaining 5, 5, 5, 4 and 3 individuals in each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	3,042	4,012	5,373	1,947	1,909
Discretionary bonuses . . .	359	417	393	330	—
Contribution to pension schemes . . . . .	76	101	164	46	45
	3,477	4,530	5,930	2,323	1,954

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Nil to RMB1,000,000 . . .	5	4	2	5	3
RMB1,000,000 to RMB2,000,000 . . . . .	—	1	3	—	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

**28. Income tax expenses**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

*PRC enterprise income tax*

Enterprises incorporated in the PRC are subject to enterprise income tax (“EIT”) at rate of 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax. Certain subsidiaries of the Group established in the Shenzhen Special Economic Zone were subject to EIT at a rate of 15% during the years ended December 31, 2006 and 2007. There were no other preferential tax treatment granted by the relevant tax authorities in the PRC during the years ended December 31, 2006 and 2007.

On March 16 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), which is effective from January 1, 2008. Under the new CIT Law, for Group’s subsidiaries currently entitling a tax rate of 15%, it will be gradually increased to 25% over the next five years. For Group’s subsidiaries currently entitling a tax rate of 33%, it will decrease to 25% effective on January 1, 2008.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the change in the applicable tax rate has affected the determination of the carrying values of deferred income tax assets and liabilities of the Group’s subsidiaries located in Mainland China. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the year ended December 31, 2007.

Furthermore, in accordance with the “Implementation Rules of the People’s Republic of China on the new CIT Law” promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a 10% withholding tax will be levied on dividend declared on or after January 1, 2008. A lower withholding tax rate may be applied if there is tax treaty arrangement between the PRC and the jurisdiction of the foreign investor (for example, a foreign investor in HK will be levied on a 5% withholding tax rate).

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

No income tax expense was provided for associated companies as no assessable profits was generated for the year ended December 31, 2006.

*Hong Kong profits tax*

No Hong Kong profits tax was provided for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 as the Group have no assessable profits for those periods.

*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 rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as income tax.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
— PRC enterprise income tax .	60,695	135,608	135,035	79,443	90,849
— PRC land appreciation tax .	14,952	119,000	11,997	9,666	60,306
Underprovision . . . . .	—	4,835	—	—	—
Deferred income tax ( <i>note 21</i> ).	55,048	(673)	4,768	114,373	65,325
	<u>130,695</u>	<u>258,770</u>	<u>151,800</u>	<u>203,482</u>	<u>216,480</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

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

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax . . . . .	624,037	742,140	652,713	835,947	584,442
Adjusted by: share of results of associated companies . . . . .	65	1	—	—	—
	624,102	742,141	652,713	835,947	584,442
Calculated at PRC foreign enterprise income tax rate of (2006: 15%; 2007: 15%; 2008: 18%; 2009: 20%)	93,615	111,321	117,489	150,471	116,888
Effect of different income tax rates of certain companies . . . . .	17,813	13,944	27,699	56,494	17,967
Effect of change in income tax rates of certain companies . . . . .	—	—	(4,538)	(102)	3,296
Income not subject to tax . . . . .	(437)	(4,462)	(19,315)	(21,055)	(1,639)
Expenses not deductible for tax purposes . . . . .	4,006	12,531	10,607	5,020	14,332
Tax losses not recognised . . . . .	746	1,601	7,861	2,988	5,330
Underprovision . . . . .	—	4,835	—	—	—
PRC enterprise income tax . . . . .	115,743	139,770	139,803	193,816	156,174
PRC land appreciation tax . . . . .	14,952	119,000	11,997	9,666	60,306
Income tax expenses . . . . .	<u>130,695</u>	<u>258,770</u>	<u>151,800</u>	<u>203,482</u>	<u>216,480</u>

**29. Earnings per share**

In 2007, the Company issued 10,869.565217 ordinary shares with par value of HK\$0.1 each (note 17 (ii) and (iii)). The calculation of earnings per share for the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are based on the profit attributable to equity holders of the Company of RMB483,369,000, RMB500,921,000, RMB632,469,000 and RMB367,972,000, respectively, and the 10,869.565217 shares in issue.

No diluted earnings per share are presented as there were no potential dilutive shares in issue during the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**30. Cash generated/(used in) from operations**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit for the year/period . . . . .	493,342	483,370	500,913	632,465	367,962
Adjustments for:				(unaudited)	
Income tax expenses (note 28) . . . . .	130,695	258,770	151,800	203,482	216,480
Interest income (note 25) . . . . .	(12,576)	(9,029)	(7,243)	(4,660)	(1,792)
Interest expense (note 25) . . . . .	30,222	52,438	117,642	60,673	108,401
Net exchange gains . . . . .	—	—	(95,202)	(89,496)	1,806
Depreciation (note 6) . . . . .	4,141	5,503	10,693	3,618	6,657
Amortisation (note 8) . . . . .	1,011	1,074	4,129	699	6,559
Loss/(gain) on disposals					
of property and equipment . . . . .	166	29	3,050	(119)	(309)
Loss on sale of listed securities					
through profit or loss . . . . .	54	—	—	—	—
Impairment losses (note 23) . . . . .	—	—	213,000	—	—
Change in fair value of					
investment properties . . . . .	(231,742)	(36,500)	(302,557)	(575,369)	(281,397)
Change in fair value of financial					
derivatives . . . . .	—	18,642	(27,221)	25,646	19,925
Gain on disposal of subsidiaries . . . . .	—	(2,405)	—	—	—
Share of results of associated					
companies . . . . .	65	1	—	—	—
Changes in working capital:					
Land use rights . . . . .	81,595	(276,698)	230,064	176,811	445,867
Properties under development and					
completed properties held for					
sale . . . . .	326,617	(907,198)	(1,400,255)	(911,179)	114,297
Debtors, deposits and other					
receivables . . . . .	(441,113)	(789,169)	(46,998)	(100,016)	(207,724)
Prepayments for proposed					
development projects . . . . .	(373,764)	(350,237)	(708,015)	(704,962)	(61,809)
Listed securities at fair value					
through profit or loss . . . . .	1,038	—	—	—	—
Restricted cash . . . . .	(70,921)	4,595	(21,436)	31,595	(184,669)
Advanced proceeds received from					
customers . . . . .	638	600,170	(218,261)	(83,691)	(31,350)
Accrued construction costs . . . . .	34,770	(1,049)	568,631	366,836	(33,174)
Other payables . . . . .	214,430	56,139	(282,011)	(79,965)	44,322
Cash generated from/(used in)					
operations . . . . .	<u>188,668</u>	<u>(891,554)</u>	<u>(1,309,277)</u>	<u>(1,047,632)</u>	<u>530,052</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

*Note: Loss/(gain) on disposals of property and equipment of each of the Relevant Periods are as follows:*

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				<b>(unaudited)</b>	
Net book amount disposed . . . . .	211	910 <sup>(Note 6)</sup>	3,414	216	699
Proceeds received . . . . .	(45)	(881) <sup>(CIF)</sup>	(364)	(335)	(1,008)
Loss/(gain) on disposals . . . . .	<u>166</u>	<u>29</u>	<u>3,050</u>	<u>(119)</u>	<u>(309)</u>

**31. Dividend**

No dividend has been paid or declared by the Company since its incorporation.

**32. Financial guarantees contracts**

The Group had the following financial guarantees as at the end of each Relevant Period:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Guarantees in respect of mortgage facilities for certain purchasers of the property units . . . . .	<u>1,267,541</u>	<u>873,878</u>	<u>1,629,013</u>	<u>2,444,080</u>

It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's 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. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**33. Commitments**

(a) *Commitments for property development expenditures*

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for. . . . .	1,933,025	5,585,773	7,300,651	4,591,724

(b) *Operating lease commitments*

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

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year. . . . .	722	1,990	9,617	12,785
Later than one year and not later than five years . . . . .	186	2,941	9,950	11,829
Later than five years . . . . .	—	—	1,315	136
	<u>908</u>	<u>4,931</u>	<u>20,882</u>	<u>24,750</u>

(c) *Operating lease rentals receivable*

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

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year. . . . .	17,453	32,563	81,124	88,829
Later than one year and not later than five years . . . . .	58,543	113,087	275,981	340,041
Later than five years . . . . .	63,835	106,729	196,548	255,114
	<u>139,831</u>	<u>252,379</u>	<u>553,653</u>	<u>683,984</u>

**34. Acquisitions of subsidiaries**

In 2006, the Group acquired 100% of the equity interest of two companies (note 1 of section II) at a total cash consideration of approximately RMB223,458,000. In 2007, the Group acquired 100% of the equity interest of several subsidiaries except for Fenglong Group Co., Ltd. of which only 55% equity interest was being acquired, (note 1 of section II) from respective third parties at a total cash consideration of approximately RMB1,030,292,000 and deferred cash consideration of approximately RMB407,608,000. In 2008, the Group acquired 100% of the equity interest of five subsidiaries from respective third parties and related parties (note 37(e)) at a total cash consideration of approximately RMB843,349,000 and deferred cash consideration of

**APPENDIX I**

**ACCOUNTANTS' REPORT**

approximately RMB315,949,000. During the six months ended June 30, 2009, the Group acquired 100% of the equity interest of a subsidiary from a third party at a total cash consideration of approximately RMB160,000,000 and deferred cash consideration of approximately RMB100,000,000. The considerations of all these acquisitions were based on the value of the land. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, these subsidiaries have been loss making prior to the completion of the construction and sales of the properties. These companies did not operate any business prior to the acquisition, except for the subsidiary acquired in the six months ended June 30, 2009 which carried out hotel operations, and only held a piece of land or a land grant contract. For the subsidiary being acquired in the six months ended June 30, 2009, the Group did not take over any management of the hotel operations as its plan is to acquire the land for redevelopment. Therefore, the Group considered that these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the land use rights and land deposits.

The assets and liabilities arising from the acquisitions are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Property and equipment . . . . .	22	53	697	697	4,514
Land use rights . . . . .	11,950	721,552	948,473	948,473	36,891
Prepayments for proposed development projects . . . . .	—	—	—	—	—
Debtors, deposits and other receivables . . . . .	44,990	170,861	31,423	31,423	8,744
Properties under development . . . . .	—	7,392	110	110	—
Cash and cash equivalents . . . . .	222	671	18,694	18,694	109
Other payables . . . . .	(12,177)	(396,948)	(37,584)	(37,584)	(10,529)
Borrowings . . . . .	—	(19,879)	—	—	—
Net assets . . . . .	<u>45,007</u>	<u>483,702</u>	<u>961,813</u>	<u>961,813</u>	<u>39,729</u>
Interest already held by the Group (note (i)) . . . . .	—	(61,334)	—	—	—
Minority interest (note (ii)) . . . . .	—	44,474	—	—	—
Net assets acquired . . . . .	<u>45,007</u>	<u>466,842</u>	<u>961,813</u>	<u>961,813</u>	<u>39,729</u>
Purchase consideration settled in cash . . . . .	223,458	1,030,292	843,349	843,349	160,000
Cash and bank balances in subsidiaries acquired . . . . .	(222)	(671)	(18,694)	(18,694)	(109)
Cash outflow on acquisition . . . . .	<u>223,236</u>	<u>1,029,621</u>	<u>824,655</u>	<u>824,655</u>	<u>159,891</u>



**APPENDIX I**

**ACCOUNTANTS' REPORT**

Details of net assets acquired and additions to land use rights and land deposits are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Total purchase consideration:					
— Cash paid. . . . .	223,458	1,030,292	843,349	843,349	160,000
— Deferred cash consideration . .	—	407,608	315,949	315,949	100,000
	<u>223,458</u>	<u>1,437,900</u>	<u>1,159,298</u>	<u>1,159,298</u>	<u>260,000</u>
Fair value of net assets acquired — shown as above. . . . .	<u>(45,007)</u>	<u>(466,842)</u>	<u>(961,813)</u>	<u>(961,813)</u>	<u>(39,729)</u>
Adjustments to the carrying amount of land use rights and land deposits . . . . .	<u>178,451</u>	<u>971,058</u>	<u>197,485</u>	<u>197,485</u>	<u>220,271</u>

Notes:

- (i) The amount represents the net asset value of the 30% interest in an associated company, Shenzhen Jiachangxin Investment Consulting Company Limited, which became a wholly-owned subsidiary of the Group in year 2007.
- (ii) The minority shareholder of Fenglong Group Co., Ltd., has agreed to share the net deficit of Fenglong Group Co., Ltd. on top of its contribution to the registered capital.

**35. Disposals of subsidiaries**

During 2007, the Group disposed its entire equity interest in several companies (note 1 of section II) at their respective original investment costs to certain third parties and a controlling shareholder respectively. During 2008, the Group disposed its entire equity interest in a company (note 1 of section II) at its original investment costs to a third party.

Details of the net assets of the above subsidiaries disposed of and the relevant gains or losses on disposals are as follows:

	Year ended December 31,		Six months ended June 30,	
	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash received. . . . .	86,800	8,250	—	—
Amount settled by amount due to a related party . . . . .	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total consideration. . . . .	<u>186,800</u>	<u>8,250</u>	<u>—</u>	<u>—</u>
Net assets disposed. . . . .	<u>184,395</u>	<u>8,250</u>	<u>—</u>	<u>—</u>
Gain on disposals (note 23) . . . . .	<u>2,405</u>	<u>—</u>	<u>—</u>	<u>—</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

The aggregates assets and liabilities in respect of the above disposals were as follows:

	<b>Year ended December 31,</b>	
	<b>2007</b>	<b>2008</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Cash and cash equivalents . . . . .	196	15,000
Debtors, deposits and other receivables. . . . .	446,344	—
Property and equipment . . . . .	8	—
Other payables . . . . .	(262,151)	—
	<u>184,397</u>	<u>15,000</u>
Less: Minority interest disposed . . . . .	(2)	(6,750)
Net assets disposed . . . . .	<u>184,395</u>	<u>8,250</u>
Total consideration . . . . .	186,800	8,250
Less: Amount due to a related party . . . . .	(100,000)	—
Cash received . . . . .	86,800	8,250
Less: cash and cash equivalents in the subsidiaries and businesses disposed . . . . .	(196)	(8,250)
Cash inflow on disposals . . . . .	<u>86,604</u>	<u>—</u>

**36. Capital contribution from minority shareholders**

- (a) On September 29, 2007, Kaisa Tangquan Forest Co., Ltd. (“Kaisa Tangquan”) was established with registered capital of RMB10,000,000. Huizhou State-owned Tangquan Linchang (惠州市國營湯泉林場), being the minority shareholder which owns 20% equity interests in Kaisa Tangquan, contributed RMB2,000,000.
- (b) On August 20, 2007, Huizhou Yingbo Property Development Co., Ltd. (“Huizhou Yingbo”) was established with registered capital of RMB10,000,000. Mr. Zeng Jia (曾嘉), being the minority shareholder who owns 38% equity interests in Huizhou Yingbo, contributed RMB3,800,000.
- (c) On December 24, 2007, Shenzhen Finance Investment Services Co., Ltd. (“Shenzhen Finance”) was established with registered capital of RMB15,000,000. China Zhongqi Investment Co., Ltd. (中國中期投資有限公司) and Shenzhen Gaoxin Technology Development Co., Ltd. (深圳市高新技術開發有限公司), being the minority shareholders which own 15% and 30% equity interests in Shenzhen Finance respectively, contributed a total of RMB6,746,000.
- (d) On July 4, 2008, Dongguan Yingyan Property Development Co., Ltd. (“Dongguan Yingyan”) was established with registered capital of RMB10,000,000. Dongguan Fenggang Yantian Corporate Development Company, being the minority shareholder who owns 20% equity interests in Dongguan Yingyan, contributed RMB2,000,000.

The above contribution from minority interest is presented as capital contribution from minority shareholders in the consolidated statement of changes in equity.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**37. Related party transactions**

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

*Controlling shareholders*

Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi.

*Close family members of controlling shareholders*

Mr. Kwok Ying Long, Mr. Kwok Ying Guang, Mr. Kwok Yang Xing, Kwok Yuan Tang, Mr. Mai Wei Liang, Mr. Zhan Qiongmeng, Ms. Zhan Hai Zhen and Mr. Luo Han Dun.

*Controlled by controlling shareholders*

Prime Yield Holdings Limited (泰怡集團有限公司)  
 Chibase (Asia) Investment Limited  
 Friendship (China) Investment Limited  
 Year Up Investment Limited  
 Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司)

*Controlled by close family members of controlling shareholders*

Shenzhen Qiyu Guarantee Company Limited (深圳市琪裕擔保有限公司)

The English names of certain of the companies referred to above in this note represent management’s best efforts in translating the Chinese names of these companies as no English names have been registered or available.

**(b) Key management compensation**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Salaries and other short-term employee benefits . . . . .	3,401	4,429	9,330	5,121	6,737
Retirement scheme contributions . . . . .	76	101	271	96	129
	<u>3,477</u>	<u>4,530</u>	<u>9,601</u>	<u>5,217</u>	<u>6,866</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

(c) *Balances with related parties*

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

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Amounts due from related parties ( <i>note</i> ) — included in other receivables:				
Close family members of Controlling Shareholders				
Mr. Kwok Ying Guang . . . . .	24,701	—	—	—
Mr. Kwok Ying Long . . . . .	41,315	—	—	—
Mr. Mai Wei Liang . . . . .	81,355	—	—	—
Mr. Zhan Qiongming . . . . .	63,794	—	—	—
Others . . . . .	<u>47,357</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>258,522</u>	<u>—</u>	<u>—</u>	<u>—</u>
Controlled by Controlling Shareholders:				
Prime Yield Holdings Limited (泰怡集團有限公司) . . . . .	13,683	—	—	—
Chibase (Asia) Investment Limited and Friendship (China) Investment Limited . . . . .	1,217	—	—	—
Year Up Investment Limited . . . . .	66,986	—	—	—
Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司) . . . . .	<u>57,643</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>139,529</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>398,051</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum amount due from related parties — included in other receivables during the year:				
Close family members of Controlling Shareholders				
Mr. Kwok Ying Guang . . . . .	24,701	24,701	—	—
Mr. Kwok Ying Long . . . . .	58,587	41,315	—	—
Mr. Mai Wei Liang . . . . .	81,355	81,355	—	—
Mr. Zhan Qiongming . . . . .	63,794	63,794	—	—
Others . . . . .	<u>47,357</u>	<u>47,357</u>	<u>—</u>	<u>—</u>
	<u>275,794</u>	<u>258,522</u>	<u>—</u>	<u>—</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Controlled by Controlling Shareholders:				
Prime Yield Holdings Limited (泰怡集團有限公司) . . . . .	13,683	13,683	—	—
Chibase (Asia) Investment Limited and Friendship (China) Investment Limited. . . . .	12,720	1,217	—	—
Year Up Investment Limited . . . . .	66,986	66,986	—	—
Shenzhen Zhaoxinbao Industrial Limited (深圳市兆興寶實業有限公司) . . . . .	57,643	57,643	—	—
	<u>151,032</u>	<u>139,529</u>	<u>—</u>	<u>—</u>
	<u>426,826</u>	<u>398,051</u>	<u>—</u>	<u>—</u>
Amounts due to related parties ( <i>note</i> ) — included in other payables:				
Controlling Shareholders				
Mr. Kwok Chun Wai . . . . .	44,355	—	—	—
Mr. Kwok Ying Chi. . . . .	10,780	—	—	—
Mr. Kwok Ying Shing . . . . .	4,987	—	—	—
	<u>60,122</u>	<u>—</u>	<u>—</u>	<u>—</u>
Close family members of Controlling Shareholders				
Mr. Kwok Yang Xing . . . . .	4,856	—	—	—
Mr. Kwok Yuan Tang . . . . .	9,360	—	—	—
Ms. Zhan Hai Zhen . . . . .	7,280	—	—	—
Mr. Luo Han Dun . . . . .	8,167	—	—	—
Others . . . . .	11,125	—	—	—
	<u>40,788</u>	<u>—</u>	<u>—</u>	<u>—</u>
Controlled by close family members of Controlling Shareholders:				
Shenzhen Qiyu Guarantee Company Limited (深圳市琪裕擔保有限公司) . . . . .	724,722	3,010	1,836	336
	<u>825,632</u>	<u>3,010</u>	<u>1,836</u>	<u>336</u>

*Note: Amounts due from/to related parties were unsecured, interest-free and repayable on demand.*

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**(d) Purchasing of services**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Rental expense . . . . .	—	861	849	424	468

*Note: This represents payment of rental expense for various office premises to Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.*

**(e) Acquisition of subsidiaries**

According to the original and supplemental sale and purchase agreements entered in May 2008, the Group has acquired 100% equity interests in Huizhou Jinhua Resort Village Co. Ltd. (“Resort Village”) and Huizhou Jinhua Entertainment Park Co. Ltd. (“Entertainment Park”) from Jinhua Development Co. (held by Mr. Chen Geng Xian, the general manager of Shenzhen Kaisa Property) and Shenzhen Hongchangyu Enterprise Management Consulting Co. Ltd. (held by Zhan Qiongmeng, a related party) for a total consideration of approximately RMB191,174,000 which is determined with reference to the land value of Resort Village and Entertainment Park as at April 30, 2008. The acquisitions were completed on May 14, 2008 and the cash consideration was fully settled by the Group.

**(f) Guarantees provided by related parties**

Details of the guarantees provided by related parties on the Group’s borrowings are disclosed in note 19(iii) of section II to this report.

**38. Subsequent events**

On November 3, 2009, the Group entered into a memorandum of understanding (the “MOU”) in relation to a possible disposal of its equity interest in Guangzhou Jiasui Zhiye Co., Ltd, the project company for development of Guangzhou Kaisa Plaza at a cash consideration of not less than RMB1,850 million, which is above the estimated total development cost. The transaction will be completed by end of year 2010 following the completion of the construction of Guangzhou Kaisa Plaza.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**39. Accounting adjustments under common control combination**

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheets as at June 30, 2009:

	<b>The Company</b>	<b>The Operating Group</b>	<b>Adjustments (note)</b>	<b>Consolidated</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Investment in the Operating Group . . . .	7	—	(7)	—
Other assets — net . . . . .	<u>1,039,383</u>	<u>2,444,752</u>	—	<u>3,469,435</u>
Net assets. . . . .	<u>1,039,390</u>	<u>2,444,752</u>		<u>3,469,435</u>
Share capital. . . . .	1	7	(7)	1
Share premium . . . . .	1,490,772	—	—	1,490,772
Merger reserve . . . . .	—	382	—	382
(Accumulated losses)/retained earnings. .	(451,383)	2,214,298	—	1,762,915
Other reserves. . . . .	—	255,855	—	255,855
Minority interest . . . . .	—	(40,490)	—	(40,490)
	<u><u>1,039,390</u></u>	<u><u>2,430,052</u></u>		<u><u>3,469,435</u></u>

The consolidated balance sheets as at December 31, 2008:

	<b>The Company</b>	<b>The Operating Group</b>	<b>Adjustments (note)</b>	<b>Consolidated</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Investment in the Operating Group . . . .	7	—	(7)	—
Other assets — net . . . . .	<u>1,137,749</u>	<u>1,963,724</u>	—	<u>3,101,473</u>
Net assets. . . . .	<u>1,137,756</u>	<u>1,963,724</u>		<u>3,101,473</u>
Share capital. . . . .	1	7	(7)	1
Share premium . . . . .	1,490,772	—	—	1,490,772
Merger reserve . . . . .	—	382	—	382
(Accumulated losses)/retained earnings. .	(353,017)	1,747,960	—	1,394,943
Other reserves. . . . .	—	255,855	—	255,855
Minority interest . . . . .	—	(40,480)	—	(40,480)
	<u><u>1,137,756</u></u>	<u><u>1,963,724</u></u>		<u><u>3,101,473</u></u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The consolidated balance sheets as at December 31, 2007:

	<u>The Company</u>	<u>The Operating Group</u>	<u>Adjustments</u> <i>(note)</i>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group . . . .	7	—	(7)	—
Other assets — net . . . . .	1,431,286	1,177,821	—	2,609,107
Net assets. . . . .	<u>1,431,293</u>	<u>1,177,821</u>		<u>2,609,107</u>
Share capital. . . . .	1	7	(7)	1
Share premium . . . . .	1,490,772	—	—	1,490,772
Merger reserve . . . . .	—	382	—	382
(Accumulated losses)/retained earnings. .	(59,480)	1,053,593	—	994,113
Other reserves. . . . .	—	155,764	—	155,764
Minority interest . . . . .	—	(31,925)	—	(31,925)
	<u>1,431,293</u>	<u>1,177,821</u>		<u>2,609,107</u>

The consolidated balance sheets as at December 31, 2006:

	<u>The Company</u>	<u>The Operating Group</u>	<u>Adjustments</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group . . . .	—	—	—	—
Other assets — net . . . . .	—	642,987	—	642,987
Net assets. . . . .	<u>—</u>	<u>642,987</u>		<u>642,987</u>
Share capital. . . . .	—	1	—	1
Merger reserve . . . . .	—	382	—	382
Retained earnings . . . . .	—	604,587	—	604,587
Other reserves. . . . .	—	38,017	—	38,017
	<u>—</u>	<u>642,987</u>		<u>642,987</u>

*Note:* The adjustments represent the elimination between the Company's investment cost and the share capital of The Operating Group.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to June 30, 2009. In addition, except for those as disclosed in note 38 of Section II of this report, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to June 30, 2009.

Yours faithfully,  
**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
 Hong Kong