远洋地产
SINO-OCEAN

Annual Report 2008

遠洋地產控股有限公司

Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 03377)

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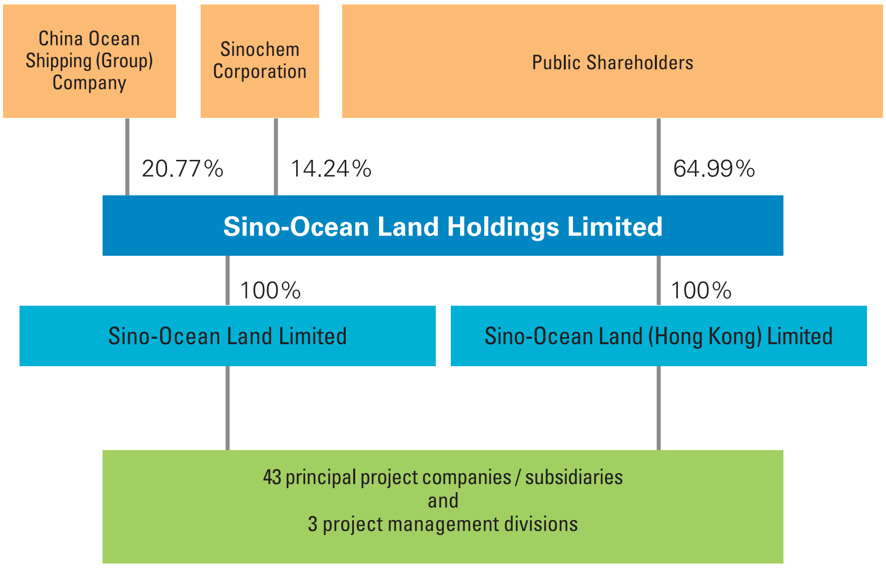
Perceptive

Corporate Profile

Set forth below is the shareholding structure of the Group as at 31 December 2008:



Sino-Ocean Land Holdings Limited ("Sino-Ocean Land" or the "Company") was established in Hong Kong on 12 March 2007. Sino-Ocean Land and its subsidiaries (together referred to as the "Group") trace our roots to 1993, when our predecessor COSCO Real Estate Development Corporation was established. After years of steady development and growth, Sino-Ocean Land's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 September 2007 after restructuring. In March 2008, Sino-Ocean Land was selected by Hang Seng Indexes Company Limited as a constituent of Hang Seng Composite Index and Hang Seng China-Affiliated Corporations Index. Sino-Ocean Land wholly owns Sino-Ocean Land Limited in the People's Republic of China (the "PRC") and Sino-Ocean Land (Hong Kong) Limited in Hong Kong, and 43 principal project companies/subsidiaries and 3 project management divisions.

The Group is one of the largest real estate companies in Beijing and has a diversified portfolio of development projects and investment properties. Leveraging on its experience and capabilities while solidifying its leading position in Beijing, the Group is able to expand into other high economic growth areas in the PRC including the Pan Bohai Rim, the Yangtze River Delta region, and the Pearl River Delta region. With 16 years of experience in the PRC real estate industry, the Group has acquired an in-depth knowledge of PRC's property market. The Group primarily develops medium to high-end residential properties, premium grade office premises, retail spaces and serviced apartments, and has completed 8 quality property projects in Beijing. Meanwhile, the Group also has 26 projects at various stages of development in Beijing, Tianjin, Shenyang and Dalian of Liaoning Province, Hangzhou of Zhejiang Province, and Zhongshan of Guangdong Province. The Group's past success has proved its ability to serve a wide range of customers, including affluent urban middle class, internationally renowned real estate investors, multi-national corporations, leading domestic enterprises, etc. The Group believes that its track record has firmly established "Sino-Ocean Land" as a reputable brand name.

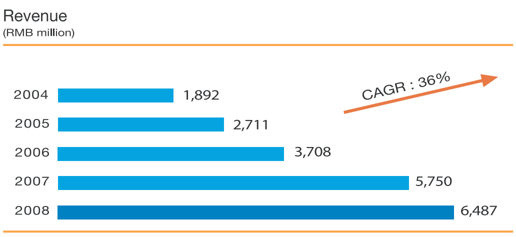

Harmonious

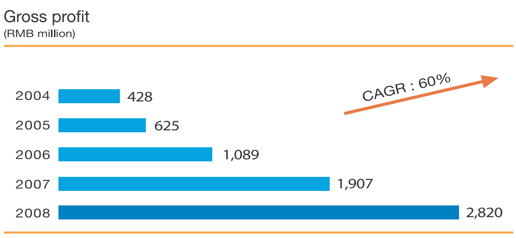
Financial Highlights

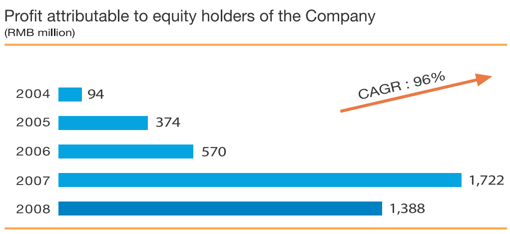
(RMB million)	2008	2007	YoY (%)
Revenue	**6,487**	5,750	13%
Gross profit	**2,820**	1,907	48%
Profit before income tax	**2,384**	2,857	-17%
Profit for the year	**1,445**	1,792	-19%
Profit attributable to equity holders of the Company	**1,388**	1,722	-19%
Profit attributable to equity holders of the Company (excluding one-off items and revaluation items)	**997**	885	13%
Total assets	**43,268**	37,766	15%
Total equities	**17,783**	16,878	5%
Dividend per share (HKD)	**0.10**	0.12	-17%
Earnings per share (RMB)			
– Basic	**0.310**	0.512	-39%
– Diluted	**0.310**	0.511	-39%

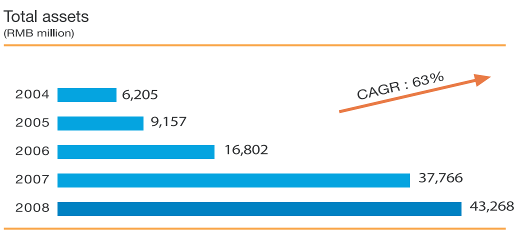
(Percentage)	2008	2007	% pts changes
Gross profit margin	**43%**	33%	10%
Net profit margin	**21%**	30%	-9%
Net profit margin (excluding one-off items and revaluation items)	**15%**	15%	—
Dividend payout ratio	**29%**	29%	—
Assets turnover	**15%**	15%	—
Net gearing ratio *	**35%**	12%	23%
Return on average shareholders' equity	**9%**	18%	-9%
Return on average total assets	**4%**	7%	-3%

**: Including the restricted bank deposits*









Enterprising

Chairman's Statement

"The Group was able to keep its growth momentum in the PRC property market despite the strong head winds in 2008. This was achieved by adopting a strategy of prudent financial management; cautious land replenishment plan and flexible sales and pricing policy at the right time."

LI Jianhong

Result of 2008

2008 was a year of change in the global economy and international financial markets. It was also a year full of challenges and opportunities for the Group. In the first half of 2008, we witnessed the turning point in the PRC property market. The upward trend starting from 2005 was reversed. Although the extent of adjustments varied in different cities and product types, it was generally observed that both the transaction volume and the average selling price fell in 2008. The austerity measures implemented by the PRC Central Government (the "Central Government") in 2007 to maintain the property prices at an affordable level and to prevent overheating of the economy produced stronger effects in early 2008. The downward trend further accelerated when consumer confidence in the property market was directly weakened by the wide-spread global financial crisis originating from sub-prime mortgage problem in the U.S. The PRC property market experienced an obvious and inevitable decline in line with the global property markets.

Despite such challenges and a difficult operating environment in 2008, the Group was able to maintain its core operating capacities and recorded double digit growth in terms of turnover and gross profit. The Group's revenue in 2008 amounted to RMB6,487 million, which represented a 13% increase as compared to RMB5,750 million in 2007. The Group's gross profit in 2008 amounted to RMB2,820 million in 2008, a rise of 48% from RMB1,907 million in 2007. The remarkable growth in gross profit was mainly attributable to the increase in gross profit margin from 33% in 2007 to 43% in 2008, representing a gain of 10% points. Profit attributable to equity holders of the Company for the year ended 31 December 2008 decreased by 19% from RMB1,722 million in

2007 to RMB1,388 million in 2008. This was mainly due to the one-off pre-tax gain from the disposal of Chemsunny World Trade Center (Beijing) of RMB910 million recorded in the year 2007 (2008: nil) and the material difference in the revaluation of investment properties between 2007 and 2008. Excluding the effect of one-off items and all revaluation items, profit attributable to equity holders of the Company generated from ordinary core activities in fact increased by 13% to RMB997 million in 2008, up from RMB885 million in 2007. That represented a continuous growth in our operating capacity over the past 5 years since 2004.

Final Dividend

With reference to profit attributable to the equity holders of the Company for 2008, the Board of Directors (the "Board") is pleased to propose a final dividend of HKD0.07 per share for the year ended 31 December 2008. Including the interim dividend of HKD0.03 per share, total dividend per share for 2008 was HKD0.10 per share (2007: HKD0.12 per share) or a dividend payout ratio of 29% (2007: 29%).

The Board also recommends offering to the shareholders the right to elect as an alternative, to receive the 2008 final dividend wholly or partly by allotment of new shares credited as fully paid up in lieu of cash (the "Scrip Dividend Scheme"), subject to shareholders' approval on the payment of the 2008 final dividend at the Company's annual general meeting (the "AGM") and the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

As already mentioned in the interim report, the Company intends to maintain a stable and consistent dividend policy with an annual pay-out ratio of no less than 20% of the profit available for distribution during a financial year. However, the Board will review the Group's earnings, cash flow, capital requirement and any other conditions that the Board deems relevant before proposing the resolution to pay the dividends.

During 2008, the Company repurchased 6,953,000 shares in aggregate in the open market. All these repurchases complied with the terms and conditions stated in the share repurchase general mandate as passed at the AGM held on 9 May 2008. The Board takes the view that a flexible share buy back policy can offer maximum room to the management to enhance the investment yield for the Company. All share buy back transactions are entered into for the sole purpose of maximizing our shareholders' return.

Market Review and Outlook

During the first half of 2008, tightened credit policies and austerity measures adopted in 2007 continued their effect to control the property prices at affordable level. Growth of the property market was hampered and demand shrunk from the end of 2007 as people at that time generally expected that additional measures would be introduced to bring housing prices further down. According to the National Bureau of Statistics of China, total GFA of commodity housing sold nationwide decreased by 19.7% from 2007 to about 620 million sq.m. in 2008. Correspondingly, total transaction value in 2008 decreased by 19.5% to about RMB2.4 trillion. Property developers in the PRC in general had to face the adverse effects of the decline in selling prices

Chairman's Statement

coupled with the decrease in sales volume throughout 2008. Many highly leveraged developers experienced great difficulties in getting financing resources to support their projects.

During the second half of 2008, further deterioration of subprime mortgages and the collapse of credit default swaps in the global market alerted the Central Government to the forthcoming difficulties facing the PRC manufacturing and industrial export sectors. The Central Government quickly responded by implementing expansionary fiscal and monetary policies including cutting one year base interest rate by a total of 2.16%, and coupled with several downward adjustments on the reserve ratio requirement from the peak of 17.5%. In November 2008, the Central Government announced a massive economic stimulus programme amounting to RMB4 trillion to stimulate domestic consumption and to boost economic growth. We have confidence in all these timely and decisive measures adopted by the Central Government and believe that they will provide a strong support to the GDP growth. We expect that with all these policies in place, the PRC's GDP growth rate has a much better chance of reaching 8% in 2009. In addition, the relief from inflationary pressure and concerns provides additional leeway for the Central Government to further cut the interest rate if necessary. Although such implemented policies were not directly targeted to support the real estate market, it is generally believed that with the interest rate cuts and the lower reserve ratio requirement for banks, consumer confidence in the property market may be restored to a certain extent. Since the third quarter of 2008, local governments, including Beijing, Tianjin and Hangzhou, issued various specific practical policies to stabilize the property market. By the end of 2008, we noticed a moderate rally in transaction volume and the overall property market recorded a remarkable increase in the fourth quarter of 2008 as compared to the first half of 2008. The market sentiment although not fully recovered, was at least stabilized by the end of 2008.

Beijing's successful hosting of the Olympic Games not only enlightened the world with Chinese culture and civilization, but also enhanced the investment opportunities in Beijing with better infrastructures such as the public transportation system. The established and expanding metro-lines will further enlarge the radiation of the urbanization process and thus increase the housing demand. We are pleased to see that we were able to secure our leading position in Beijing in 2008 and remain as the largest supplier in terms of GFA sold. Our market share in the capital city of the PRC in 2008, in terms of GFA sold for residential commodity housing, doubled and remained in the number one position.

Looking forward into 2009, it will be a year of risks and opportunities. It is expected that the adverse effects of the deleveraging process on the global financial market will keep hitting the PRC's export sector. That will inevitably affect the PRC employment market and GDP growth. On the other hand, central banks in major countries including the PRC have adopted various massive economic stimulus programmes and quantitative easing policies to turn around the economy at the shortest possible time.

Focusing on the PRC property market, we believe that good investment opportunities may be found in 2009 as a result of market consolidation. Even though property development underwent cyclical adjustment in 2008, we expect that the rebound momentum that took place in the fourth quarter of 2008 will be sustainable in 2009, though the average selling price will come down from the peak in 2007. We expect the RMB4 trillion stimulus plan introduced by the Central Government will gradually come into place and produce positive effects in the second half of 2009. If the PRC can maintain a positive GDP growth rate in the first half of 2009, the resumption of consumer confidence in the property market can reasonably be anticipated.

In 2008, we saw a general decline in land acquisition activities and a slow down of new construction projects among a large number of developers. This implies that the supply of residential housing will reduce in the coming years and the market will be able to restore to equilibrium not later than 2010. Thus we are of the view that the current excess supply will only be a short term market situation. In the meantime, developers will have to face the challenge of lower profit margin and therefore the Group expects the gross profit margin will come down in 2009. Nevertheless, developers with higher operating efficiency and flexibility to adjust their development cycle and control supply and cashflow could easily differentiate themselves from others. Looking into the future, the affluent population, especially the growing middle class aspiring to higher quality of living and the urbanization and transformation of Chinese society are leading to long term opportunities for well managed property developers.

The housing issue and reform have long been on the Central Government's agenda. In 2008, more precise guidelines for policy housing including low-rent housing, economically affordable housing and capped price housing were introduced to boost the welfare housing system. It is the Central Government's long term mission to take care of the people and improve their living conditions. At present, there may be concerns that the supply of policy housing will suppress the demand in the commodity residential property market. The Group takes a different view and believes that policy housing are targeting customers and segments different from those that the Group's existing residential products target, mainly the middle-class. It is reasonable to expect that the introduction of policy housing will eventually accelerate the segmentation process of the residential property market in the PRC. Low-end commodity housing will gradually be reduced and be replaced by policy housing although such process may take a decade to complete. We believe the demand for commodity housing constructed with better quality and design will remain strong as the growing middle class continues to look for better living standards. In view of this, quality mid-to-high end properties will continue to be our major target. We believe that this will be the most significant segment in terms of turnover in the property market in the years to come. The Group has an excellent track record in the mid-to-high end product segment with first mover advantage and economy of scale. We are well-positioned to supply high quality products. With products that fit the customers' preferences, we are confident that the Group can generate better asset turnover in 2009. The Company believes that the government's efforts and property developers' cooperation will complement each other in maintaining stable housing market conditions. We believe that the Central Government will be inclined to stabilize the land and housing supply and therefore any sudden and sharp rise in property prices like that happened in the past is unlikely to repeat in the near future. Property developers and home purchasers in the long run will benefit from a stalwart market environment.

Chairman's Statement

The Group will continue to implement the "Total Quality Management" process in 2009 as it did in 2008. We believe that higher quality products, supported by good after sales services, will in the long run help build the "Sino-Ocean Land" brand. Our strong presence in Beijing and good track record help us win customer loyalty and help the sales of new projects. It is our goal to reinforce our leading position in Beijing by increasing our market share. We treasure the invaluable goodwill of our brand and will carefully build on this strength to replicate our success to our new projects in the Pan Bohai Rim and the new cities. We will keep improving the design and quality of our products to further strengthen our brand. We will from time to time adjust our product design to suit customer tastes and preferences. We believe that products that are good value for money will be the winning formula in the property market.

In order to maximize our market participation and maintaining a long term relationship with the local government, the Group may consider getting involved selectively in projects that are subjected to the conditions of development of certain percentage of policy housing. The Group will study carefully the urban plans and the local government's city development requirement so that we can incorporate competitive designs in our tender. The proportion of policy housing in any single project that the Group may participate will be kept to a minor portion (i.e. less than 50%) in terms of GFA. We will evaluate the feasibility of any new project on its own returns and merits. The Group expects that policy housing will only account for a small percentage in the Group's overall product mix in the years to come as the Group focuses primarily on mid-to-high end commodity housing.

The Group is reasonably optimistic in its prospect in 2009 and aims to maintain double digit growth in sales amount although the Group has to face downward pressure in gross profit margin. The Group has carefully monitored its product development cycle which is supported by a well-balanced landbank and solid financial structure. We are highly flexible and capable of seizing any good merger and acquisition opportunities that may arise as a result of market consolidation. We believe that we have the advantage of having a good long term relationship with the government, good understanding by investors in the capital market and are well accepted by customers. All these are the Group's fundamental strengths that will enable the management to outperform in the forthcoming difficult market in 2009.

Social Responsibility

Being one of the leading property developers and as a responsible corporation, the Group receives support from the general public and in return, the Group is pleased to take up its social responsibility. On one hand we will continue to grow in terms of business scale and earnings for the benefit of our committed shareholders; on the other hand, we will devote more efforts to help the underprivileged, especially those in poverty and young people who need educational support, as our contribution to the society. We also encourage our staff to participate in charity activities and to act as responsible citizens. By so doing, we believe that our staff will better understand the needs of others and in the long run benefit their personal development and the Company's development. In addition, the Group established the "Sino-Ocean Charity Fund" in 2008 and will continue to contribute to the necessary funding. The mission of this charity fund is to facilitate education for the poor, to make helping the needy one of our core values and to contribute towards building a better future for the society.

During the first half of 2008, natural disasters occurred across the PRC, including the snow storms in January and the earthquake in Sichuan in May. The Company and its staff responded promptly in making donations and participated actively in the relief activities. Together with other donations in 2008, the Group in total donated RMB7.1 million to the community.

In addition, the Group has participated since 2006 in a variety of environmental protection and welfare activities. In 2008 under the auspices of the Group's charity programme – "Old Residential Community, New Green Environment", the Group visited several old residential communities in Beijing, helped renovate them and improved their interior and exterior environment.

Enhanced Corporate Governance

The Group strives to improve the standard of corporate governance to safeguard our shareholders' interests and ensure the sustainability of the Company's long term development. Given its diversified shareholders base, the Group understands that there are vested investment interests from shareholders across the world. It is not surprising to see that investors and regulatory bodies would expect more stringent standard of corporate governance and transparency subsequent to the global financial turmoil. The Group has taken a pro-active evaluation process accordingly to improve its corporate governance. In 2008, a risk management department was established to formulate the Group's risk management plan and to periodically oversee the Group's internal control. We believe that a high standard of internal control will help the Group to mitigate non-systematic risk and to sustain our competitive advantage. Furthermore, the Group continues to have segregation of duties among the Chairman, CEO, CFO and the independent non-executive directors enabling the latter to have more independent oversight of the Company's corporate governance.

As mentioned in the interim report, during 2008, Mr. ZHENG Yi retired as the Company's non-executive director and Mr. YIN Yingneng Richard has been appointed as the Company's non-executive director. Apart from that, there was no change in the Board members. The Board believes that a stable Board composition will help the Group to continuously focus on enhancing corporate governance and to execute smoothly the strategic plan determined by the Board.

Appreciation

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to the Company's shareholders, business partners, local government authorities and customers for their valuable support to the Company. I would also like to thank our fellow directors, management team and staff. They are essential to our current success and are the contributors to the accomplishment of our corporate goals.

LI Jianhong
Chairman
Hong Kong, 26 March 2009


Visionary

CEO's Report and Management Discussion & Analysis

"We see opportunities in all sorts of market conditions and to outperform the market is our daily task...."

LI Ming

On behalf of the Company's management team, I am pleased to report to the shareholders the Group's 2008 result as follows:

Financial Review

Revenue

The Group's revenue is derived from property development, property investment and other real estate related businesses, including property management and hotel operation. The Group's revenue during 2008 increased by 13% to RMB6,487 million, up from RMB5,750 million in 2007. The increase in revenue was attributable to the growth in both the property development business and other real estate related businesses.

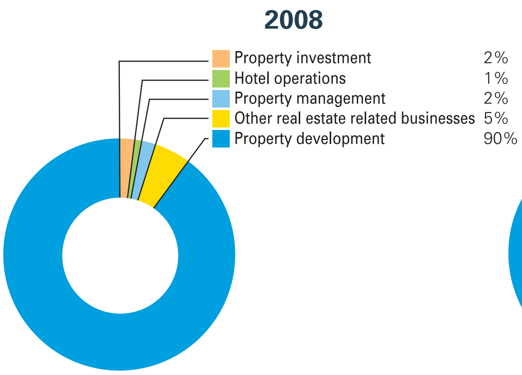
The following table sets forth our revenue breakdown for 2008 and 2007:

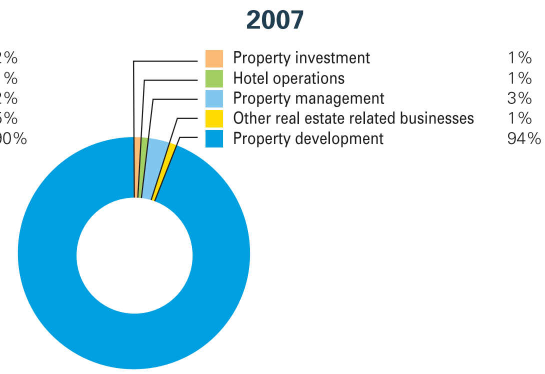
(RMB) million	**2008**	2007	YoY (%)
Property development	**5,834**	5,431	7%
Property investment	**122**	71	72%
Hotel operations	**56**	53	6%
Property management	**146**	145	1%
Other real estate related businesses	**329**	50	558%
Total revenue	**6,487**	5,750	13%

CEO's Report and Management Discussion & Analysis

Same as 2007, property development was the largest contributor to the Group's revenue in 2008, representing 90% of the 2008 total revenue. Property investment accounted for about 2% of the 2008 total revenue; while hotel operations, property management and other real estate related businesses together accounted for 8% of the 2008 total revenue.

The following graphs compare the revenue contribution from different business operations in 2008 and 2007:



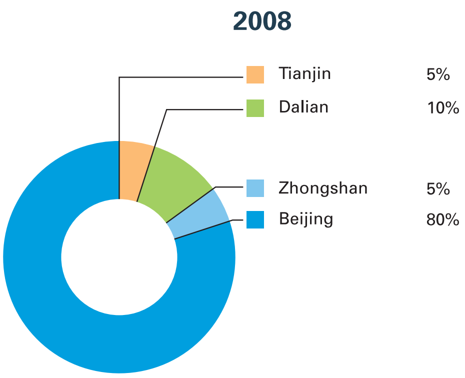


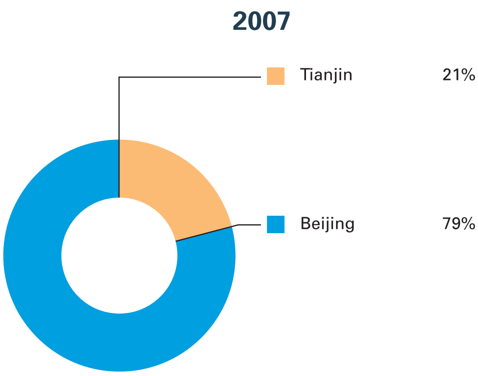
Revenue from property development amounted to RMB5,834 million in 2008, an increase of 7% from RMB5,431 million in 2007. The increase in revenue from property development, at a period when market sentiment for the property market was around the trough in 2008, was attributable to the surge in average selling price recognized in 2008 by 41% as compared to 2007, from RMB8,009 per sq.m. in 2007 to RMB11,279 per sq.m. in 2008.

Revenue from property investment reached RMB122 million in 2008, a significant increase of 72% from RMB71 million in 2007. Ocean International Center Block A (Beijing), which started leasing in July 2007 and recorded first full year of rental income, was the key factor for the increase.

Hotel operations, property management and other real estate related businesses together brought in RMB531 million, a significant increase of 114% from RMB248 million in 2007. The remarkable increase was mainly due to the Group's upfitting services in 2008, which contributed a total revenue of RMB282 million (2007: nil).

The following graphs compare the revenue contribution by geographical locations in 2008 and 2007:

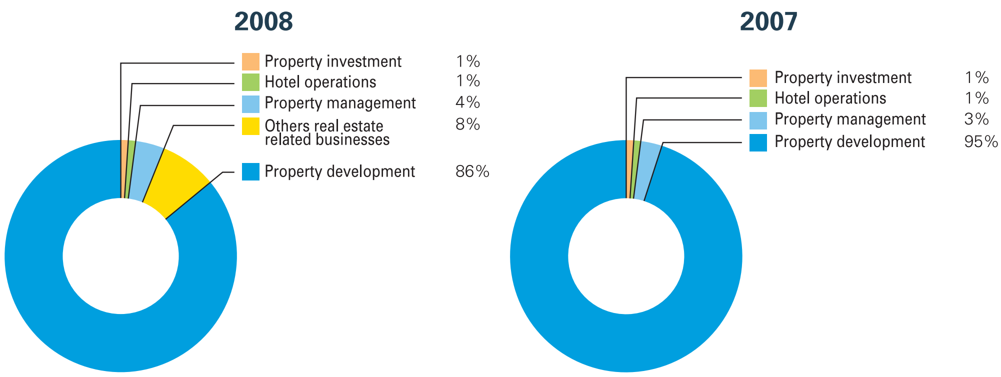




Carrying on from 2007, Beijing as our home base remained the largest revenue contributor, accounting for about 80% of the Group's revenue in 2008 (2007: 79%) and amounted to RMB5,182 million (2007: 4,556 million). This was because projects available for sales in 2007 and 2008 were mainly located in Beijing including Ocean Landscape, Ocean Office Park and Poetry of River Phase I. Dalian came second in 2008, accounting for about 10% of total revenue, amounting to RMB643 million (2007: nil). This was mainly attributable to the delivery of Ocean Prospect, our first project in Dalian. Revenue from Tianjin decreased by 74% from RMB1,194 million in 2007 to RMB307 million in 2008. Sales and delivery of Ocean Paradise Phase I (Tianjin) were approaching completion and hence caused the significant decline in revenue contribution in 2008 as compared to 2007. Although two other projects in Tianjin were available for contracted sales, they are still in the early stage of development. It is expected that these two projects will contribute more to the revenue in 2009.

Cost of Sales

The following graphs set forth the breakdown of the Group's cost of sales (business tax included) by business activities in 2008 and 2007:



The property development business still accounted for the largest portion of cost of sales in 2008, accounting for about 86% of the Group's total cost of sales. Cost of sales for the property development business mainly comprised of land cost, construction costs and capitalized interest expenses. Excluding car parks, land cost per sq.m. for the property development business increased by 18% from RMB1,689 in 2007 to RMB1,987 in 2008; while construction cost per sq.m. for the property development business increased by 14% from RMB3,209 in 2007 to RMB3,673 in 2008.

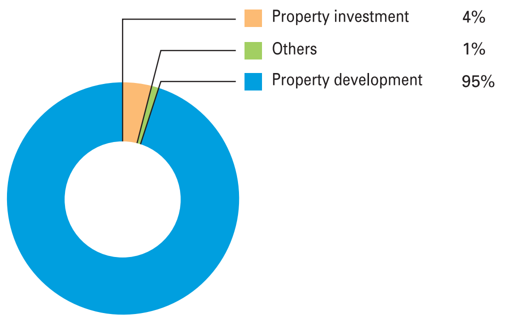
Land cost and construction cost in 2008 together amounted to RMB2,811 million, accounting for 77% of the total cost of sales (2007: 87%). Capitalized interest expenses in 2008 increased by 43% from RMB51 million in 2007 to RMB73 million in 2008, representing about 2% of the total cost of sales (2007: 1%). In line with the growth in revenue, business tax increased by 14% from RMB316 million in 2007 to RMB360 million in 2008, representing 10% of the total cost of sales (2007: 8%).

CEO's Report and Management Discussion & Analysis

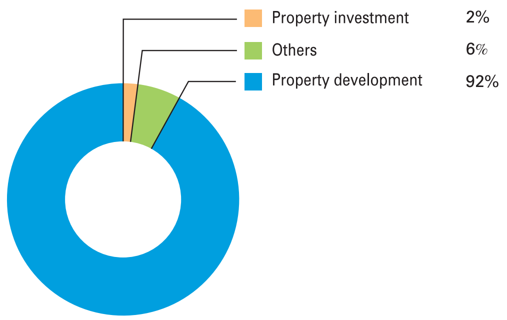
Gross Profit

The following graphs set out the distribution of gross profit by business activities:

2008

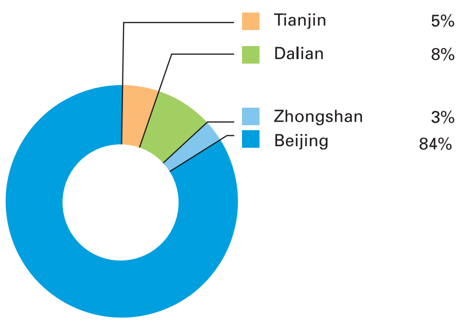


2007

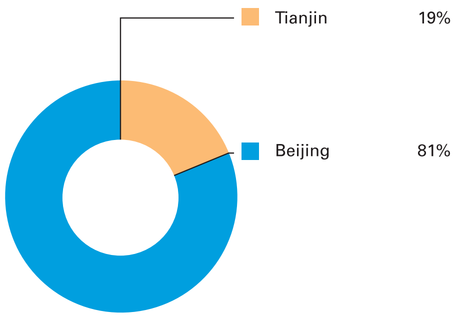


The following graphs set out the distribution of gross profit by locations:

2008



2007



Gross profit in 2008 reached RMB2,820 million as compared to RMB1,907 million in 2007. At the same time, gross profit margin also recorded a significant improvement from 33% in 2007 to 43% in 2008, an increase of 10% points. The better than expected gross profit margin was mainly attributable to the increase in average selling price recognized by 41% in 2008, which outweighed the 18% growth in land cost and 14% growth in construction cost. The main contributor to the high gross margin in 2008 was Ocean Landscape (Beijing), which accounted for 46% of total revenue from property development (including car parks sales). Benefiting from the increase in gross profit margin in 2008, the Group recorded a 48% growth in gross profit. However, the high gross profit margin to a very large extent was contributed by the sales in 2007, when the property market was at its peak, which was recognized in 2008. In view of the decline in the property market in 2008 and the diminishing contribution from Ocean Landscape (Beijing) in the Group's future revenue, as most of the saleable GFA had been delivered, therefore the gross profit margin in 2009 is likely to come down. Nevertheless, our quality products will be able to prove their investment value and continuously enable us to add a premium on the selling price, which will help sustain our future gross profit margin.

Other Operating Income and Other Income

No fair value gain was recorded for our investment properties in 2008 as compared to RMB418 million in 2007. Meanwhile, the revaluation gain on the convertible bonds amounted to RMB76 million in 2008, as compared to a revaluation loss of RMB49 million in 2007.

One-off gain for disposal of a jointly controlled entity happened in 2007 represented the disposal of all our equity interest in Shing Wing International Investment Limited, which indirectly held 50% interest in Chemsunny World Trade Center (Beijing), at a consideration of RMB910 million. No such kind of profit was recorded in 2008.

Other income and gains (net) in 2008 reached RMB342 million, a 3% growth as compared to RMB331 million in 2007. Other income and gains in 2008 mainly comprised of interest income of RMB180 million (2007: RMB321 million), gain from early redemption of convertible bonds of RMB78 million (2007: nil) and a reduction in exchange loss from RMB70 million in 2007 to RMB18 million in 2008. The decrease in interest income was due to the fact that interest income in 2007 included the interest generated from the frozen fund during the Company's IPO in September 2007.

Operating Expenses

Selling and marketing expenses increased by 95% from RMB129 million in 2007 to RMB251 million in 2008. Selling and marketing expenses accounted for about 4% of revenue and 3% of contracted sales amount in 2008, as compared to about 2% of revenue and 2% of contracted sales amount in 2007. In view of the poor market sentiments in 2008 and more projects were available for sale in 2008 than in 2007, the Group therefore took more but cautious steps to increase efforts in promoting the Group's products so as to stimulate demand and thus resulting in the increase in spending on selling and marketing expenses in 2008.

Administrative expenses increased by 39% from RMB302 million in 2007 to RMB420 million in 2008. The increase in administrative expenses was partly due to the increase in the number of employees in 2008 as compared to 2007 and partly due to the inclusion of amortization of share option in the remuneration for our staff, which recorded an amortization amount of approximately RMB111 million in 2008 (2007: RMB28 million). The reason for the increase in the amortization amount was because the share option scheme came into effect after the Group was listed in Hong Kong in 2007 and only about 3 months' amortization was recorded in 2007 compared to a full year impact in 2008. Nevertheless, administrative expenses only accounted for 6% of the revenue in 2008, which was about the same level as in 2007.

Finance Costs

In 2008, interest expenses reached RMB1,073 million, up from RMB592 million in 2007. This was due to the increase in total borrowing from RMB11,284 million in 2007 to RMB14,744 million in 2008 and the higher base interest rate as set out by the People's Bank of China in the first half of 2008 as compared to 2007. The Group believes that the trend of decreasing base interest rate in the PRC that started in the fourth quarter of 2008, will help reduce the Group's interest expenses.

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The Group exercised stringent capital management and invested most of the borrowings into the development projects immediately after drawdown. More efficient utilization of borrowings in 2008 led to a larger portion of interest expenses being capitalized, finance costs charged through consolidated income statements as a result decreased by 25% to RMB161 million in 2008 (2007: RMB214 million).

Taxation

The aggregate of enterprise income tax and deferred tax decreased by 35% from RMB804 million in 2007 to RMB519 million in 2008. Effective tax rate (the aggregate of enterprise income tax and deferred tax divided by profit before income tax) decreased from 28% in 2007 to 22% in 2008. This was mainly attributable to the income tax rate cut in the PRC from 33% in 2007 to 25% in 2008.

Land appreciation tax is levied on the basis of sales price less relevant costs – the higher the sales price over the costs, the higher the land appreciation tax. In line with the increase in gross profit margin, land appreciation tax increased by 62% to RMB420 million in 2008 (2007: RMB260 million) and accounted for 6% of revenue (2007: 5%). The increase in land appreciation tax in 2008 was mainly attributable to the growth in land appreciation tax from our project, Ocean Landscape (Beijing). Given that the contribution from Ocean Landscape (Beijing) will decrease from 2009 onwards, as the delivery of this project is nearly completed, land appreciation tax in terms of percentage of revenue is expected to decrease.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 19% to RMB1,388 million in 2008, as compared to RMB1,722 million in 2007. The decrease in profit attributable to equity holders of the Company was mainly due to the inclusion of a significant one-off gain in 2007 from the disposal of a jointly controlled entity of a pre-tax amount of RMB910 million. However, excluding the effect of one-off items and revaluation items, profit attributable to equity holders of the Company in fact was 13% more in 2008, rising to RMB997 million, from RMB885 million in 2007.

Liquidity and Financial Resources

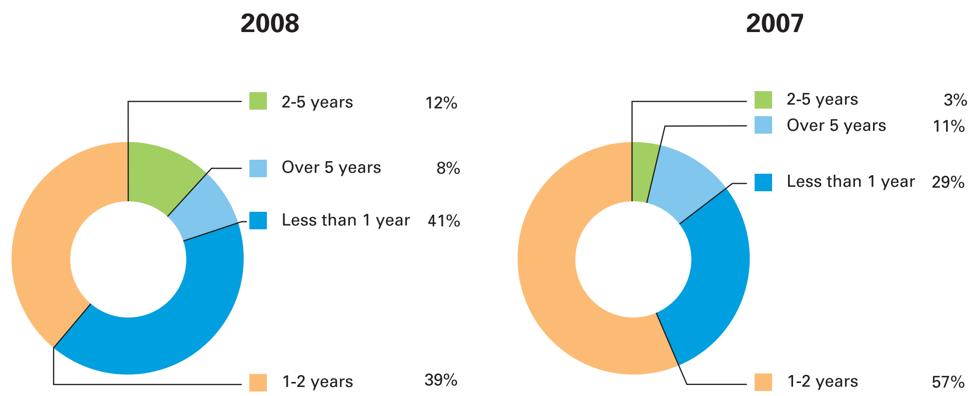
As at 31 December 2008, the Group had total cash resources (the aggregate of cash and cash equivalents and restricted bank deposits) of RMB8,837 million and a current ratio of 2.5 times. Total assets and shareholders' equity as at 31 December 2008 stood at RMB43,268 million and RMB16,653 million respectively, as compared to RMB37,766 million and RMB15,824 million as at 31 December 2007, and represented 15% and 5% growth, respectively. As at 31 December 2008, unutilized credit facilities amounted to RMB8,970 million, of which RMB3,170 million fulfilled the conditions and were available for use. The strong liquidity position would enable the Group to overcome the market downturn and sustain its business development.

As at 31 December 2008 and 2007, the repayment schedule of the Group's borrowings was as follows:

RMB million	**2008**	2007
Within 1 year	**5,965**	3,281
1 to 2 years	**5,783**	6,403
2 to 5 years	**1,796**	400
Over 5 years	**1,200**	1,200
Total	**14,744**	11,284

The Group's total borrowings (including the RMB710 million outstanding convertible bonds) increased by 31% to RMB14,744 million as at 31 December 2008, up from RMB11,284 million as at 31 December 2007. Net gearing ratio (total borrowings minus total cash resources, together divided by the shareholders' equity of the Company) remained at a relatively low level of 35% as at 31 December 2008 (31 December 2007: 12%). Of the RMB14,744 million borrowings, 41% is to be repaid within 1 year; 39% within 1 to 2 years; 12% within 2 to 5 years and with the rest over 5 years. Borrowings that fall due within 1 year are expected to be rolled-over or be refinanced by other banking facilities. The higher portion of mid-to-long term borrowings (2 years or upward) in 2008 enabled the Group to more efficiently invest the funding into projects as planned and better match its investment horizon. The Group will work on keeping a larger portion of mid-to-long term borrowings in its debt portfolio and better capital structure from 2009 onwards.

The following graphs indicate the distribution of borrowings by repayment schedule in 2008 and in 2007:



Financial Guarantees and Pledge of Assets

As at 31 December 2008, the value of the guarantees provided by the Group to banks for mortgages extended to some property buyers before completion of their mortgage registration was RMB1,544 million (31 December 2007: RMB1,732 million).

As at 31 December 2008, the Group had pledged part of its land use rights, properties under development and completed properties held for sale to secure short-term bank loans (including the current portion of long-term borrowings) of RMB727 million and long-term bank loans of RMB4,480 million.

Capital Commitments

The Group had entered into certain agreements in respect of land acquisition and property development. As at 31 December 2008, the Group had a total capital commitment of RMB10,404 million (31 December 2007: RMB10,233 million).

Contingent Liabilities

In line with the prevailing commercial practice in the PRC, the Group provides guarantees for mortgages extended to some property buyers before completion of their mortgage registration. As at 31 December 2008, the total amount of such guarantees provided by the Group was RMB1,544 million (31 December 2007: RMB1,732 million). In the past, the Group had not incurred any material loss from providing such guarantees. This is because the guarantees were given as a transitional arrangement that would be terminated upon the completion of the mortgage registration and were secured by the properties of the buyers.

Business Review

Property Development

1) Recognized Sales

Revenue recognized from property development continued to grow in 2008 and reached RMB5,834 million, representing a 7% increase as compared to RMB5,431 million in 2007. Although GFA delivered decreased by 24% from 677,000 sq.m. in 2007 to 517,000 sq.m. in 2008, the average selling price recognized increased by 41% from RMB8,009 per sq.m. in 2007 to RMB11,279 per sq.m. in 2008, making up for the impact from the lower GFA delivered in 2008.

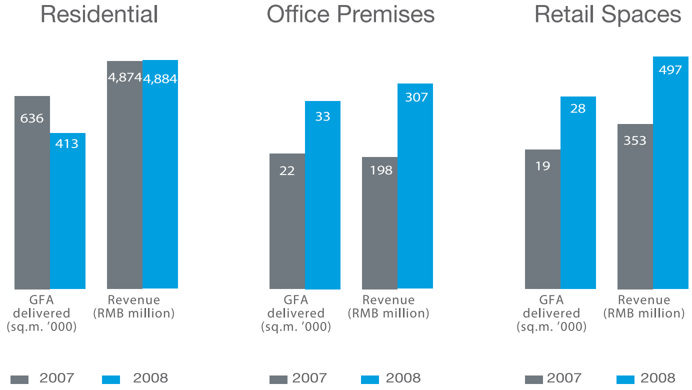
The following table presents the GFA delivered and the corresponding information on each project in 2008.

	Revenue (RMB million)	GFA delivered (sq.m.)	Average selling price recognized (RMB/ sq.m.)	Interest attributable to the Group (%)
Excluding car parks				
Beijing				
Ocean Express （遠洋新幹線）	48	2,590	18,533	100%
Ocean Landscape （遠洋山水）	2,592	218,684	11,853	100%
Ocean Office Park （遠洋・光華國際）	777	38,234	20,322	80%
Ocean Paradise （遠洋天地）	40	3,920	10,204	100%
Ocean Seasons （遠洋自然）	351	36,486	9,620	70%
Poetry of River Phase I （遠洋一方一期）	609	53,442	11,396	100%
Tianjin				
Ocean Express （遠洋新幹線）	13	780	16,667	97.05%
Ocean Paradise Phase I （遠洋天地一期）	282	21,697	12,997	96.99%
Dalian				
Ocean Prospect （遠洋風景）	635	46,578	13,633	100%
Zhongshan				
Ocean City （遠洋城）	341	51,251	6,654	100%
Subtotal	5,688	473,662	12,009	
Car parks (various projects)	146	43,592	3,349	
Total	**5,834**	**517,254**	**11,279**	

The sharp increase in average selling price recognized was partly attributable to the significant increase in the selling price recognized (excluding car parks sales) of our key projects in 2008, including Ocean Landscape (Beijing) and Ocean Paradise Phase I (Tianjin), which recorded growth rates of 68% and 61% respectively, as compared to 2007. It was also attributable to the higher selling price recognized in general for the projects delivered in 2008, including the first time delivery of Poetry of River Phase I (Beijing), Ocean Office Park (Beijing) and Ocean Prospect (Dalian), which commanded an average selling price recognized (excluding car parks) of RMB11,396 per sq.m., RMB20,322 per sq.m. and RMB13,633 per sq.m. respectively.

During 2008, including car parks sales, projects in Beijing remained the key contributor to the Group's revenue from property development and accounted for 78% of the Group's revenue from this segment (2007: 78%). With the delivery of our first project in Dalian in 2008, Ocean Prospect, revenue from Dalian took second place and accounted for 11% of the revenue from property development in 2008 (2007: nil). The remaining portion came from projects in Zhongshan and projects in Tianjin, which respectively accounted for 6% and 5% of the revenue from property development in 2008.

The following graphs indicate the revenue from property development in terms of major property types in 2007 and 2008:



In terms of revenue by property types, residential properties remained as the top contributor to the Group's property development business, accounting for 84% of revenue from this segment in 2008 (2007: 90%) with a revenue of RMB4,884 million (2007: RMB4,874 million). Retail spaces continued to be the second largest contributor, accounting for 9% of revenue from property development in 2008 (2007: 6%) with a revenue of RMB497 million (2007: RMB353 million). In terms of GFA delivered, about 80% or 413,000 sq.m. in 2008 (2007: 636,000 sq.m.) came from residential properties, about 6% or 33,000 sq.m. in 2008 (2007: 22,000 sq.m.) came from office premises and about 5% or 28,000 sq.m. in 2008 (2007: 19,000 sq.m.) came from retail spaces, with the remaining coming from the delivery of car parks.

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2) Contracted Sales

Despite the poor market sentiment in 2008 and weak sales performance in the first half of 2008, the Group was able to resume its growth momentum and sales performance picked up in the second half of 2008. Contracted sales amount grew by 17% to a record high of RMB7,243 million in 2008 (2007: RMB6,167 million). Total GFA sold, including car parks sales, was about 691,000 sq.m. in 2008, representing a 27% growth as compared to only 542,000 sq.m. in 2007. Average selling price decreased 8% from RMB11,375 per sq.m. in 2007 to RMB10,486 per sq.m. in 2008 due to more contribution from car parks sales. Excluding the effect from car parks sales, the average selling price in 2008 was about RMB11,118 per sq.m., roughly hold up the same as RMB11,375 per sq.m. in 2007. Outstanding contracted sales to be recognized in 2009 or later amounted to RMB5,433 million, promising a sounded base for the Group's future revenue growth.

The following table lists the contracted sales amounts and GFA sold by projects in 2008:

	Contracted sales amount (RMB million)	GFA sold (sq.m.)	Average selling price (RMB/ sq.m.)	Interest attributable to the Group (%)
Excluding car parks				
Beijing				
Ocean Express（遠洋新幹線）	61	3,302	18,474	100%
Ocean Great Harmony（遠洋萬和城）	775	38,092	20,345	100%
Ocean Honored Chateau（遠洋公館）	630	23,865	26,398	100%
Ocean Landscape（遠洋山水）	1,545	123,916	12,468	100%
Ocean Landscape Eastern Area（遠洋沁山水）	1,162	102,749	11,309	100%
Ocean Paradise（遠洋天地）	40	3,842	10,411	100%
Ocean Seasons（遠洋自然）	238	37,116	6,412	70%
Poetry of River Phase I（遠洋一方一期）	610	56,518	10,793	100%
Tianjin				
Ocean City（遠洋城）	76	13,819	5,500	100%
Ocean Express（遠洋新幹線）	231	28,565	8,087	97.05%
Ocean Paradise Phase I（遠洋天地一期）	175	12,995	13,467	96.99%
Dalian				
Ocean Prospect（遠洋風景）	442	29,762	14,851	100%
Ocean Worldview（紅星海世界觀）	385	40,510	9,504	100% (Note i)

	Contracted sales amount (RMB million)	GFA sold (sq.m.)	Average selling price (RMB/ sq.m.)	Interest attributable to the Group (%)
Shenyang				
Ocean Paradise（遠洋天地）	312	61,184	5,099	100%
Zhongshan				
Ocean City（遠洋城）	360	57,165	6,298	100%
Subtotal	7,042	633,400	11,118	
Car parks (various projects)	201	57,361	3,504	
Total	**7,243**	**690,761**	**10,486**	

Note i: Completion of acquisition on 2 January 2009

As a leading property developer in Beijing, the Group has the competitive advantage of "knowing the market" over other developers. The design of the Group's products in Beijing matches well with the housing needs of the middle and upper classes and the "Sino-Ocean Land" brand is one of the best recognized brands in Beijing, particularly among home-purchasers. This is the Group's foundation of success. In response to the market adjustment, the Group was determined to adjust its sales tactics and repositioned its products in the second half of 2008. We moderately softened the sales prices for some of our projects to be inline with the market affordability. We also repackaged and upgraded some of the Group's products to make them more attractive. High quality and well-positioned products with reasonable pricing enabled the Group to capture the market demand and thus several projects recorded significant improvement in contracted sales in the second half of 2008.

There were new contributors to the contracted sales in 2008, 3 from Beijing, 1 from Tianjin, 1 from Dalian and 1 from Shenyang. These projects included Ocean Landscape Eastern Area (Beijing), Ocean Honored Chateau (Beijing), Ocean Great Harmony (Beijing), Ocean City (Tianjin), Ocean Worldview (Dalian) and Ocean Paradise (Shenyang). Most of these new contributors were available for sale in mid to late 2008, thus boosting the Group's contracted sales amount in the second half of 2008. The Group launched Ocean City (Tianjin) and Ocean Worldview (Dalian) earlier than planned. Our rationale was that even though the selling price might not be at the peak during their launch in 2008, in view of the scale of these two projects, it would be beneficial for the Group to build up the reputation for these quality projects at an early stage so that they would command a higher price when the property market further recovers. In addition, the sales of these projects would enable quicker assets turnover, improving cash recoupment and yielding higher return from these projects.

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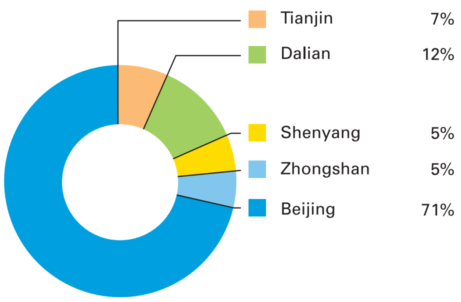
Including car parks sales, Ocean Landscape (Beijing) continued to be the largest contributor to the Group's contracted sales and GFA sold, accounting for 23% of total contracted sales amount in 2008 (2007: 35%) and 22% of total GFA sold in 2008 (2007: 37%). The first time launch of Ocean Landscape Eastern Area (Beijing) in November 2008, acquired during the first half of 2008, hit a remarkable sales record with total GFA sold of 102,749 sq.m. and a total contracted sales amount of RMB1,162 million within the 2 months sales period in 2008. The encouraging market response to Ocean Landscape Eastern Area (Beijing) not only demonstrated the competitiveness of our products but also confirmed the management's prowess in mapping development strategy. Ocean Landscape (Beijing) and Ocean Landscape Eastern Area (Beijing) together accounted for 39% of total contracted sales amount and 37% of total GFA sold in 2008.

The benefit from the implementation of "Total Quality Management" and the improvement in the Group's product quality was reflected in the contracted sales performance in 2008. For example, by reconfiguring the interior layout and upgrading the materials used in Poetry of River Phase I (Beijing), resulted in a significant improvement in sales performance in the second half of 2008.

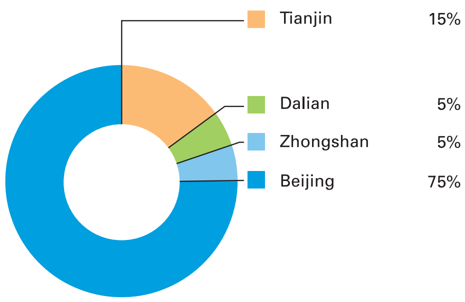
The Group's management maintains good relationships and cooperation with real estate institutional investors in the PRC and overseas. Whole-block sale can diversify our sales channels and provide quicker turnover of our projects. Therefore, continuing our successful whole-block sale in the past, the Group entered into an agreement with CB Richard Ellis during 2008 for the sale of Ocean Honored Chateau (Beijing) Block A of 17,000 sq.m., bare shell, for a consideration of RMB427 million. The management believes the price and conditions to be fair and reasonable. The completion of this transaction is expected to take place no later than the first half of 2009.

The following graphs indicate the breakdown of contracted sales amount by location in 2008 and 2007:

2008

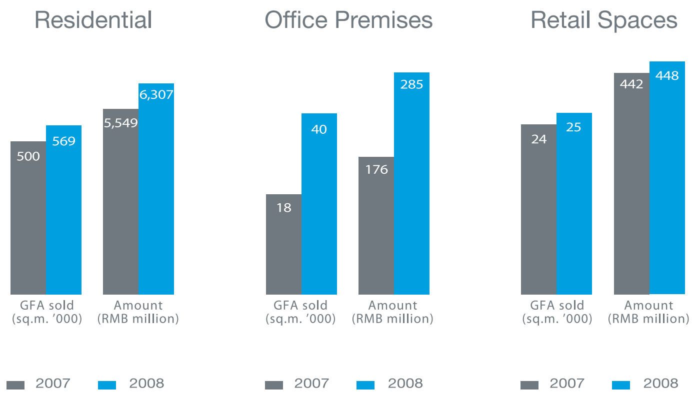


2007



The total number of projects available for sale in 2008 increased to 15, up from 11 projects in 2007. There were 8 projects available for sale in Beijing, which continued to contribute most to the contracted sales amount and accounted for 71% in 2008 (2007: 75%). Together with 3 projects in Tianjin, 2 projects in Dalian, and 1 project in Shenyang, the Pan Bohai Rim in aggregate contributed 95% of the total contracted sales amount in 2008.

The following graphs indicate the contracted sales amount in terms of major property types in 2007 and 2008:



In terms of property types, residential properties continued to make up the largest portion of contracted sales amount and accounted for 87% in 2008 (2007: 90%). The average selling price for residential properties leveled in 2008 at RMB11,100 per sq.m. (2007: RMB11,100 per sq.m.) while the total number of GFA sold for residential increased by 14% from 500,000 sq.m. in 2007 to 569,000 sq.m. in 2008.

3) Construction Progress and Developing Projects

Total GFA and total saleable GFA completed in 2008 were approximately 832,000 sq.m. and 685,000 sq.m., which respectively represented 16% and 18% decrease as compared to 2007. The reduction in the number of GFA completed in 2008 and its falling short of our original target of about 1 million sq.m., were mainly because of the scale down of our construction progress in the second half of 2008. In view of the poor market sentiment during the property market adjustment, the management takes the view that by controlling the development schedule and the completion of our products to be more or less on the same scale as the GFA sold during the period would be an effective way to avoid the building up of inventory and to defer the incurrence of certain costs. We re-planned our sales schedule to adapt to the market sentiments and demand, allowing us to have certain flexibility in the project development schedule. Nevertheless, the Group will closely monitor the development schedule to ensure that such adjustment will not affect our delivery schedule.

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	Approximate total GFA (sq.m.)	GFA completed in 2008 (sq.m.)	Target GFA to be completed in 2009 (sq.m.)
Beijing			
Ocean Great Harmony（遠洋萬和城）	427,000	—	132,000
Ocean Honored Chateau（遠洋公館）	52,000	28,000	24,000
Ocean Landscape (Phase III & IV)（遠洋山水三期及四期）	695,000	208,000	—
Ocean Landscape Eastern Area（遠洋沁山水）	419,000	—	107,000
Ocean Office Park（遠洋・光華國際）	213,000	113,000	—
Ocean Seasons （遠洋自然）	381,000	89,000	23,000
Poetry of River Phase I（遠洋一方一期）	297,000	97,000	64,000
Tianjin			
Ocean Express（遠洋新幹線）	449,000	56,000	136,000
Ocean Paradise Phase I（遠洋天地一期）	320,000	35,000	—
Dalian			
Ocean Prospect（遠洋風景）	177,000	96,000	20,000
Xiangsong project（香頌花城）	176,000	—	88,000
Shenyang			
Ocean Paradise （遠洋天地）	938,000	—	234,000
Zhongshan			
Ocean City（遠洋城）	1,954,000	110,000	254,000
Total	**6,498,000**	**832,000**	**1,082,000**

Looking into 2009, we are targeting to complete approximately 1,082,000 sq.m., an increase of 30% as compared to 2008. The planned increase in the GFA completed in 2009 is to match the increasing GFA to be delivered in 2009 so as to maintain the growth momentum in revenue. However, this target will be subjected to revision if there is material change in the market conditions.

As at 31 December 2008, the Group had total 12 projects under development, compared to only 9 projects in 2007. Of these projects, 11 are located in the Pan Bohai Rim, including 5 in Beijing, 2 in Tianjin, 3 in Dalian and 1 in Shenyang. Most of these projects are expected to be completed in between 2010 and 2011, and will provide a solid foundation for our future revenue growth.

4) Newly acquired projects

The adjustment in the PRC property market provided risk and opportunities to the developers. As a leading property developer, we saw certain opportunities which enabled us to acquire prime development projects at reasonable prices. The Group acquired a total GFA of approximately 1,362,000 sq.m. or attributable interest of the Group of approximately 1,318,000 sq.m., at a total consideration of RMB4,496 million or at an average acquisition price of about RMB3,411 per sq.m. for 6 projects in 2008. Of the 6 projects acquired in 2008, 95% in terms of GFA are located in the Pan Bohai Rim, of which 87% are in Beijing and 8% are in Dalian, with the remaining 5% in Zhongshan. Including the completion of acquisition of the minority interest in Ocean Worldview (Dalian) and the acquisition of 100% interest in Xishan project (Dalian) and Xiangsong project (Dalian) on 2 January 2009, the Group's total landbank increased by 21% to 12,282,000 sq.m. Our landbank in Pan Bohai Rim increased by 22% from approximately 7,637,000 sq.m. in 2007 to about 9,307,000 sq.m. In addition, most of the newly acquired land plots are close to our existing projects, enabling synergy to be created. All these acquisitions were in line with the strategy as laid down by the Board to further fortify our leading position in the Pan Bohai Rim.

The following table lists the information regarding projects acquired by the Group during 2008:

	Usage	Estimated year available for sale	Total GFA (sq.m.)	Interest attributable to the Group (%)
Beijing				
Beiqijia Project（北七家項目）	Residential	2010	221,000	80%
Ocean Landscape Eastern Area（遠洋沁山水）	Residential & retail spaces	2008	419,000	100%
Ocean Wangfujing Project（王府井項目）	Office premises	2012	50,000	100%
Poetry of River Phase II（遠洋一方二期）	Residential & retail spaces	2009	498,000	100%
Dalian				
Nanguan Ling Project（南關嶺項目）	Residential	2009	105,000	100%
Zhongshan				
Boai Road Area（博愛路社區）	Residential	2012	69,000	100%

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5) Land Bank

Including the completion of the acquisition of Dalian Tsanghao, which previously held 49% interest in Ocean Worldview (Dalian), 100% interest in Xishan project (Dalian) and Xiangsong project (Dalian), as at 2 January 2009, the Group's landbank increased to 12,282,000 sq.m., as compared to 10,178,000 sq.m. as at 31 December 2007, and with attributable interest of the landbank of 11,637,000 sq.m. The Group's landbank located across 6 cities in the PRC, including Beijing, Tianjin, Dalian, Shenyang, Hangzhou and Zhongshan. Landbank in the Pan Bohai Rim accounted for 76% of the total landbank (2007: 75%), of which 24% are in Beijing. Outside the Pan Bohai Rim, the Yangtze River Delta and the Pearl River Delta regions accounted for 9% and 15% of our landbank respectively. Upon the acquisition of the Dalian Tsanghao, the average land cost per sq.m. for the Group was about RMB2,118.

Location	Project	Approximate total GFA (sq.m.)	Approximate saleable GFA (sq.m.)	Remaining GFA not yet delivered (sq.m.)	Interest attributable to the Group (%)
Completed properties held for sale					
Beijing	Ocean Express 遠洋新幹線	191,000	173,000	24,000	100%
Beijing	Ocean Landscape Phase I & II 遠洋山水一期及二期	706,000	598,000	24,000	100%
Beijing	Ocean Landscape Phase III & IV 遠洋山水三期及四期	695,000	595,000	106,000	100%
Beijing	Ocean Office Park 遠洋・光華國際	213,000	196,000	172,000	80%
Tianjin	Ocean Paradise Phase I 遠洋天地一期	320,000	275,000	40,000	96.99%
Subtotal		2,125,000	1,837,000	366,000	
Properties under development					
Beijing	Ocean Great Harmony 遠洋萬和城	427,000	325,000	427,000	100%
Beijing	Ocean Honored Chateau 遠洋公館	52,000	38,000	52,000 (Note i)	100%
Beijing	Ocean Landscape Eastern Area 遠洋沁山水	419,000	349,000	419,000	100%
Beijing	Ocean Seasons 遠洋自然	381,000	237,000	66,000	70%
Beijing	Poetry of River Phase I 遠洋一方一期 (formerly named Poetry of River)	297,000	257,000	235,000	100%
Tianjin	Ocean City 遠洋城	2,234,000	1,773,000	2,234,000	100%
Tianjin	Ocean Express 遠洋新幹線	449,000	353,000	449,000	97.05%
Dalian	Ocean Prospect 遠洋風景	177,000	143,000	119,000	100%
Dalian	Ocean Worldview 紅星海世界觀	1,892,000	1,474,000	1,892,000	100% (Note ii)
Dalian	Xiangsong Project 香頌花城	176,000	159,000	176,000	100% (Note ii)
Shenyang	Ocean Paradise 遠洋天地	938,000	770,000	938,000	100%
Zhongshan	Ocean City 遠洋城	1,954,000	1,768,000	1,897,000	100%
Subtotal		9,396,000	7,646,000	8,904,000	

Location	Project	Approximate total GFA (sq.m.)	Approximate saleable GFA (sq.m.)	Remaining GFA not yet delivered (sq.m.)	Interest attributable to the Group (%)
Properties held for future development					
Beijing	Beiqijia Project 北七家項目	221,000	115,000	221,000	80%
Beijing	Jiangtai Business Center 將台商務中心 (formerly named Business SORED)	306,000	264,000	306,000	50%
Beijing	Ocean La Vie 遠洋・La Vie (formerly named Ocean Garden)	208,000	130,000	208,000	85.72%
Beijing	Ocean Wangfujing Project 王府井項目	50,000	45,000	50,000	100%
Beijing	Poetry of River Phase II 遠洋一方二期	498,000	435,000	498,000	100%
Beijing	Tongzhou Yuqiao 通州玉橋項目	179,000	159,000	179,000	90%
Tianjin	Ocean Paradise Phase II 遠洋天地二期	270,000	191,000	270,000	96.99%
Dalian	Nanguan Ling Project 南關嶺項目	105,000	105,000	105,000	100%
Dalian	Xishan Project 西山項目	97,000	80,000	97,000	100% (Note ii)
Hangzhou	Canal Commercial District 運河商務區	886,000	613,000	886,000	70%
Hangzhou	Hang Yimian 杭一棉	192,000	140,000	192,000	70%
Subtotal		3,012,000	2,277,000	3,012,000	
Total		**14,533,000**	**11,760,000**	**12,282,000**	

Note i: On 28 June 2008, the Group entered into an agreement with CB Richard Ellis for the sale of Ocean Honored Chateau (Beijing) Block A of 17,000 sq.m., bare shell, for a consideration of RMB427 million, representing RMB25,400 per sq.m. The completion of this transaction is expected to take place no later than the first half of 2009.

Note ii: Completion of acquisition on 2 January 2009.

CEO's Report and Management Discussion & Analysis

Property Investment

A steady and reliable income from investment properties would provide a stable cashflow to the Group and alleviate the effects of market turbulence in the property development business. The potential capital gains from value appreciation of investment properties would be another upside for holding prime investment properties in medium to long term. With this in mind, the Group has long been carefully selecting new prime investment properties that yield respectable returns to add to the Group's portfolio.

Revenue from property investment increased by 72% from RMB71 million in 2007 to RMB122 million in 2008. As at 31 December 2008, the Group held two investment properties in Beijing, namely Ocean Plaza (Beijing) and Ocean International Center Block A (Beijing), both of which are A-grade office premises and together have a total leasable area of 116,000 sq.m. The leasing of Ocean Plaza (Beijing) continued to be strong with an occupancy rate of over 95% as at 31 December 2008. Ocean International Centre Block A (Beijing) reported an occupancy rate of 73% as at 31 December 2008 despite the slowdown of the economy of the PRC.

	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail spaces (sq.m.)	Others (sq.m.)	Interest attributable to the Group (%)
Ocean Plaza (Beijing)	31,000	26,000	1,000	4,000	70%
Ocean International Center Block A (Beijing)	85,000	77,000	8,000	—	100%
Total	**116,000**	**103,000**	**9,000**	**4,000**	

The Group continues to carefully plan addition of new investment properties. In 2009, the Group may consider adding in one or two prime investment properties to its current portfolio including Ocean Office Park (Beijing), a prime office and shopping complex located between East Second Ring Road and East Third Ring Road in the Central Business District of Beijing, with a total leasable area of approximately 158,000 sq.m. In view of the current economic condition in the PRC, despite short term pressure in the next year or two, the Group believes that it would be tactical for the Group to maintain its current pace in bringing in new investment properties. It goes without saying that the management will not rule out the possibility of disposing of any of the investment properties if such disposal would represent reasonable return as in the case of Chemsunny World Trade Center (Beijing) in 2007, or if it will enable the Group to have early cash recoupment for other better investment opportunities. In the meantime, the Group will continue to enjoy the well-balance of the revenue contributions from the property development business and from the leasing of investment properties.

Property Management and Hotel Operation

For the year ended 31 December 2008, the Group's revenue from the provision of property management service amounted to RMB146 million, representing a 1% increase as compared to RMB145 million in 2007. The total GFA covered by the Group's property management services amounted to 2,860,000 sq.m. The Group sees the provision of quality property management services as a value-added service to its valuable customers.

The Group continued to hold and operate the Best Western Hotel (Beijing), a four star hotel located on the East Third Ring Road in the Central Business District of Beijing. Revenue from hotel operation increased by 6% from RMB53 million in 2007 to RMB56 million in 2008. This was partly attributable to the higher average room rate from RMB455 in 2007 to RMB553 in 2008 and partly attributable to the increase in revenue from the provision of catering services. The Group will selectively seek cooperation with foreign enterprise in adding and operating new hotels.

Strategy and Prospects

Prudent Land Replenishment

Being one of the leading property developers in the PRC, the Group understands that landbank is the most valuable resource for its continuous growth momentum and is always the Group's core value. The Group has safely secured a sizeable landbank over the past years to meet the needs of the Group's property development business for the next five years.

The Group adopted a proactive but prudent approach in land replenishment in 2008. The success of Ocean Landscape Eastern Area (Beijing), acquired in the first half of 2008 and put on pre-sale in the second half of 2008, has proven the success of the Group's land replenishment though primary land development and has reinforced the management's belief that it is beneficial for the Group to acquire those land plots with the potential for quicker turnover and earlier pre-sale thus producing good cashflow. The Group will give priority to land plots that are scarce in supply and even better if they are close to the Group's existing projects. Furthermore, in accordance with our strategy, the Group will focus on opportunities in the Pan Bohai Rim in the vicinity of transportation hubs, especially in Beijing, Tianjin and Dalian, where the Group has already established a strong foothold. In 2009, the Group will cautiously and selectively acquire medium scale land plots (GFA of around 300,000 sq.m.) suitable for mid-to-high end products that are welcomed by the middle class.

Although the credit policy and the credit market in the PRC were relaxed in the fourth quarter of 2008, financially stressed property developers still lack the internal financial resources and the healthy balance sheet to acquire external financing to bring their projects up to the presale stage. We predict that instead of more price cutting, these developers may sell their projects to other developers at a significant discount. The Group will closely monitor the market movements and will not rule out the possibility of acquiring some of these financially stressed developers or their projects if they are available at a good discount to the asset value and able to generate decent returns to the shareholders of the Company.

Primary land development will continue to play a strategic role in the Group's land replenishment strategy. Primary land development enable the Group to participate in the early stages of property development and to have more detailed planning of the project, therefore speeding up the pre-sale process, as in the successful case of Ocean Landscape Eastern Area (Beijing). The Group will speed up the development process for currently held primary land development projects in order to obtain the property development right and quicker recoupment of investment return.

CEO's Report and Management Discussion & Analysis

Carefully Determined Pricing

The adjustment in the real estate industry in the PRC has brought with it many issues to property developers, including reduction in transaction volume and difficulty in raising funds to support the construction and project development. Even though large scale price wars did not happen in 2008 and is not likely to take place in 2009, we are aware that many developers have moderately lowered their selling price as the only way for them to stimulate sales. Small scale aggressive price adjustment was only observed among the financially stressed property developers which we believe only represent very small market shares. In view of the moderate rally in the property market in terms of transaction volume since the end of 2008, financially strong developers will have no urgency to sell their valuable properties at deep discount.

During 2008, the Group adjusted the selling price of certain projects to be in line with the market expectation, including Ocean City (Zhongshan), which recorded significant improvement in sales performance right as a result of the modest price adjustment. Having done so, it is not the Group's strategy to compete on price alone, as management believes that each property has its unique features that should be judged by its own merits rather than by selling price. Competition in price alone will only create an unhealthy market environment. We trust that by offering better product quality and after-sales services, including property management service, the Group will stand out from the pack of developers. Nevertheless, the Group will continue to monitor and assess the market situation, remain responsive and adjust the pricing strategy accordingly. The Group will make price adjustments in 2009 only if they are deemed to produce long-term benefit to the Group. At present, the Group believes that the competitiveness of its products will enable the Group to justify the current price level and that it will still perform better than its peers in 2009.

Prudent Financial Management

The Group has long been adopting a prudent financial management policy. The management believes that this is the foundation of success for the Group. While many property developers aggressively expanded their portfolio by over-leveraging and maintaining a low cash level and bank balance on hand, the Group closely monitors its cashflow position and debt level. The Group maintained its net gearing ratio at a relatively low level at 35% in 2008 (2007: 12%). Including restricted bank deposits, the cash resources as at 31 December 2008 was about RMB8,837 million. Even though the Group needs an initial cash outlay for those newly acquired landbank, several of these projects are available for pre-sale in 2009 and will help to support the Group's cashflow and long term development. Nevertheless, the current cash and bank balance, together with unutilized credit facilities, will allow the Group to have financial flexibility and sufficient resources for the project developments in 2009. In addition, stringent control will continue to apply in 2009 on construction and administrative costs to secure a better financial position. Different financing channels will be analyzed and weighed up to minimize the finance cost and to balance the debt portfolio with different maturity. The Group will continue to adhere to the established financial management policy to further solidify our financial position and to pull through the current global downturn. As always, the Group strives to maintain a relatively low gearing ratio and will maintain enough cash as a buffer for unpredictable situations in 2009.

Other information

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During 2008, the Group had no investments in hedging of speculative derivatives. In view of the potential Renminbi exchange rate fluctuations, the Group will consider arranging for monetary and interest rate swaps at appropriate times to avoid the corresponding risks.

Employees, Remuneration Policy and Information Technology

As at 31 December 2008, the Group had 3,893 employees (31 December 2007: 3,108). The increase in headcount was mainly a result of the establishment of our Hangzhou office for planning Hangzhou projects, inclusion of staff from our upfitting services company, and a greater need for manpower to provide property management services upon the completion of our development projects, as the GFA covered by our property management services increased by about 500,000 sq.m.

Human resources and information technology have been essential to the Group's success and will continue to be so. We treasure the contribution of our brilliant staff. As such, the Group will review its remuneration package from time to time to ensure it remains competitive. The Group has also adopted a balanced appraisal system to evaluate the staff's performance. For the long term development of all concerned, the Group provides ample and essential training to our staff, including an online learning system. With regards to information technology, more emphasis will be put on researching and creating a systematic information flow to enable the management to receive more timely information to make appropriate response to market movements.

Investor Relations

Communication with Stakeholders

The Group's investor relations team is devoted to enabling the most effective communication between the Company, shareholders, the financial community and other stakeholders. We adhere to the best practice of high transparency and consistency in the disclosure of information whether the market is favourable to the property sector or otherwise. The team is very pleased to have earned the recognition from shareholders, investors and analysts for the Group's integrity in communicating the Company's strategies and performance in a difficult market environment in 2008.

The year 2008 was very challenging for all property developers in the PRC. To help our management and stakeholders better understand the market environment, policy change and company performance, the Group participated in numerous investors conferences to reach a large audience, issued quarterly newsletters to update stakeholders, designated time to answer shareholders' questions at annual and extraordinary general meetings, and accommodated almost all requests for meetings, calls, and project visits as long as they are in compliance to the Listing Rules.

Our management team's quick response to market changes, its robust financial position and strong sales performance have attracted the financial community's attention. Analyst coverage increased substantially from 5 securities firms in 2007 to 15 in 2008, facilitating better understanding of the Company by a larger investing community.

The investor relations team also ensured that the stakeholders had the opportunities to express their views on the Group's performance. We reported frequently to the management team and relevant departments stakeholders' comments and opinions so that we could keep improving our efficiency and performance, with the ultimate goal of generating higher returns for our shareholders. Communication with the stakeholders is a two-way process. In 2008, our efforts involved:

Providing updates

to the stakeholders through the following channels:

— Announcements and circulars published on the website of the Stock Exchange, the Company website, and/or dispatched to our shareholders pursuant to the requirements of the Listing Rules;

— Our financial reports and quarterly newsletters;

— Our annual and extraordinary general meetings, attended by top management representatives and directors;

— Investors conferences and meetings. Our Company representatives participated in over 510 meetings and conference calls with stakeholders from over 840 funds and securities firms as well as retail shareholders, including 14 large-scale investors conferences and daily meetings; and

— The Sino-Ocean Land website. In order to provide the public with more information, we are now revamping our website (www.sinooceanland.com), where information on the Group's corporate governance principles, updates on the Group's development and other information will be available.

Encouraging feedback

from the stakeholders through channels such as:

— Face-to-face dialogue, including the "Question & Answer" session at our annual and extraordinary general meetings;

— Email exchanges with stakeholders. We also replied to email enquiries from stakeholders directly. If they were a matter of general interest to stakeholders, we would seek to address it in subsequent corporate communication to all the stakeholders; and

— Site visits. In 2008, we organized approximately 135 site visits for the stakeholders to view our projects in six different cities in China. We collected and reported to the management team regularly stakeholders' comments and suggestions on the projects.

We are grateful to all stakeholders who offered us support and provided us with feedback during this challenging time for the PRC's real estate industry. If any stakeholder has questions or comments on our work, please contact us at ir@sinooceanland.com. We promise to provide answers (and post them on our website if we think they will be of interest to our shareholders and other investors) to the extent permitted by applicable laws, regulations and the Listing Rules. In the case of comments, we will take your views into account and act upon them if this will improve our performance.


Synergic

Overview of Projects Available for Sale

Beijing

Ocean Great Harmony（遠洋萬和城）

Total GFA: 427,000 sq.m.
Total saleable GFA: 325,000 sq.m.
Remaining saleable GFA not yet delivered: 325,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential, office premises and retail spaces
Number of phases: 2
Completion: 2009 - 2011

Location: In Beijing's northern Yayuncun District in the North Fourth Ring Road near the Jingcheng Expressway and situated on the no. 5, no. 10 and no. 13 metro-lines

Features: High quality design residential and commercial complex targeting middle class group aged between 30 - 50.

Ocean Honored Chateau（遠洋公館）

Total GFA: 52,000 sq.m.
Total saleable GFA: 38,000 sq.m.
Remaining saleable GFA not yet delivered: 38,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential
Number of phase: 1
Completion: 2008 - 2009

Location: Southeast of San Yuan Qiao, in the Lufthansa commercial district near the Third Ring Road and Airport Expressway

Features: High quality design residential site with the unique feel of villas, hanging gardens and 3.3m high ceilings.

Ocean Landscape （遠洋山水）

Total GFA: 1,401,000 sq.m.
Total saleable GFA: 1,193,000 sq.m.
Remaining saleable GFA not yet delivered: 111,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential and retail spaces
Number of phases: 4
Completion: 2005 - 2008

Location: Along the western extension of West Chang'an Avenue

Features: Large residential and retail complex in a transportation hub with plenty of green areas and educational facilities nearby.

Ocean Landscape Eastern Area（遠洋沁山水）

Total GFA: 419,000 sq.m.
Total saleable GFA: 349,000 sq.m.
Remaining saleable GFA not yet delivered: 349,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential and retail spaces
Number of phases: 4
Completion: 2009 - 2011

Location: Along the western extension of West Chang'an Avenue adjacent to the Ocean Landscape project and within 5 minutes walk to metro line no. 1

Features: As an extension and continuous development of Ocean Landscape, it aims to be a residential and commercial complex for the middle class. The residential part comprises mostly 2-room flats.

Overview of Projects Available for Sale

Ocean La Vie (遠洋 • La Vie)

Total GFA: 208,000 sq.m.
Total saleable GFA: 130,000 sq.m.
Remaining saleable GFA not yet delivered: 130,000 sq.m.
Attributable interest to the Group: 85.72%
Usage: Residential
Number of phases: 2
Completion: 2010 - 2012

Location: On the Fifth Ring Road in Chaoyang District, Beijing, and at the intersection of the two main roads- Airport Expressway and Jing Shun Road

Features: 10 minutes drive to the airport and 20 minutes drive to downtown, designed by world-renowned architects and landscape designers. Adopting an English traditional and natural style as its design philosophy, the project aims to build a showpiece of classic villas in China. Each of these low density villas with private gardens is built at the lakeside offering superb, luxurious accommodation.

Poetry of River Phase I（遠洋一方一期）

Total GFA: 297,000 sq.m.
Total saleable GFA: 257,000 sq.m.
Remaining saleable GFA not yet delivered: 203,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential and retail spaces
Number of phase: 1
Completion: 2008 - 2011

Location: Adjacent to the CBD and on the East Fifth Ring Road along the transportation hub of Jingtong Expressway

Features: Low density of plot ratio 1.5 times residential complex with educational facilities, including kindergarten on site. Most of the flats are 90 sq.m.

Tianjin

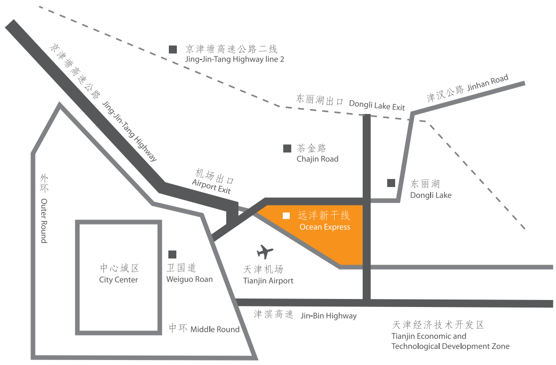
Ocean City（遠洋城）

Total GFA: 2,234,000 sq.m.
Total saleable GFA: 1,773,000 sq.m.
Remaining saleable GFA not yet delivered: 1,773,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential and retail spaces
Number of phases: 4 - 5
Completion: 2010 - 2016

Location: In the core area of Binhai New Area

Features: The largest residential complex in Binhai New District with over 100,000 sq.m. commercial and medical facilities. Core flats for the projects are 90 sq.m. or below.

Ocean Express（遠洋新幹線）



Total GFA: 449,000 sq.m.
Total saleable GFA: 353,000 sq.m.
Remaining saleable GFA not yet delivered: 353,000 sq.m.
Attributable interest to the Group: 97.05%
Usage: Residential, office premises and retail spaces
Number of phases: 2
Completion: 2008 - 2011

Location: In the Airport Industrial and Logistics Zone of Binhai New Area

Features: First modern, international residential and commercial complex in that district targeting young white collar working group. The site is 15 minutes drive from the city center. Most of the flats are 90 sq.m. or below.

Overview of Projects Available for Sale

Dalian

Ocean Prospect（遠洋風景）

Total GFA: 177,000 sq.m.
Total saleable GFA: 143,000 sq.m.
Remaining saleable GFA not yet delivered: 96,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential and retail spaces
Number of phase: 1
Completion: 2008 - 2010

Location: Adjacent to the administration center and People Square of Dalian, within the Fuxingli District

Features: A well-designed residential and retail complex providing accommodation and entertainment for the middle class. It is surrounded by well-known schools and colleges and has easy access to transportation.

Ocean Worldview（紅星海世界觀）

Total GFA: 1,892,000 sq.m.
Total saleable GFA: 1,474,000 sq.m.
Remaining saleable GFA not yet delivered: 1,474,000 sq.m.
Attributable interest to the Group: 100%
Usage: Residential, hotels and retail spaces
Number of phases: 7
Completion: 2010 - 2018

Location: Located in the Dalian Economic and Technological Development Zone, the Hongxing Village

Features: On the sea front with a 10 km coast line, designed by celebrated international firms Gretotti and Sasaki, location planning by World Union Real Estate Consultancy (China) Ltd. and PR People Consultancy Ltd. This project brings together landscaped high-rise apartments, luxury seaside homes, hillside villas and refined woodland homes, along with a five-star hotel, yacht wharf, commercial and entertainment center, supermarket, health and recreation center, sports field, pedestrian street and themed plaza.

Shenyang

Ocean Paradise（遠洋天地）

Total GFA: 938,000 sq.m.

Total saleable GFA: 770,000 sq.m.

Remaining saleable GFA not yet delivered: 770,000 sq.m.

Attributable interest to the Group: 100%

Usage: Residential and retail spaces

Number of phases: 5

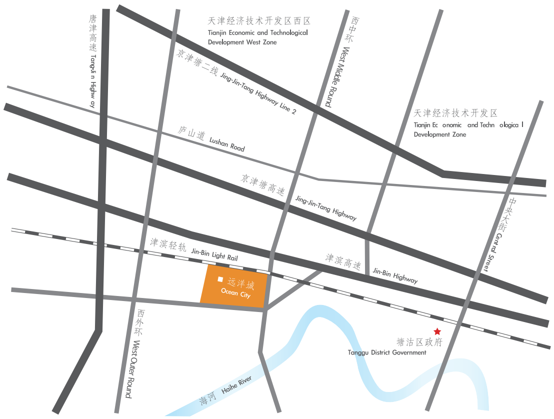
Completion: 2009 - 2013

Location: In Shenyang's administrative region, at the junction of its tourist district and main financial street

Features: Low density residential community with a cultural ecological and landscape garden of about 100,000 sq.m. Complete with schools and colleges, it targets the mid-to-high income group.

Zhongshan

Ocean City（遠洋城）



Total GFA: 1,954,000 sq.m.

Total saleable GFA: 1,768,000 sq.m.

Remaining saleable GFA not yet delivered: 1,716,000 sq.m.

Attributable interest to the Group: 100%

Usage: Residential, office premises, retail spaces and shopping center

Number of phases: 10

Completion: 2008 - 2014

Location: At the city center of Zhongshan

Features: Large residential project with 170,000 sq.m. of ancillary commercial facilities, including a 100,000 sq.m. shopping center and 70,000 sq.m. of high-end office premises, targeting high-income group in Zhongshan and the Pearl River Delta.

Overview of Projects Available for Sale

Hangzhou

Canal Commercial District（運河商務區）

Total GFA: 886,000 sq.m.

Total saleable GFA: 613,000 sq.m.

Remaining saleable GFA not yet delivered: 613,000 sq.m.

Attributable interest to the Group: 70%

Usage: Residential, office premises, hotels and retail spaces

Number of phases: 5

Completion: 2011 - 2014

Location: 3 km north of the city center of Hangzhou and on the planned metro line no. 3

Features: A residential and commercial complex combining with high-end apartments, A-grade office premises, 5-star hotel and extensive retail spaces. It will become the core development site in Hangzhou.

High-end

Biographies of Directors and Senior Management

Non-executive Director and Chairman

Mr. LI Jianhong (李建紅), aged 52, is a non-executive Director of the Company and Chairman of the Board. Mr. Li joined the Group in January 2002. Mr. Li also serves in a senior management capacity in several companies, including acting as the vice president of China Ocean Shipping (Group) Company ("COSCO"), a non-executive director of China COSCO Holdings Company Limited, a company listed on the Stock Exchange, an executive director of COSCO International Holdings Limited and COSCO Pacific Limited, companies listed on the Stock Exchange, the vice chairman and a director of China International Marine Containers (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange in the PRC, and a non-executive director and chairman of COSCO Corporation (Singapore) Limited, a company listed in Singapore. Mr. Li obtained a diploma in Industrial Enterprise Management from Wuhan University of Water Transportation Engineering in July 1983, a Master's Degree in Economics and Management from Jilin University in June 1998 and a Master of Business Administration Degree from the University of East London in October 2000. Mr. Li was appointed by the COSCO and its subsidiaries (the "COSCO Group").

Non-executive Director and Vice Chairman

Mr. LUO Dongjiang (羅東江), aged 54, is a non-executive Director of the Company and the Vice Chairman of the Board. He joined the Group in January 2002. Mr. Luo is also the chairman and a non-executive director of Sinochem International Corporation, and the chief legal counsel of Sinochem Corporation and its subsidiaries ("Sinochem Group"). Previously, Mr. Luo served as a general manager of the planning department of China National Chemicals Import & Export Corporation, a general manager of the Sinochem International Rubber Company, an executive assistant general manager of China Foreign Economy and Trade Trust & Investment Co., Ltd., a general manager of Sinochem Asia Group, a director of China Jin Mao Group Co., Ltd., a general manager of the business development department and an assistant general manager of China National Chemicals Import & Export Corporation. Mr. Luo obtained a Bachelor's Degree in Planning and Statistics from Xiamen University in January 1982. Mr. Luo was appointed by the Sinochem Group.

Executive Director and Chief Executive Officer

Mr. LI Ming (李明), aged 45, is an executive Director and Chief Executive Officer of the Company. Mr. Li joined the Group as a general manager in July 1997 and became our Chief Executive Officer in August 2006. Mr. Li also serves as the chairman, a general manager or a director of a number of our subsidiaries and project companies. With over 11 years' experience in property development and property investment, Mr. Li is primarily responsible for our Company's overall strategic planning, business management and property development projects across different cities. Before joining the Group, Mr. Li held a senior management position in the COSCO Group. Mr. Li obtained a Bachelor's degree in Motor Vehicle Transportation from Jilin Industrial University in July 1985 and an Executive Master of Business Administration Degree from the China Europe International Business School in May 1998. Mr. Li is currently a member of Committee of Chinese People's Policy-related Consultation Conference of the Beijing Municipality, a member of the People's Congress of the Chaoyang District of the Beijing Municipality and an executive director of the China Real Estate Association. Mr. Li won various national awards and was successively conferred such titles as "Influential Person of the Chinese Real Estate Industry", "Leading Person of Brand Name Real Estate Developers in China", "Ten Outstanding Persons in the Beijing Real Estate Industry", "Ten Entrepreneurs of the Chinese Commercial Real Estate Industry", and "Ten Leaders in the Real Estate Industry Changing Cities and Influencing China".

Non-executive Directors

Mr. LIANG Yanfeng (梁岩峰), aged 43, is a non-executive Director of the Company. Mr. Liang joined the Group in January 2002. Mr. Liang is also the executive director and managing director of COSCO International Holdings Limited, a company listed on the Stock Exchange and the non-executive director and non-executive vice chairman of Soundwill Holdings Limited, a company listed on the Stock Exchange. Mr. Liang obtained a Master's Degree in Law from Tsinghua University in July 1991 and an Executive Master of Business Administration Degree from Tsinghua University in January 2005. Mr. Liang was appointed by the COSCO Group.

Executive Director and Vice President

Mr. CHEN Runfu (陳潤福), aged 44, is an executive Director and the Vice President of the Company. Mr. Chen has been an executive Director since June 2007. Mr. Chen is responsible for formulating the overall management of the Group's various project developments. Mr. Chen joined the Group in 1995. Since Mr. Chen joined the Group, he has been in charge of the development of Ocean Express (Beijing), Ocean Paradise (Beijing), Ocean Plaza (Beijing) and Ocean Office Park (Beijing) and is responsible for our Company's land reserve. Mr. Chen also serves as the chairman, legal representative or a director for a number of our subsidiaries and project companies. With over 12 years' experience in property development and property investment, Mr. Chen assists our Chief Executive Officer in the operation of the Group. Mr. Chen obtained a Bachelor's Degree in Harbour and Channel Engineering from the Dalian Institute of Technology (currently the Dalian University of Technology) in July 1986 and an Executive Master in Business Administration from the China Europe International Business School in September 2005.

Biographies of Directors and Senior Management

Non-executive Director

Mr. YIN Yingneng Richard (尹應能), aged 56, is a non-executive Director of the Company. Mr. Yin joined the Group in May 2008. Mr. Yin has over 10 years of experience in various regulatory organizations. He held various senior positions at the Australian Securities Commission, the New South Wales Corporate Affairs and the Securities and Futures Commission of Hong Kong. Mr. Yin is non-executive director of Hong Kong Resources Holdings Company Limited, a company listed on the Stock Exchange, and an independent non-executive director of Goldlion Holdings Limited, a company listed on the Stock Exchange. Mr. Yin is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, and the Institute of Chartered Accountants in Australia.

Independent non-executive Director

Mr. TSANG Hing Lun (曾慶麟), aged 59, is an independent non-executive Director of the Company. He joined the Group in June 2007. Mr. Tsang is also the Chief Executive Officer of Influential Consultants Ltd, a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration in October 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. After working in the UOB Group, Mr. Tsang also acted as an executive director of China Champ Group in 1994, as an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang currently acts as an independent non-executive director of Sinotrans Shipping Limited, Beijing Media Corporation Limited, and First China Financial Holdings Limited, companies listed on the Stock Exchange.

Independent non-executive Director

Mr. GU Yunchang (顧雲昌), aged 64, is an independent non-executive Director of the Company. He joined the Group in June 2007. He joined the Ministry of Construction in 1979 and has over 26 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as the Secretary-General of the China Residential Property Issues Research Institute and held this position for a period of 10 years. Between 1986 and 1998, he participated in the research and formulation of the national housing policy reform and in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. Mr. Gu has participated in state level research projects such as "2000 China" and "National Xiaokang Residential Property Technological Industry Project". Mr. Gu has been awarded the First Class National Science Technology Advance Award in China twice. Mr. Gu was appointed the Vice-President and the Secretary-General of the China Real Estate Association from August 1998 to March 2006, and since 1998 has been involved in promoting the development of the China real estate industry as well as undertaking research and analysis of the China real estate market. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu currently serves as an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Stock Exchange, and independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in USA.

Independent non-executive Director

Mr. HAN Xiaojing (韓小京), aged 54, is an independent non-executive Director of the Company. He joined the Group in June 2007. Mr. Han is the founding partner of Commerce & Finance Law Offices. He currently acts an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange in the PRC and supervisor of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange. Mr. Han obtained a Master's Degree in Law from the China University of Political Science and Law. He has over 21 years' experience in corporate and securities law in China, especially in the restructuring of large-scale state-owned enterprises and private companies and the offshore listing of Chinese companies.

Independent non-executive Director

Mr. ZHAO Kang (趙康), aged 60, is an independent non-executive Director of the Company. He joined the Group in June 2007. Mr. Zhao is a member of the Eleventh Committee of Chinese People's Policy-related Consultative Conference of the Beijing Municipal and is the honorary chairman and a director of Beijing Capital Development Holding (Group) Co., Ltd. since November 2005. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC. After he graduated from the Department of Construction of Tsinghua University in December 1975, Mr. Zhao became a deputy chief of the planning division of Beijing Huairou District Construction Bureau in January 1976, and then joined Beijing Municipal Construction Committee in May 1978. In May 1983, Mr. Zhao joined Beijing Urban Development Corporation as a deputy general manager and became the general manager of Beijing Urban Development (Group) Co., Ltd. in April 1994. As the honorary chairman and a director of Beijing Capital Development Holding (Group) Co. Ltd., Mr. Zhao was in charge of the development of the Beijing Olympics Village and the National Gymnasium in Beijing.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. WANG Xiaoguang (王曉光), aged 45, is a Vice President of the Group and joined the Group in December 2008. Mr. Wang has 23 years of experience in enterprise management and real estate development. He is currently a director and manager of our subsidiaries and project companies and is responsible for subsidiaries under his supervision and the development and operation of projects. Mr. Wang received a Bachelor Degree in machinery from Jilin University in July 1986 and received an Executive Master of Business Administration Degree from Dongbei University of Finance and Economics in June 2005.

Ms. ZHOU Tong (周彤), aged 45, is a Vice President of the Group and is primarily responsible for the Group's marketing and sales management. Ms. Zhou joined the Group in August 2003 and has over 21 years' experience in property design, property development and property investment. Ms. Zhou serves as the chairman or director for a number of our subsidiaries and project companies. Ms. Zhou obtained a Bachelor's Degree in Architecture from Tongji University in July 1986.

Mr. XU Li (徐立), aged 47, is a Vice President of the Group and is primarily responsible for managing our project developments. Mr. Xu first joined the Group in October 1997 and has over 17 years' experience in property construction and property development. Mr. Xu also serves as a director of a number of our subsidiaries and project companies. Mr. Xu obtained a Diploma in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992.

Mr. SUM Pui Ying, Adrian (沈培英), aged 47, is the Chief Financial Officer and company secretary of the Group. Mr. Sum joined the Group in May 2007. He has over 15 years' experience in companies listed on the Stock Exchange. Mr. Sum is mainly responsible for the overall financial management of the Group, company secretarial and compliance issues of the Group. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in June 1988, a Master of Business Administration Degree from the University of Wales in December 1991 and a Diploma in Legal Studies from the University of Hong Kong in July 1996. Mr. Sum is a fellow member of the Hong Kong Institute of CPA and the Chartered Association of Certified Accountants.

Ms. ZHANG Hongxia (張紅霞), aged 48, is the general manager of our risk management department and our financial controller. Ms. Zhang joined the Group in January 1998. Ms. Zhang also serves as the chairman, a director, a supervisor and a manager for a number of our subsidiaries and project companies. Ms. Zhang is primarily responsible for project contract management and cost control. Ms. Zhang obtained a Bachelor's Degree in Accounting for Road Transportation from the Xi An Highway Institute (now Chang An University) in July 1982 and an Executive MBA Degree from the China Europe International Business School in September 2006.

Mr. ZHU Yunchun (朱雲春), aged 51, is a Vice President of the Group and is primarily responsible for the supervisory division and property management of the Group. Mr. Zhu first joined the Group in May 2002. Mr. Zhu also serves as the chairman, director and supervisor for a number of our subsidiaries. Mr. Zhu obtained a diploma in Political Work on Board and a Master's Degree in Transportation Planning and Management from the Dalian Maritime University in July 1986 and March 2002, respectively.

Mr. CHEN Lei (陳雷), aged 46, is our deputy General Manager. Mr. Chen joined the Group in August 1995. Mr. Chen also serves as the chairman, director and manager for a number of our subsidiaries and project companies. Mr. Chen is responsible for managing various development projects designated by the Chief Executive Officer. Mr. Chen obtained a Bachelor's Degree in Industrial Management Engineering from Tianjin University in July 1985 and an MBA Degree from a joint program conducted by Tsinghua University and Australian National University in September 2006.

Mr. CHEN Zuyuan (諶祖元), aged 47, is our deputy General Manager. Mr. Chen joined the Group in February 2003. Currently Mr. Chen also serves as chairman and director for a number of our subsidiaries and project companies. Mr. Chen has over 21 years' experience in property development and is primarily responsible for planning and design of the Group and also managing various development projects in Zhongshan in PRC. Mr. Chen obtained a Bachelor's Degree in Industrial and Civil Construction from the Hunan University in July 1983 and an Executive MBA Degree from the China Europe International Business School in September 2006.

Mr. ZHAO Zehui (趙澤輝), aged 38, is our deputy General Manager. Mr. Zhao joined the Group in October 1998. Mr. Zhao also serves as chairman, director and manager for a number of our subsidiaries and project companies. Mr. Zhao is primarily responsible for land development and acquisitions of land development projects. Mr. Zhao obtained a Bachelor's Degree in Economics in July 1994 from the Beijing Economic College (now the Capital University of Economics and Business) in July 1994 and an Executive MBA Degree from the China Europe International Business School in November 2004.

Mr. LI Zhenyu (李振宇), aged 37, general manager of the secretary administration department and Board secretary. Mr. Li joined the Group in May 2007, and mainly in charge of the matters relating with the board meetings of the Company, the Company's external affairs and public relations. Prior to joining the Group, Mr. Li has taken various positions in the COSCO Group since July 1994. Mr. Li obtained a Bachelor's Degree from the Central University of Finance and Economics in June 1994.

Mr. WEN Haicheng (溫海成), aged 39, is deputy General Manager and joined the Group in January 2009. Mr. Wen is also Chairman and Director of the relevant subsidiaries of our Company. Mr. Wen is mainly responsible for the management of construction works with almost 17 years of experience in construction works. Mr. Wen received a Bachelor Degree in Engineering from Chongqing Institute of Architecture and Engineering in July 1992 and received a Master Degree in Engineering from Chongqing Jianzhu University and a Ph.D. Degree in Management from Chongqing University in June 1999 and December 2007 respectively.

Mr. ZHANG Yun (張耘), aged 35, is the General Manager of our Investment Management Department and also the Deputy General Manager of Sino-Ocean Land (Hong Kong) Limited. Mr. Zhang joined the Group in May 2002. He has over 10 years' experience in infrastructure and real estate investment and management. Prior to joining the Group, Mr. Zhang worked for COSCO International Holdings Limited and COSCO Pacific Limited, both of which are listed on the Stock Exchange. Mr. Zhang is mainly responsible for investment cooperation, corporate finance and investor relations. Mr. Zhang also serves as a vice president and a director for a number of our subsidiaries. Mr. Zhang obtained a Bachelor's Degree in Economics from Dongbei University of Finance and Economics in July 1994, an Advanced Certificate in Construction Studies (Management) from the Hong Kong Construction Industry Training Authority in August 1999, and an Executive MBA Degree from Peking University in January 2005.

Foresighted

Directors' Report

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended 31 December 2008.

Principal operations and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are mainly engaged in the real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses. The Group is one of the largest real estate companies in Beijing.

The analysis of the Group's revenue and operating results in its major operation activities is set out in note 6 of the Group's consolidated financial statements.

Results and appropriations

Results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 79.

During the year under review, an interim dividend of HKD0.03 per ordinary share and a final dividend in respect of the previous financial year of HKD0.12 per ordinary share were paid respectively.

The Directors proposed to recommend at the forthcoming annual general meeting to be held on 15 May 2009 the payment of a final dividend of HKD0.07 per ordinary share for the year ended 31 December 2008. The final dividend will be paid in cash, with a scrip dividend option offered to all shareholders excluding shareholders with registered addresses outside Hong Kong. Subject to the approval of the shareholders at the forthcoming annual general meeting, and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval to the listing of and permission to deal in the new share, the final dividend will be paid on or about 29 June 2009 to shareholders whose names appear on the register of members of the Company as at the close of business on 15 May 2009.

The Register of Members of ordinary shares of the Company will be closed from Tuesday, 12 May 2009 to Friday, 15 May 2009 (both dates inclusive), during which period, no transfer of ordinary shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 11 May 2009.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the consolidated financial statements.

Distributable reserves

The Company's total distributable reserves as at 31 December 2008 amounted to RMB620 million.

Share capital

Movements in the share capital of the Company during the year ended and at 31 December 2008 are set out in note 24 to the consolidated financial statements.

Fixed assets

Movements in the Group's fixed assets are set out in note 7 to the consolidated financial statements.

Borrowings and capitalization of interests

Details of borrowings are set out in note 27 to the consolidated financial statements. Details of the Group's capitalized interests expenses and other borrowing costs during the year are set out in note 35 to the consolidated financial statements.

Donations

For the year ended 31 December 2008, the Group's donations for charity and other purposes were approximately RMB7.1 million (2007: RMB6.0 million).

Retirement Benefits

Details at the retirement benefit plans of the Group are set out in note 34 to the consolidated financial statements.

Five-year financial summary

A five-year summary of the Group is set out on page 167.

Purchase, sale or redemption of the Company's listed securities

During the year under review, the Company repurchased a total of 6,953,000 ordinary shares of the Company at an average purchase price of approximately HKD3.19 per share on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HKD	Lowest HKD	Aggregate purchase price HKD
June 2008	2,369,000	5.11	4.36	11,219,265
July 2008	1,184,000	4.43	4.05	5,080,185
October 2008	3,400,000	1.79	1.69	5,902,000
	6,953,000			22,201,450
		Expenses on shares repurchased		57,498
				22,258,948

The total of 6,953,000 repurchased ordinary shares were cancelled during the year under review and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate granted by shareholders in the Company's 2007 Annual General Meeting, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

Redemption of Pulida Convertible Bond

Prior to the Company's listing on the Stock Exchange on 28 September 2007, the Company issued the HKD1,575 million 3% convertible bond (the "Pulida Convertible Bond") to Upper Able Holdings Limited (the "Subscriber"), the principal terms of which are set out in the paragraph headed "Business – Principal Terms and Conditions of the Pulida Convertible Bond" of the prospectus of the Company dated 14 September 2007 (the "Prospectus").

As announced by the Company on 5 May 2008, the Company and the Subscriber entered into a supplemental deed (the "Supplemental Deed") to amend certain terms and conditions of the Pulida Convertible Bond, pursuant to which on 5 May 2008 the Company served a notice of redemption to partially redeem the Pulida Convertible Bond in the principal amount of HKD780 million at a redemption price of HKD756.6 million. As a result of the redemption, the outstanding principal amount of the Pulida Convertible Bond as at 31 December 2008 was HKD795 million.

Details of this redemption and other movements in the Pulilda Convertible Bond are set out in note 27 and 28(b) to the consolidated financial statements.

Share Option Scheme

A share option scheme of the Company was approved by the shareholders' written resolutions dated 3 September 2007 (the "Share Option Scheme"), which is valid and effective for a period of 10 years commencing from the adoption date subject to fulfillment of all the conditions to the Share Option Scheme, to 27 September 2017, unless it is terminated early in accordance with the provisions of the Share Option Scheme. Under the Share Option Scheme the Board may grant options to eligible employees and directors. The purpose of the Share Option Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of our shareholders and to compensate employees of the Group for their contribution based on their individual performance and that of the Company. Details of the terms of the Share Option Scheme are set out in the Prospectus.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 424,286,000 shares, representing 9.49% of the total number of shares of the Company as at 31 December 2008. Without prior approval from the Company's shareholders, the number of shares in respect of which options were granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The share options granted under the Share Option Scheme are exercisable within five years period in which 40% of options become exercisable 1 year from the grant date, 70% of options become exercisable 2 years from the grant date, and all options become exercisable 3 years from the grant date. A consideration of HKD1 is payable on the grant of option. Options are exercisable at a price that is determined by the directors of the Company, which will not be less than the higher of the closing price of the Company's shares on the date of granting, and the average closing prices of the shares for the five business days immediately proceeding the date of granting.

Directors' Report

During the year under review, movements of share options granted to the directors, chief executives, and employees of the Group under the Share Option Scheme are as follows:

	Date of option granted	Exercise price per share HKD	No. of options outstanding as at 1 January 2008	No. of options granted during the year	No. of options exercised during the year	No. of options lapsed during the year	No. of options outstanding as at 31 December 2008
Directors							
LI Ming	8 Oct 2007	7.70	4,280,000	—	—	—	4,280,000
	19 Sept 2008	2.55	—	3,000,000	—	—	3,000,000
LIANG Yanfeng	8 Oct 2007	7.70	1,430,000	—	—	—	1,430,000
	19 Sept 2008	2.55	—	500,000	—	—	500,000
CHEN Runfu	8 Oct 2007	7.70	1,710,000	—	—	—	1,710,000
	19 Sept 2008	2.55	—	1,000,000	—	—	1,000,000
YIN Yingneng Richard	19 Sept 2008	2.55	—	200,000	—	—	200,000
TSANG Hing Lun	24 Jan 2008	7.70	—	200,000	—	—	200,000
	19 Sept 2008	2.55	—	100,000	—	—	100,000
GU Yunchang	24 Jan 2008	7.70	—	200,000	—	—	200,000
	19 Sept 2008	2.55	—	100,000	—	—	100,000
HAN Xiaojing	24 Jan 2008	7.70	—	200,000	—	—	200,000
	19 Sept 2008	2.55	—	100,000	—	—	100,000
ZHAO Kang	24 Jan 2008	7.70	—	200,000	—	—	200,000
	19 Sept 2008	2.55	—	100,000	—	—	100,000
			7,420,000	5,900,000	—	—	13,320,000
Employees							
	28 Sept 2007	7.70	62,400,000	—	—	(2,390,000)	60,010,000
	24 Jan 2008	7.70	—	10,060,000	—	(550,000)	9,510,000
	19 Sept 2008	2.55	—	28,790,000	—	(50,000)	28,740,000
			62,400,000	38,850,000	—	(2,990,000)	98,260,000
Total			**69,820,000**	**44,750,000**	**—**	**(2,990,000)**	**111,580,000**

The fair value of 10,860,000 share options granted on 24 January 2008 and 33,890,000 share options granted on 19 September 2008 are HKD2.90 per option and HKD1.05 per option respectively. In determining the fair value of share options, the Binomial Lattice Model has been used and the following variables have been applied to the model:

Measurement date	24 January 2008	19 September 2008
Variables		
– the expected volatility	47.15%	56.08%
– the annual risk-free interest rate	2.068%	2.478%
– the expected dividend yield	1.38%	2.35%
– the expected life from the measurement date	5 years	5 years

Notes:

(i) The closing prices per share immediately before 24 January 2008 and 19 September 2008, the date of granting the options were HKD7.56 and HKD2.38 respectively.

(ii) The expected volatility referred to the 5-year, weekly annualised volatilities of two peers with same principal business and whose shares are listed in the Stock Exchange.

(iii) The risk-fee rate represents the yield of the Hong Kong Exchange Fund Notes corresponding to the expected life of the options as at the measurement date as above.

(iv) The expected dividend yield is with reference to the dividend yield of two peers whose shares are listed in the Stock Exchange and the historical dividend.

Directors' Report

Directors

The table below sets out certain information on the members of the Board during the year:

Name	Position
LI Jianhong	Non-executive Director and Chairman
LUO Dongjiang	Non-executive Director and Vice Chairman
LI Ming	Executive Director and Chief Executive Officer
LIANG Yanfeng	Non-executive Director
CHEN Runfu	Executive Director
YIN Yingneng Richard	Non-executive Director (appointed on 16 May 2008)
TSANG Hing Lun	Independent non-executive Director
GU Yunchang	Independent non-executive Director
HAN Xiaojing	Independent non-executive Director
ZHAO Kang	Independent non-executive Director
ZHENG Yi	Non-executive Director (resigned on 9 May 2008)

In accordance with Article 110 of the Articles of Association of the Company, Mr. LIANG Yanfeng, Mr. TSANG Hing Lun and Mr. GU Yunchang shall retire by rotation and, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles of Association at the forthcoming annual general meeting.

Brief biographical details of Directors and senior management are set out in page 44 to 49.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Company which is not determinable within one year without the payment of compensation other than statutory compensation.

Directors' interests in contracts of significance

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

Directors' rights to purchase shares or debentures

Except for the share options granted pursuant to the Share Option Scheme as set out above, at no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Interests of Directors and chief executives in shares and underlying shares and debentures

As at 31 December 2008, the interests and short positions of each director and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of interest	Number of ordinary shares held (long position)	Share options	Total	Percentage in the Company's issued share capital
LI Ming	Interests of controlled corporation	124,490,520 *note (i)*	7,280,000 *note (ii)*	131,770,520	2.949%
LIANG Yanfeng			1,930,000 *note (ii)*	1,930,000	0.043%
CHEN Runfu			2,710,000 *note (ii)*	2,710,000	0.061%
YIN Yingneng Richard	Beneficial owner	16,000,000	200,000 *note (ii)*	16,200,000	0.363%
TSANG Hing Lun			300,000 *note (ii)*	300,000	0.007%
GU Yunchang			300,000 *note (ii)*	300,000	0.007%
HAN Xiaojing			300,000 *note (ii)*	300,000	0.007%
ZHAO Kang			300,000 *note (ii)*	300,000	0.007%

Notes:

i. The 124,490,520 shares were registered in the name of and beneficially owned by Fair Top Management Limited and Eagle Raider Management Limited. Mr. LI Ming, a director of the Company, has a 100% interest in both of the companies, and was deemed to have interests in the 124,490,520 shares by virtue of the SFO.

ii. The share options were granted pursuant to the Share Option Scheme, details of which are set out above in the paragraph headed "Share Option Scheme".

Save as disclosed above, none of the Directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2008, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the directors and chief executive of the Company.

Name of shareholders	Capacity	Long / short position	Number of ordinary shares held	Percentage in the Company's issued share capital
COSCO *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
COSCO (Hong Kong) Group Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
True Smart International Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
COSCO International Holdings Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
COSCO (B.V.I.) Holdings Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
COSCO International Land (B.V.I.) Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
COSCO International Land Limited *(Note i)*	Interest of controlled corporation	Long	928,201,000	20.77%
Sunny Wealth Investments Limited *(Note i)*	Beneficial owner	Long	928,201,000	20.77%
Sinochem Corporation *(Note ii)*	Interest of controlled corporation	Long	636,420,000	14.24%
Sinochem Hong Kong (Group) Co Ltd *(Note ii)*	Beneficial owner	Long	636,420,000	14.24%

Notes:

(i) The 928,201,000 shares were beneficially owned by Sunny Wealth Investments Limited which was a wholly owned subsidiary of COSCO International Land Limited. COSCO International Land Limited was a wholly owned subsidiary of COSCO International Land (B.V.I.) Limited which in turn was wholly owned by COSCO (B.V.I.) Holdings Limited. COSCO (B.V.I.) Holdings Limited was a wholly owned subsidiary of COSCO International Holdings Limited. True Smart International Limited was interested in 59.56% of COSCO International Holdings Limited. True Smart International Limited was wholly owned by COSCO (Hong Kong) Group Limited which in turn was wholly owned by COSCO.

(ii) The 636,420,000 shares were registered in the name of, and beneficially owned by Sinochem Hong Kong (Group) Co Ltd which was wholly owned by Sinochem Corporation.

Save as disclosed above, as at 31 December 2008, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Competing interests

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

The Group's principal operation is in property development. During the year under review, the Group's purchases from the top five suppliers (excluding land supply) amounted to RMB674.7 million, representing 18% of the Group's total annual purchases in the whole year, of which China State Construction International Company Limited accounted for 5% of the purchases.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, which involve a relatively large number of customers. The percentage ratio of the revenue from the five major customers is about 13%, of which Beijing Fraser Suite Real Estate Management Co., Limited accounted for 11% of the turnover.

As far as the directors are aware, neither the directors, their associates, nor those substantial shareholders had any interest in the five largest customers and suppliers of the Group.

Directors' Report

Connected transactions

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions are required disclosure in the annual report of the Company. The connected transactions which also constitute related party transactions are set out in note 43 to the consolidated financial statements.

A. One off connected transaction

1. **Purchase of the entire issued share capital of Grand More Group Limited and Dalian Tsanghao Real Estate Company Limited* (大連乾豪房地產開發有限公司)**

   On 7 November 2008, Sino-Ocean Land (Hong Kong) Limited ("Sino-Ocean HK") and Bright King International Limited ("Bright King") (both wholly-owned subsidiaries of the Company) as purchasers and Mr. Wang Sheng Yi and Key Sky Group Limited ("Key Sky") as vendors entered into the Grand More SP Agreement, pursuant to which Sino-Ocean HK and Bright King have conditionally agreed to purchase the entire issued share capital of Grand More Group Limited ("Grand More") for an aggregate consideration of RMB720,000,000 (i.e. the "Grand More Consideration") in turn to acquire the Tsanghao Option. The Tsanghao Option entitles Grand More to require Tsanghao Group Company Limited* (乾豪集團有限公司) ("Tsanghao Group") to sell its entire equity interests in Dalian Tsanghao Real Estate Company Limited* (大連乾豪房地產開發有限公司) ("Tsanghao Real Estate Company") to Grand More's designated nominee at an exercise price of RMB480,000,000 (i.e. the "Tsanghao Consideration"). As a result of the exercise of the Tsanghao Option by Grand More, on 7 November 2008, Tsanghao Group as vendor and Beijing Yuankun Properties Development Company Limited* (北京遠坤房地產開發有限公司) ("Beijing Yuankun") (a wholly-owned subsidiary of the Company) as purchaser entered into the Tsanghao SP Agreement, pursuant to which Tsanghao Group has conditionally agreed to sell, and Beijing Yuankun has conditionally agreed to purchase, the entire equity interests in Tsanghao Real Estate Company.

   The transactions under both the Grand More SP Agreement and the Tsanghao SP Agreement are a series of transactions to acquire the equity interests of three project companies, namely (i) Tsanghao Real Estate Company (holding the entire interests in the Xiangsong Project and the Xishan Project) and (ii) the 49% equity interests in each of Dalian Sky-Upright Property Limited* (大連正乾置業有限公司) and Dalian Sunny-Ocean Property Limited* (大連明遠置業有限公司) (jointly holding the entire interests in the Ocean Worldview, formerly named Red Star Project), from Tsanghao Group. The Grand More SP Agreement, the Tsanghao SP Agreement and issuance of Consideration Shares under the Grand More SP Agreement were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 December 2008. Upon the completion of both the Grand More SP Agreement and the Tsanghao SP Agreement, the total of 202,711,000 new shares were allotted and issued on 2 January 2009.

   * *The English names of the PRC established companies are translation only and in the event of any inconsistency, the Chinese names shall prevail.*

2. Acquisition of 35.72% equity interest of Tak Shing International Investment Limited

On 4 February 2008, a wholly owned subsidiary of the Company, Tech Power International Investment Limited ("Tech Power"), as buyer, has entered into an agreement with Beijing Jasmine I Limited ("Beijing Jasmine") as seller to acquire a 35.72% equity interest in Tak Shing International Investment Limited ("Tak Shing") at a consideration of HKD252,024,808. Under the transaction, the Beijing Jasmine was required to transfer 3,572 ordinary shares and 143,870,191 preference shares of Tak Shing to Tech Power. After completion, Tak Shing became a wholly-owned subsidiary of the Group.

B. Continuing connected transactions exempt from the independent shareholders' approval requirements

The following continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company ("INEDs"). The INEDs have confirmed that in the year 2008 the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A. 38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the continuing connected transaction of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on these procedures to the Board and confirmed that for the year of 2008 the continuing connected transactions (i) have received the approval of the Board; (ii) are in accordance with the pricing polices of the Group where provision of services by the Group is involved; (iii) have been entered into in accordance with the relevant agreement governing such transactions; and (iv) have not exceeded the relevant cap amount for the financial year ended 31 December 2008 as set out in the Prospectus.

1. Property Lease Agreements

(a) Property Lease between Beijing Yuanyang Building and COSCO Group

One of our subsidiaries, Beijing Yuanyang Building Co., Ltd. ("Beijing Yuanyang Building") entered into a renewable lease agreement with COSCO Group on 29 December 2005, pursuant to which Beijing Yuanyang Building has agreed to let part of the premises of Ocean Plaza (Beijing) to COSCO Group for a total rental of RMB3.8 million for the year of 2008. The cap of the amount for 2008 is RMB 3.9 million.

Pursuant to Listing Rule 14A.25 and as disclosed in the Prospectus of the Company, the maximum annual amounts of the rental payable under the above renewable lease agreement for the year of 2007, 2008, and 2009 are expected to be approximately RMB3.9 million per year.

Beijing Yuanyang Building is a connected person of our Company as it is 28% owned by Xiangyuan Beijing Investment Co., Ltd, an associate of our substantial shareholder, COSCO.

2. **Property Management Services**

(a) Property Management Services provided by COSCO Hotel and Property Management to Beijing Yuanyang Building

One of our subsidiaries, COSCO Hotel and Property Management Co., Ltd. ("COSCO Hotel and Property Management") has entered into three property management agreements with Beijing Yuanyang Building on 31 May 2005, 31 December 2005 and 1 March 2006 respectively. Pursuant to these three property management agreements, COSCO Hotel and Property Management was engaged to provide property management services for (i) the offices of Beijing Yuanyang Building and the vacant premises, (ii) the car park, and (iii) the canteen on Basement Level 1 of Ocean Plaza (Beijing). These agreements are for a term of two or three years expiring on 31 May 2008 or 28 February 2009. The management fees paid to COSCO Hotel and Management for the year of 2008 was RMB1.1 million. The maximum aggregate annual management fees payable to COSCO Hotel and Property Management for the year of 2007, 2008, and 2009 are estimated to be approximately RMB1.2 million for each year.

Beijing Yuanyang Building is a non-wholly owned subsidiary and a connected person of the Company as it is 28% owned by Xiangyuan (Beijing) Investment Co, Ltd., which is an associate of our substantial shareholder, COSCO.

(b) Property Management Services provided by COSCO Hotel and Property Management to COSCO

One of our subsidiaries, COSCO Hotel and Property Management, entered into a property management services agreement on 1 March 2006 with Beijing Yuanyang Building. Pursuant to the agreement, COSCO Hotel and Property Management shall provide property management services to all the owners and tenants of Ocean Plaza (Beijing) where COSCO Group is also a tenant. This agreement is for a period of three years and will expire on 28 February 2009. The management fees payable to COSCO Hotel and Property Management for the year of 2008 was RMB4.8 million. The maximum aggregate annual amount of the management fees payable to COSCO Hotel and Property Management for each of the three years ending 31 December 2009 is expected to be approximately RMB5 million per year.

Pursuant to Listing Rules 14A.25 and as disclosed in the Prospectus, the maximum aggregate annual management fees payable to COSCO Hotel and Property Management under items 2(a) and 2(b) for the year of 2007, 2008, and 2009 are expected to be approximately RMB6.2 million per year.

Beijing Yuanyang Building is a non-wholly owned subsidiary and connected person of the Company as it is 28% owned by Xiangyuan (Beijing) Investment Co. Ltd., an associate of our substantial shareholder, COSCO.

Sufficient public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float of more than 25 percent of the Company's issued shares as required under the Listing Rules during the year.

Corporate governance

The Company is committed to maintaining a high level of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 65 to 71.

Auditors

The consolidated financial statements for the year ended 31 December 2008 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board

LI Ming
Director
Hong Kong, 26 March 2009


Innovative

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2008.

COMMITMENT TO CORPORATE GOVERNANCE

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management also actively observes latest corporate governance developments in Hong Kong and overseas.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "CG code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review, except for the deviation as disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each director and each of them confirmed that he or she had complied with all required standard under the Code of Conduct.

THE BOARD

Responsibilities

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. During the year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the period ended 30 June 2008 and the final results for the year ended 31 December 2008, approved the Group's acquisition and other critical business operations, assessed the internal control and the financial matters of the Group.

Corporate Governance Report

Board composition

Currently, the Board comprises ten Directors, including two Executive Directors, who are Mr. LI Ming and Mr. CHEN Runfu; four Non-executive Directors, who are Mr. LI Jianhong, Mr. LUO Dongjiang, Mr. LIANG Yanfeng, and Mr. YIN Yingneng Richard; and four INEDs, who are Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. ZHAO Kang.

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

During the year, the following changes in the Board composition of the Company took place:

(i) Mr. ZHENG Yi has ceased to be a Non-executive Director of the Company upon his retirement by rotation from the Board at the Company's annual general meeting held on 9 May 2008; and

(ii) Mr. YIN Yingneng Richard was appointed as a Non-executive Director of the Company by the Board with effect from 16 May 2008 and was elected by Shareholders at extraordinary general meeting held on 18 December 2008.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. Three non-executive directors and four independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. According to Article 110 of the Articles of Association of the Company, one-third of the directors for the time being, or if their number is not three or a multiple of three, the number which is nearest to one-third and is at least one-third, shall retire from office by rotation at least once every three years. A retiring director shall be eligible for re-election. Therefore, the Board considers that non-compliance with CG Code A.4.1 is acceptable since, with at least one-third of all directors being subject to retirement at every annual general meeting, all of them should be retired by rotation at least once every three years so as to comply with Code A.4.2 of the CG Code.

(i) Chairman and Chief Executive Officer

As at the date of this Annual Report, the Chairman and the Chief Executive Officer of the Company are Mr. LI Jianhong and Mr. LI Ming respectively. The roles of the Chairman and the Chief Executive Officer are segregated. The Board believes this segregation of duties helps to provide checks and balances of power and authority.

(ii) Non-executive Director and Independent Non-executive Director

During the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of four INEDs in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Appointment, re-election and removal of directors

Pursuant to the Articles of Association of the Company, any director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and shall be eligible for re-election. Every director, including the non-executive director, is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subject to the approval of shareholders.

In compliance with the provisions of the Articles of Association of the Company, Mr. LIANG Yanfeng, Mr. TSANG Hing Lun and Mr. GU Yunchang shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Board meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened four meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss significant issues and general operation of the Company.

The number of board meetings attended by each director during the year under review is set out in the following table:

Directors	Meetings Attended/Held
Mr. LI Jianhong	4/4
Mr. LUO Dongjiang	4/4
Mr. LI Ming	4/4
Mr. LIANG Yanfeng	4/4
Mr. CHEN Runfu	4/4
Mr. YIN Yingneng Richard (appointed on 16 May 2008)	2/4
Mr. TSANG Hing Lun	4/4
Mr. GU Yunchang	4/4
Mr. HAN Xiaojing	4/4
Mr. ZHAO Kang	3/4
Mr. ZHENG Yi (retired on 9 May 2008)	1/4

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other board committee meetings, reasonable notice is generally given.

The agendas and accompanying board papers were given to all Directors in a timely manner. All Directors are properly briefed on issues arising at board meetings by the Chairman.

All Directors have full and timely access to all relevant information as well as advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

The Company Secretary is responsible for taking and keeping minutes of all Board and board committee meetings. Draft version of minutes is normally circulated to the Directors for comment within a reasonable time after each meeting and the final version of which is open for Directors' inspection.

Training for Director

For any newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. To assist their continuous professional development, the Company Secretary recommends Directors to attend relevant seminars and courses.

Directors' and officers' liability insurance and indemnity

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate activities. Throughout the financial year 2008, no claim has been made against the directors and officers.

BOARD COMMITTEES

The Board has set up three board committees, namely, the Audit Committee, the Remuneration and Nomination Committee and the Investment Committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three members who are all INEDs, namely Mr. TSANG Hing Lun (the chairman of the committee), Mr. GU Yunchang, and Mr. HAN Xiaojing. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting procedures of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. In addition, the Audit Committee will also need to examine and inspect the effectiveness of the Group's internal control, including conducting the reviews on a regular basis in respect of the internal control over various corporate structures and business procedures, and considering its potential risks and its imminence, so as to ensure the effectiveness of the Company's business operations and to achieve the corporate objectives and strategies. The scope of such reviews covers finance, operation, regulations and risk management. The Audit Committee will also make regular reports and recommendations and proposals to the Board.

The Audit Committee held three meetings during the year ended 31 December 2008, with full attendance at every meeting. Executive Directors and senior management of the Company and the external auditor of the Company were invited to join the discussions at the meetings.

The works performed by the Audit Committee during the year under review were as follows:

(i) Review of the interim and annual consolidated financial statements;

(ii) Discussion with the external auditors on the issues of land appreciation tax, progress of various project, joint venture operation, and implementation of new tax rule in the PRC;

(iii) Review of the adequacy and effectiveness of the internal control system and making recommendation to the Board for improvement of internal control, credit control and risk management;

(iv) Review of the application of the relevant general accepted accounting principles and make recommendation to the Board for the adoption of accounting policies; and

(v) Review of the adequacy of the provision for material liabilities and impairment of assets.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the chairman of the committee), Mr. GU Yunchang and Mr. ZHAO Kang.

The main duties of the Remuneration and Nomination Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and structures for the directors and senior management, and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. In addition, the Remuneration and Nomination Committee will also nominate the candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Remuneration and Nomination Committee will also convene meetings and submit reports to the Board.

The remuneration of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The Remuneration and Nomination Committee may also consult the Chairman about their proposals relating to the remuneration of other executive directors and has access to professional advice if necessary. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

Corporate Governance Report

The Remuneration and Nomination Committee has held two meetings for the year ended 31 December 2008, with full attendance at every meeting. The works performed by the Remuneration and Nomination Committee during the year under review were as follows:

(i) Reviewed and approved the Company's salary report for the year ended 31 December 2007 and the Company's salary budget for the year ended 31 December 2008;

(ii) Reviewed and approved the report of remuneration packages for senior management;

(iii) Reviewed and approved the proposed discretionary performance bonus; and

(iv) Reviewed and approved the share options granted under the Share Options Scheme.

Investment Committee

The Investment Committee comprises six members, two of whom are executive Directors and four are INEDs. Members of the Investment Committee are: Mr. LI Ming (Chairman of the Committee), Mr. CHEN Runfu, Mr. TSANG Hing Lun, Mr. HAN Xiaojing, Mr. GU Yunchang, and Mr. ZHAO Kang. It shall meet at the request of any member of the committee and the head of finance department shall also participate in discussions. The Committee is authorized, at the expense of the Group, to seek external professional advice or to arrange them to attend the meetings.

The main duties of the Investment Committee are to consider, evaluate and review the Group's important project investments, acquisitions and disposals, and to make recommendations and/ or proposals to the Board, and at the same time, to conduct post-investment evaluations on investment projects, and to review and consider the Company's overall strategic directions and business development. The Committee held one meeting for the year ended 31 December 2008, with full attendance at the meeting.

ACCOUNTABILITY AND AUDIT

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2008 is set out in the Independent Auditor's Report on page 73 and 74.

INTERNAL CONTROL

The internal controls of the Group are designed to help the Group protect its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies. The management of the Group had reviewed the Group's internal control system for the year ended 31 December 2008. The system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2008 as well as advise the Company on tax compliance and related matters.

For the year ended 31 December 2008, remuneration payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB5 million and RMB5.15 million respectively.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

Upon the implementation of the amendments of the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceanland.com) on the same day of the relevant general meetings.

Further information about investor relations are set out on page 33.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Independent Auditor's Report

TO THE SHAREHOLDERS OF SINO-OCEAN LAND HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 75 to 166, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2009

Consolidated Balance Sheet

	Note	2008 RMB'000	2007 RMB'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	7	**304,989**	292,579
Land use rights	8	**36,958**	36,947
Investment properties	9	**1,984,000**	1,984,000
Goodwill	10	**734,569**	756,796
Interest in a jointly controlled entity	12	**—**	54
Interests in associates	13	**310,796**	327,056
Available-for-sale financial assets	16	**426,715**	67,487
Derivative financial instrument	28	**8,338**	—
Trade and other receivables	20	**250,731**	602,920
Deferred income tax assets	29	**111,777**	101,942
		4,168,873	4,169,781
Current assets			
Properties under development	17	**18,443,878**	13,002,533
Land under development	18	**1,839,557**	2,994,646
Inventories, at cost		**80,217**	1,506
Deposits for land use rights	19	**4,066,559**	5,579,771
Trade and other receivables	20	**1,589,327**	934,529
Completed properties held for sale	21	**4,242,538**	1,734,680
Restricted bank deposits	22	**810,006**	879,632
Cash and cash equivalents	23	**8,026,677**	8,468,815
		39,098,759	33,596,112
Total assets		**43,267,632**	37,765,893
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and premium	24	**14,186,122**	14,191,020
Reserves	25	**(226,789)**	(399,126)
Retained earnings			
– proposed final dividend		**288,373**	502,907
– others		**2,405,221**	1,529,408
		16,652,927	15,824,209
Minority interests		**1,130,182**	1,054,110
Total equity		**17,783,109**	16,878,319

Consolidated Balance Sheet

		As at 31 December	
	Note	**2008 RMB'000**	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Preference shares of a subsidiary	26	**—**	144,796
Borrowings	27	**8,778,770**	8,002,777
Derivative financial instrument	28	**—**	157,877
Deferred income tax liabilities	29	**790,038**	773,306
		9,568,808	9,078,756
Current liabilities			
Borrowings	27	**5,964,807**	3,281,334
Derivative financial instrument	28	**1,458**	—
Trade and other payables	30	**5,010,158**	4,583,643
Advances from customers		**3,749,274**	3,011,555
Income tax payable		**1,190,018**	931,926
Dividend payable		**—**	360
		15,915,715	11,808,818
Total liabilities		**25,484,523**	20,887,574
Total equity and liabilities		**43,267,632**	37,765,893
Net current assets		**23,183,044**	21,787,294
Total assets less current liabilities		**27,351,917**	25,957,075

Approved by the Board of Directors on 26 March 2009

LI Jianhong
Chairman

LI Ming
Director

The notes on pages 83 to 166 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSET			
Non-current assets			
Investments in subsidiaries	11	**3,407,371**	3,407,371
Current assets			
Amounts due from subsidiaries	11	**14,060,108**	13,038,949
Cash and cash equivalents	23	**41,001**	72,612
		14,101,109	13,111,561
Total assets		**17,508,480**	16,518,932
EQUITY			
Share capital and premium	24	**14,186,122**	14,191,020
Reserve	25	**143,637**	27,925
Retained earnings			
– proposed final dividend		**288,373**	502,907
– others		**331,670**	121,570
Total equity		**14,949,802**	14,843,422
LIABILITY			
Non-current liabilities			
Borrowings	27	**1,474,565**	1,402,777
Derivative financial instrument	28	**—**	157,877
		1,474,565	1,560,654

Balance Sheet

	Note	As at 31 December 2008 RMB'000	 2007 RMB'000
Current liabilities			
Borrowings	27	**710,262**	—
Derivative financial instrument	28	**1,458**	—
Amounts due to subsidiaries	11	**14,870**	7,249
Other payables	30	**357,523**	107,607
		1,084,113	114,856
Total liabilities		**2,558,678**	1,675,510
Total equity and liabilities		**17,508,480**	16,518,932
Net current assets		**13,016,996**	12,996,705
Total asset less current liability		**16,424,367**	16,404,076

Approved by the Board of Directors on 26 March 2009

LI Jianhong
Chairman

LI Ming
Director

The notes on pages 83 to 166 are an integral part of these consolidated financial statements.

Consolidated Income Statement

		For the year ended 31 December	
	Note	**2008 RMB'000**	2007 RMB'000
Revenue	6	**6,487,380**	5,750,046
Cost of sales	33	**(3,667,392)**	(3,842,701)
Gross profit		**2,819,988**	1,907,345
Other income	31	**214,879**	359,449
Other gains/(losses) – net	32	**127,228**	(28,287)
Gain on disposal of a jointly controlled entity		**—**	909,690
Fair value gain on investment properties	9	**—**	418,277
Selling and marketing costs	33	**(250,592)**	(129,215)
Administrative expenses	33	**(420,404)**	(302,462)
Operating profit		**2,491,099**	3,134,797
Fair value gain/(loss) on derivative financial instruments	28	**56,457**	(49,410)
Finance costs	35	**(161,178)**	(213,940)
Share of loss of a jointly controlled entity	12	**(54)**	(24,768)
Share of (loss)/profits of associates	13	**(2,430)**	9,895
Profit before income tax		**2,383,894**	2,856,574
Income tax expense	36	**(939,308)**	(1,064,762)
Profit for the year		**1,444,586**	1,791,812
Attributable to:			
Equity holders of the Company		**1,387,896**	1,721,502
Minority interests		**56,690**	70,310
		1,444,586	1,791,812
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	37	**0.310**	0.512
– diluted	37	**0.310**	0.511
Dividends	38	**406,357**	502,907

The notes on pages 83 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to the equity holders of the Company						
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December 2007		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319
Profit for the year		–	–	–	1,387,896	1,387,896	56,690	1,444,586
Fair value loss on available-for-sale financial assets	25	–	–	(20,910)	–	(20,910)	–	(20,910)
Currency translation differences		–	–	(8,621)	–	(8,621)	–	(8,621)
Fair value reserve on employee share option plan	25	–	–	110,814	–	110,814	–	110,814
Transfer from retained earnings	25	–	–	86,156	(86,156)	–	–	–
Dividend relating to 2007	38	–	–	–	(502,907)	(502,907)	(6,000)	(508,907)
Dividend relating to 2008	38	–	–	–	(117,984)	(117,984)	–	(117,984)
Share buybacks	24	(4,898)	–	4,898	(19,570)	(19,570)	–	(19,570)
Increase/(decrease) in minority interests as a result of:								
– acquisition of additional interests in subsidiaries from minority shareholders		–	–	–	–	–	(188,930)	(188,930)
– contribution from minority shareholders		–	–	–	–	–	211,387	211,387
– disposal of a subsidiary		–	–	–	–	–	2,925	2,925
Balance at 31 December 2008		3,466,124	10,719,998	(226,789)	2,693,594	16,652,927	1,130,182	17,783,109
Representing:								
Share capital and reserves		3,466,124	10,719,998	(226,789)	2,405,221	16,364,554	1,130,182	17,494,736
2008 proposed final dividend	38	–	–	–	288,373	288,373	–	288,373
Balance at 31 December 2008		3,466,124	10,719,998	(226,789)	2,693,594	16,652,927	1,130,182	17,783,109

The notes on page 83 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Attributable to the equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December 2006		2,400,750	—	499,157	625,718	3,525,625	541,280	4,066,905
Profit for the year		—	—	—	1,721,502	1,721,502	70,310	1,791,812
Issue of shares arising from reorganization	24	—	1,006,243	(1,006,243)	—	—	—	—
Issue of shares arising from listing	24	1,166,302	10,059,351	—	—	11,225,653	—	11,225,653
Share issue expenses, net	24	—	(441,626)	—	—	(441,626)	—	(441,626)
Effect of stock split and re-designation	24	(96,030)	96,030	—	—	—	—	—
Fair value gain on available-for sale financial assets	25	—	—	13,924	—	13,924	—	13,924
Fair value reserve on employee share option plan	25	—	—	27,925	—	27,925	—	27,925
Transfer from retained earnings	25	—	—	66,111	(66,111)	—	—	—
Dividend relating to 2006	38	—	—	—	(248,794)	(248,794)	(18,161)	(266,955)
Increase/(decrease) in minority interests as a result of:								
– acquisition of additional interests in subsidiaries from minority shareholders		—	—	—	—	—	(134,171)	(134,171)
– contribution from minority shareholders		—	—	—	—	—	587,479	587,479
– acquisition of subsidiaries		—	—	—	—	—	111,841	111,841
– deemed disposal of a subsidiary		—	—	—	—	—	(104,468)	(104,468)
Balance at 31 December 2007		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319
Representing:								
Share capital and reserves		3,471,022	10,719,998	(399,126)	1,529,408	15,321,302	1,054,110	16,375,412
2007 proposed final dividend	38	—	—	—	502,907	502,907	—	502,907
Balance at 31 December 2007		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319

The notes on page 83 to 166 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

		For the year ended 31 December	
	Note	**2008 RMB'000**	2007 RMB'000
Cash flows from operating activities			
Cash used in operations	39	**(1,111,360)**	(8,108,830)
Interest paid	35	**(1,009,403)**	(549,121)
Income tax paid		**(669,956)**	(291,143)
Net cash used in operating activities		**(2,790,719)**	(8,949,094)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	**(27,001)**	(42,109)
Proceeds from sale of property, plant and equipment	39	**8,619**	2,546
Purchases of available-for-sale financial assets	16	**(687,883)**	—
Proceeds from disposal of available-for-sale financial assets		**308,696**	—
Purchase of notes receivables	20	**(187,483)**	—
Purchase of subsidiaries, net of cash acquired	42	**23,905**	(384,296)
Proceeds of deemed disposal of a subsidiary		**—**	10,622
Proceeds of disposal of subsidiaries		**22,000**	12,809
Proceeds of disposal of a jointly controlled entity		**—**	954,190
Interest received	31	**180,197**	321,105
Dividends received		**19,146**	7,717
Acquisition of additional interests in subsidiaries		**(153,546)**	(777,516)
Net cash (used in)/generated from investing activities		**(493,350)**	105,068
Cash flows from financing activities			
Proceeds from borrowings		**8,903,904**	8,589,066
Repayments of borrowings		**(5,431,503)**	(4,921,666)
Proceeds from issuance of shares		**—**	10,784,027
Dividends paid to minority shareholders		**(6,000)**	(18,161)
Dividends paid to equity holders of the Company	38	**(620,891)**	(248,794)
Capital injection from minority shareholders		**211,387**	587,479
Redemption of preference shares		**(148,678)**	—
Share buybacks	24	**(19,570)**	—
Net cash generated from financing activities		**2,888,649**	14,771,951
Net increase in cash and cash equivalents		**(395,420)**	5,927,925
Cash and cash equivalents at beginning of the year		**8,468,815**	2,580,157
Exchange losses on cash and cash equivalents		**(46,718)**	(39,267)
Cash and cash equivalents at end of the year	23	**8,026,677**	8,468,815

The notes on page 83 to 166 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Sino-Ocean Land Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007.The address of its registered office is Suite 1512, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

The Company has its listing on The Stock Exchange of Hong Kong Limited since 28 September 2007.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2009.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instruments, notes receivables, convertible bonds and employee share options, which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Amendments and interpretations effective in 2008

HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met . The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's consolidated financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC) – Int 11, HKFRS 2, "Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements.

(b) Amendments that are not effective as at year end but were early adopted by the Group

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Since the Group has chosen to capitalize borrowing costs relating to qualifying assets as described in Note 3.15, HKAS 23 (Revised) is not expected to have any impact on the Group's consolidated financial statements.

HKICPA's improvements to HKFRS published in October 2008:

HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. Since the Group is using the effective interest method, HKAS 23 (Amendment) is not expected to have any impact on the Group's consolidated financial statements.

(c) Interpretations effective in 2008 but not relevant for the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 14, HKAS 19, "The limit on a defined benefit asset, minimum funding requirements and their interaction"; and
- HK(IFRIC) – Int 12, "Service Concession arrangements".

3 Summary of significant accounting policies *(Continued)*

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKFRS 8, "Operating segments" (effective from on or after 1 January 2009). HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

HKAS 1 (Revised), "Presentation of financial statements" (effective from on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

HKFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKICPA's improvements to HKFRS published in October 2008:

HKAS 28 (Amendment), "Investments in associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

HKAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

HKAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009).

3 Summary of significant accounting policies *(Continued)*

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision maker), but the Group will not formally document and test this hedging relationship.

- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

3 Summary of significant accounting policies *(Continued)*

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1, "First-time adoption") (effective from 1 July 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. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 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', HKAS 34, "Interim financial reporting" and HKAS 40, "Investment property" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analyzed in detail.

3 Summary of significant accounting policies *(Continued)*

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

If the acquisition involves more than one exchange transaction, each exchange transaction shall be treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

Inter-company transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions and minority interests

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

3 Summary of significant accounting policies *(Continued)*

3.1 Consolidation *(Continued)*

(c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.7).

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

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

3.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group entities

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3 Summary of significant accounting policies *(Continued)*

3.4 Properties

(a) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings owned by the group. 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 initially accounted for as if it were a finance lease.

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

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. 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 light of current market condition.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment 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, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

3 Summary of significant accounting policies *(Continued)*

3.4 Properties *(Continued)*

(b) Properties under development

Properties under development is stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

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

(c) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values 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.

(d) Land use rights

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

3.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset over its estimated useful life to their residual values. The useful lives adopted for this purpose are as follows:

Buildings and leasehold improvements	5-50 years
Hotel property	50 years
Machineries	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains- net", in the consolidated income statement.

3.6 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 subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized 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 which it operates.

3 Summary of significant accounting policies *(Continued)*

3.7 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

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

3.8 Financial assets

The Group classifies its financial assets into loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Note 3.11 and 3.12).

(b) Available-for-sale financial assets

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

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

3 Summary of significant accounting policies *(Continued)*

3.8 Financial assets *(Continued)*

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment tests for trade and other receivables are described in Note 3.11.

3.9 Land under development

Land under development represents primary land development projects, in preparation for such lands to undergo the process of open market bidding. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works.

3.10 Inventories

Inventories mainly comprise raw material for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3 Summary of significant accounting policies *(Continued)*

3.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "Selling and marketing cost". 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 "Selling and marketing cost" in the income statement.

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Trade payables

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

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

3.15 Financial liabilities

(a) Borrowings

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the year in which they are incurred.

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

3.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

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 country where the company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax 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 it is not accounted for. Deferred income tax is determined using tax rates (tax law) 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 realized or the deferred income tax liability is settled.

3 Summary of significant accounting policies *(Continued)*

3.16 Current and deferred income tax *(Continued)*

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

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

3.17 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) Retirement benefits

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

3 Summary of significant accounting policies *(Continued)*

3.18 Provisions

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

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

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

3.19 Financial guarantee liabilities

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

Financial guarantee liabilities are recognized 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 recognized less cumulative amortization.

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

3.20 Revenue recognition

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

The Group recognizes 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 Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

3.20 Revenue recognition *(Continued)*

(a) Sale of properties

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

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Interest income

Interest income is recognized 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 cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

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

(e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

(g) Upfitting income

Upfitting income is recognized, over the period of the contracts, when the outcome of these contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

3.21 Operating leases

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

(a) The Group is the lessee

(i) The Group is the lessee other than operating lease of land use rights. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortized over the lease periods. The amortization during the period of construction of the properties is capitalized as the cost of properties under development. The unamortized upfront payments are recognized as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties (Note 3.4). Rental income and expenses (net of any incentives given to lessees) are recognized on a straight-line basis over the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognized over the term of the lease on a straight-line basis.

3.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group's functional currency is RMB since majority of the revenues of the Group are derived from operation in the PRC.

The Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in a currency that is not the entity's functional currency. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

As at 31 December 2008, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year would have been RMB46,708,000 higher (2007: RMB94,520,000 lower), mainly as the result of foreign exchange gains (2007: losses) on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gain on translation of HKD/USD dominated derivative financial instruments and USD dominated borrowings.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on long-term bank loans which carry at 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 loans and other payables. 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.

As at 31 December 2008, if interest rates had been increased/decreased 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB878,000 (2007: RMB887,000).

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and appropriate credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on restricted bank deposits is limited because the counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to certain purchasers for their purchasing of property units to secure repayments obligations. 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 sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding the liquidity structure of the overall assets, liabilities, loans and commitment of the Group. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyzes the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table below represent both interests and principal cash flow, which are determined based on the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2008					
Borrowings	5,976,689	5,783,315	1,795,455	1,200,000	14,755,459
Derivative financial instrument	1,458	—	—	—	1,458
Trade and other payables	5,010,158	—	—	—	5,010,158
	10,988,305	5,783,315	1,795,455	1,200,000	19,767,075
At 31 December 2007					
Borrowings	3,281,334	6,563,320	400,000	1,200,000	11,444,654
Derivative financial instrument	—	157,877	—	—	157,877
Trade and other payables	4,583,643	—	—	—	4,583,643
	7,864,977	6,721,197	400,000	1,200,000	16,186,174
Company					
At 31 December 2008					
Borrowings	722,144	1,474,565	—	—	2,196,709
Derivative financial instrument	1,458	—	—	—	1,458
Trade and other payables	357,523	—	—	—	357,523
	1,081,125	1,474,565	—	—	2,555,690
At 31 December 2007					
Borrowings	—	1,563,320	—	—	1,563,320
Derivative financial instrument	—	157,877	—	—	157,877
Trade and other payables	107,607	—	—	—	107,607
	107,607	1,721,197	—	—	1,828,804

4 Financial risk management *(Continued)*

4.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net 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. Net capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Total borrowings (Note 27)	**14,743,577**	11,284,111
Less: cash and cash equivalents (Note 23)	**(8,026,677)**	(8,468,815)
Net debt	**6,716,900**	2,815,296
Net equity	**17,783,109**	16,878,319
Net capital	**24,500,009**	19,693,615
Gearing ratio	**27%**	14%

The increase in the gearing ratio during 2008 resulted primarily from the increase of total borrowings.

4.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes references 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 carrying values less impairment provisions of trade and other receivables and the carrying values of trade and other payables approximate their fair values due to their short maturities. The fair 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.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are 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 actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair values of investment properties owned by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2008. In making its judgement, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) Estimate of fair value of convertible bonds

The fair values of convertible bonds issued by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2008. The valuation is performed on the basis of open market value of the Group's listed shares, as well as discounted cash flow valuation techniques for the straight bond portion of the financial instrument. The assumptions used are mainly based on market conditions existing at each balance sheet date.

(c) Estimate of fair value of notes receivables

The fair values of notes receivables subscribed by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2008. The valuation is performed on the basis of open market value of the issuer upon reaching an IPO condition, as well as discounted cash flow valuation techniques for the straight bond portion of the financial instrument. The assumptions used are mainly based on market conditions existing at each balance sheet date.

(d) Estimate of fair value of employee share options

Up till 31 December 2008, fair value of employee share options issued by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

Notes to the Consolidated Financial Statements

5 Critical accounting estimates and judgements *(Continued)*

(e) Income taxes and land appreciation tax ("LAT")

The Group is primarily subjected to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognized LAT 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 consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(f) Deferred tax

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

(g) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.20. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the purchaser.

As disclosed in Note 40, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

5 Critical accounting estimates and judgements *(Continued)*

(h) Estimated impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.7. Assets are reviewed for impairment annually whenever events or changes in circumstances that the carrying amount of the assets exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates.

(i) Estimations for properties total construction costs

The Group makes estimates on properties construction costs upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management and will be assessed periodically, as well as actual situation of the construction progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

6 Segment information

In accordance with its internal financial reporting the Group has determined that business segments should be presented as the primary reporting format. The Group has categorised its businesses into the following segments:

Property development:	Development of residential, commercial properties and other properties.
Property investment:	Leasing of investment properties to generate rental income and to gain from the appreciation in the properties' values in the long term.
Others:	Provision of hotel operation, property management, property sales agency and others.

As less than 10% of the Group's revenue and results are attributable to the market outside the PRC and less than 10% of the Group's assets are located outside the PRC, no geographical segment information is presented.

Notes to the Consolidated Financial Statements

6 Segment information *(Continued)*

Primary reporting format – business segments

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

	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	5,834,342	125,939	933,423	6,893,704
Inter-segment revenue	—	(4,003)	(402,321)	(406,324)
Revenue	5,834,342	121,936	531,102	6,487,380
Segment result	2,535,647	100,577	(5,235)	2,630,989
Unallocated				(139,890)
Operating profit				2,491,099
Fair value gain on convertible bonds (Note 28)	75,822	—	—	75,822
Fair value loss on notes receivables (Note 28)	(19,365)	—	—	(19,365)
Finance costs (Note 35)				(161,178)
Share of loss of a jointly controlled entity (Note 12)	(54)	—	—	(54)
Share of loss of an associate (Note 13)	(2,430)	—	—	(2,430)
Profit before income tax				2,383,894
Income tax expense (Note 36)				(939,308)
Profit for the year				1,444,586
Segment assets	36,951,580	2,374,767	3,518,712	42,845,059
An associate (Note 13)	310,796	—	—	310,796
Deferred income tax assets (Note 29)				111,777
Total assets				43,267,632
Segment liabilities	10,334,856	62,484	262,373	10,659,713
Deferred income tax liabilities (Note 29)				790,038
Unallocated				14,034,772
Total liabilities				25,484,523
Other segment items				
Depreciation	11,062	332	6,960	18,354
Amortization of land use rights	4,750	—	536	5,286
Provision for impairment of trade and other receivables	—	—	(399)	(399)
Capital expenditure	14,995	36	16,846	31,877

Notes to the Consolidated Financial Statements

6 Segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

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

	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	5,433,299	71,346	318,913	5,823,558
Inter-segment revenue	(2,256)	—	(71,256)	(73,512)
Revenue	5,431,043	71,346	247,657	5,750,046
Segment result	1,841,036	54,862	14,806	1,910,704
Gain on disposal of a jointly controlled entity	909,690	—	—	909,690
Fair value gain on investment properties (Note 9)	—	418,277	—	418,277
Unallocated				(103,874)
Operating profit				3,134,797
Fair value loss on convertible bonds (Note 28)	(49,410)	—	—	(49,410)
Finance costs (Note 35)				(213,940)
Share of loss of a jointly controlled entity (Note 12)	(24,768)	—	—	(24,768)
Share of profits of associates (Note 13)	1,195	—	8,700	9,895
Profit before income tax				2,856,574
Income tax expense (Note 36)				(1,064,762)
Profit for the year				1,791,812
Segment assets	33,778,543	2,034,728	1,523,570	37,336,841
A jointly controlled entity (Note 12)	54	—	—	54
Associates (Note 13)	313,226	—	13,830	327,056
Deferred income tax assets (Note 29)				101,942
Total assets				37,765,893
Segment liabilities	9,930,229	37,464	107,364	10,075,057
Deferred income tax liabilities (Note 29)				773,306
Unallocated				10,039,211
Total liabilities				20,887,574
Other segment items				
Depreciation	7,120	178	5,614	12,912
Amortization of land use rights	9,626	—	584	10,210
Provision for impairment of trade and other receivables	—	—	421	421
Capital expenditure	779,452	36	2,441	781,929

Notes to the Consolidated Financial Statements

6 Segment information *(Continued)*

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

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

Segment liabilities comprise of operating liabilities. Unallocated liabilities comprise of corporate borrowings.

Capital expenditure comprises of additions to property, plant and equipment (Note 7), land use rights (Note 8) and goodwill (Note 10).

7 Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Hotel property RMB'000	Machineries RMB'000	Vehicles RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Total RMB'000
Year ended 31 December 2008							
Opening net book amount	83,900	170,855	683	20,417	16,724	—	292,579
Reclassification	—	—	(98)	(648)	(9,642)	10,388	—
Net book amount as at 1 January 2008	83,900	170,855	585	19,769	7,082	10,388	292,579
Additions	—	5,568	863	5,042	6,619	8,909	27,001
Disposals	(6,094)	—	(7)	(2,002)	(366)	(469)	(8,938)
Transfer from completed property held for sale	7,825	—	—	—	—	—	7,825
Acquisition of a subsidiary (Note 42)	3,035	—	—	1,325	—	516	4,876
Depreciation	(1,766)	(3,934)	(397)	(3,816)	(2,594)	(5,847)	(18,354)
Closing net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989
At 31 December 2008							
Cost	90,536	193,820	3,847	34,348	15,082	27,395	365,028
Accumulated depreciation	(3,636)	(21,331)	(2,803)	(14,030)	(4,341)	(13,898)	(60,039)
Net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989

Notes to the Consolidated Financial Statements

7 Property, plant and equipment *(Continued)*

	Buildings and leasehold improve-ments RMB'000	Hotel property RMB'000	Machineries RMB'000	Vehicles RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2007						
Cost	59,581	188,252	2,657	28,911	26,067	305,468
Accumulated depreciation	(3,740)	(13,637)	(2,040)	(9,752)	(10,462)	(39,631)
Net book amount	55,841	174,615	617	19,159	15,605	265,837
Year ended 31 December 2007						
Opening net book amount	55,841	174,615	617	19,159	15,605	265,837
Additions	31,247	—	422	4,501	5,939	42,109
Disposals	(1,491)	—	—	(594)	(508)	(2,593)
Acquisition of a subsidiary	—	—	—	1,516	229	1,745
Disposal and deemed disposal of subsidiaries	—	—	—	(1,116)	(491)	(1,607)
Depreciation charge	(1,697)	(3,760)	(356)	(3,049)	(4,050)	(12,912)
Closing net book amount	83,900	170,855	683	20,417	16,724	292,579
At 31 December 2007						
Cost	85,701	188,252	3,079	32,622	29,174	338,828
Accumulated depreciation	(1,801)	(17,397)	(2,396)	(12,205)	(12,450)	(46,249)
Net book amount	83,900	170,855	683	20,417	16,724	292,579

Depreciation charge of RMB18,354,000 and RMB12,912,000 for the years ended 31 December 2008 and 2007 were included in the cost of sales and administrative expenses respectively in the consolidated income statement.

As at 31 December 2008 and 2007, hotel property of the Group with the carrying values of RMB172,489,000 and RMB 170,855,000 respectively, as well as buildings with the carrying values of RMB76,496,000 and RMB 78,130,000 respectively, were pledged for the Group's borrowings (Note 27).

Notes to the Consolidated Financial Statements

8 Land use rights

Land use rights represent the Group's interest in lands in the PRC which are held on leases of less than 50 years. The movements are as follows:

	Year ended 31 December	
	2008 **RMB'000**	2007 RMB'000
At beginning of the year	**36,947**	37,674
Transfer from completed properties held for sale	**679**	—
Amortization charge	**(668)**	(727)
At end of the year	**36,958**	36,947

As at 31 December 2008 and 2007, land use right of the Group with carrying values of RMB 36,285,000 and RMB 36,947,000 respectively were pledged as collateral for the Group's borrowings (Note 27).

9 Investment properties

	Year ended 31 December	
	2008 **RMB'000**	2007 RMB'000
At beginning of the year	**1,984,000**	1,526,000
Transfer from completed properties held for sale	**—**	39,723
Fair value gains	**—**	418,277
At end of the year	**1,984,000**	1,984,000

The fair value of the Group's investment properties at 31 December 2008 and 2007 were valued by DTZ Debenham Tie Leung Limited, the independent and professionally qualified valuers. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties 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.

The Group's interests in investment properties at their fair values are analyzed as follows:

	As at 31 December	
	2008 **RMB'000**	2007 RMB'000
In the PRC, held on leases of less than 50 years	**1,984,000**	1,984,000

9 Investment properties *(Continued)*

As at 31 December 2008 and 2007, investment properties of the Group with carrying values of RMB1,260,000,000 and RMB1,260,000,000 respectively were pledged as collateral for the Group's borrowings (Note 27).

The following amounts in relation to investment properties have been recognized in the income statement:

	Year ended 31 December	
	2008 **RMB'000**	2007 RMB'000
Rental income	**121,936**	71,346
Direct operating expenses arising from investment properties that generate rental income	**30,059**	23,987
Direct operating expenses that did not generate rental income	**1,932**	1,984

10 Goodwill

	RMB'000
At 1 January 2007	
Cost and net book amount	16,976
Year ended 31 December 2007	
Opening net book amount	16,976
Acquisition of a subsidiary	96,475
Acquisition of additional interests in a subsidiary from other investor *(a)*	643,345
Closing net book amount	756,796
At 31 December 2007	
Cost and net book amount	756,796
Year ended 31 December 2008	
Opening net book amount	756,796
Impairment charged to cost of sales	(22,227)
Closing net book amount	734,569
At 31 December 2008	
Cost	756,796
Impairment charged to cost of sales	(22,227)
Net book amount	734,569

10 Goodwill *(Continued)*

(a) In 2007, the Group acquired 59.75% interest in Sino-Ocean Land (Zhongshan) Limited ("Zhongshan") from other investor. No fair value adjustment was considered necessary in this scenario as the Group obtained control of Zhongshan since its incorporation. The difference between the consideration paid and the net asset value of such 59.75% was accounted for as goodwill.

Goodwill is allocated to the Group's cash generating units identified according to business segment as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Property development	**721,234**	743,461
Others	**13,335**	13,335
	734,569	756,796

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the various estimated rates.

Key assumptions and considerations used for the value-in-use calculations included gross margin of the property development industry, its estimated growth rates, as well as average market discount rates.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

11 Investments in subsidiaries

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Investments in unlisted shares, at cost	**3,407,371**	3,407,371
Amounts due from subsidiaries	**14,060,108**	13,038,949
Amounts due to subsidiaries	**(14,870)**	(7,249)

Amounts due with subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2008 which materially affect the results or assets of the Group:

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	The PRC	Wholly foreign owned enterprise	RMB 5,100,000	**100% (a)**	Land and property development
(2)	北京德年投資管理咨詢有限公司	The PRC	Limited liability company	RMB 675,000	**100%**	Consultant service
(3)	北京卓萬創業投資管理有限公司	The PRC	Limited liability company	RMB 663,261	**100%**	Consultant service
(4)	Beijing Zhonglian Property Real Estate Development Company Limited 北京中聯置地房地產開發有限公司	The PRC	Limited liability company	RMB 560,000	**100%**	Land and property development
(5)	北京萬洋世紀創業投資管理有限公司	The PRC	Limited liability company	RMB 341,000	**100%**	Consultant service
(6)	北京碧城創業投資管理有限公司	The PRC	Limited liability company	RMB 336,000	**100%**	Consultant service
(7)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	The PRC	Sino-foreign equity joint venture	USD 30,000	**70%**	Investment property

11 Investments in subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(8)	Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB 219,000	**100%**	Property development
(9)	北京濤力投資管理有限公司	The PRC	Limited liability company	RMB 207,736	**100%**	Consultant service
(10)	Beijing Wuhe Read Estate Development Company, Limited 北京五河房地產開發有限公司	The PRC	Limited liability company	RMB 100,000	**75%**	Land development
(11)	Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	The PRC	Sino-foreign cooperative joint venture	USD 12,370	**85.72% (a)**	Property development
(12)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	The PRC	Limited liability company	RMB 75,000	**100%**	Land and property development
(13)	Beijing Long Ze Yuan Property Company, Limited 北京龍澤源置業有限公司	The PRC	Limited liability company	RMB 60,000	**80% (a)**	Property development
(14)	Beijing Yuan-lin Land Development Company, Limited 北京遠麟置業有限公司	The PRC	Limited liability company	RMB 50,000	**100%**	Property development
(15)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	The PRC	Limited liability company	RMB 50,000	**100%**	Property development

11 Investments in subsidiaries *(Continued)*

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(16) Beijing Sino-Ocean Grand Architectural Decoration Engineering Co.,Ltd. 北京遠洋中廣建築裝飾工程有限公司	The PRC	Limited liability company	RMB 50,000	**97%**	Renovation services
(17) Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	**90%**	Property development
(18) Beijing Silver Sail Real Estate Development Company Limited 北京銀帆基業房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	**70%**	Property development
(19) Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	**100%**	Property development
(20) Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	**100%**	Property development
(21) COSCO Hotel & Property Management Co., Limited 中遠酒店物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB 12,667	**98.34%**	Hotel and property management
(22) Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	The PRC	Limited liability company	RMB 10,000	**100%**	Land development
(23) Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	The PRC	Limited liability company	RMB 10,000	**80%**	Land and property development

11 Investments in subsidiaries *(Continued)*

	Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(24)	Best Western Premier Beijing Hotel Limited 北京世紀遠洋賓館有限公司	The PRC	Limited liability company	RMB 10,000	**99.34% (a)**	Hotel operation
(25)	Beijing Sino-Ocean Property Management Company, Limited 北京遠洋基業物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB 8,800	**100%**	Property management
(26)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB 600,000	**97.05% (a)**	Property development
(27)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司	The PRC	Limited liability company	RMB 420,000	**100% (a)**	Land and property development
(28)	Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	The PRC	Limited liability company	RMB 400,000	**96.99%**	Property development
(29)	天津盛曼投資管理有限公司	The PRC	Limited liability company	RMB 200,000	**100%**	Consultant service
(30)	天津澤緯世紀投資有限公司	The PRC	Limited liability company	RMB 200,000	**100%**	Consultant service
(31)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	The PRC	Sino-foreign equity joint venture	RMB 170,000	**94.1%**	Investment holding
(32)	杭州遠洋天祺置業有限公司	The PRC	Sino-foreign equity joint venture	USD 48,200	**70%**	Preparation for property development
(33)	杭州遠洋運河商務區開發有限公司	The PRC	Sino-foreign equity joint venture	USD 39,220	**70%**	Preparation for property development

Notes to the Consolidated Financial Statements

11 Investments in subsidiaries *(Continued)*

Name		Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(34)	杭州德洋投資管理有限公司	The PRC	Wholly foreign owned enterprise	USD 29,600	**100%**	Consultant service
(35)	Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	The PRC	Limited liability company	RMB 100,000	**70%**	Property development
(36)	杭州遠洋新河酒店置業有限公司	The PRC	Sino-foreign equity joint venture	USD 7,307	**70%**	Preparation for property development
(37)	Shining (DL) Real Estate Co., Ltd. 勳業(大連)置業有限公司	The PRC	Sino-foreign equity joint venture	USD 90,000	**100%**	Property development
(38)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	The PRC	Sino-foreign equity joint venture	USD 80,000	**51%**	Land and property development
(39)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	The PRC	Sino-foreign equity joint venture	USD 76,860	**51%**	Land and property development
(40)	大連元天投資管理咨詢有限公司	The PRC	Wholly foreign owned enterprise	USD 15,000	**100%**	Consultant service
(41)	Sino-Ocean Land (Zhong Shan) Development Co., Limited 遠洋地產(中山)開發有限公司	The PRC	Sino-foreign cooperative joint venture	RMB 715,640	**100% (a)**	Property development
(42)	Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	The PRC	Sino-foreign equity joint venture	RMB 582,830	**100% (a)**	Property development
(43)	Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	The PRC	Sino-foreign equity joint venture	RMB 459,240	**100% (a)**	Property development

Notes to the Consolidated Financial Statements

11 Investments in subsidiaries *(Continued)*

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(44) Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong	Limited company	HKD 20	**100%**	Investment holding
(45) Tak Shing International Investment Limited 德盛國際投資有限公司	Hong Kong	Limited company	HKD 10	**100%**	Investment holding
(46) Sino-Ocean Land (Zhong Shan) Limited 遠洋地產(中山)有限公司	Hong Kong	Limited company	HKD 10	**100%**	Investment holding
(47) Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited company	HKD 10	**100%**	Investment holding
(48) Mission Success Limited 穎博有限公司	Hong Kong	Limited company	HKD —	**100%**	Investment holding
(49) Dynamic Class Limited 昇能有限公司	Hong Kong	Limited company	HKD —	**100%**	Investment holding
(50) Moral Wealth International Limited 德發國際有限公司	Hong Kong	Limited company	HKD —	**100%**	Investment holding
(51) Techson International Investment Limited 德信國際投資有限公司	Hong Kong	Limited company	HKD —	**100%**	Investment holding
(52) Sino-Ocean Land Capital Investment Ltd 遠洋地產資本投資有限公司	BVI	Limited company	USD 50	**100%**	Investment holding
(53) Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited company	USD 10	**100%**	Investment holding

Notes to the Consolidated Financial Statements

11 Investments in subsidiaries *(Continued)*

Name		Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Principal activities
(54)	Mega Precise Profits Limited	BVI	Limited company	USD –	**100%**	Investment holding
(55)	Smart State Properties Limited	BVI	Limited company	USD –	**100%**	Investment holding
(56)	Wonderland Capital Inc.	BVI	Limited company	USD –	**100%**	Investment holding
(57)	Moral Known Limited 德曉有限公司	BVI	Limited company	USD –	**100%**	Investment holding
(58)	Shining Chinahome International Holding Company, Limited 勳業華居國際控股有限公司	BVI	Limited company	USD –	**100%**	Investment holding

(a) Part of the interest in these companies were pledged as collateral for the Group's borrowings (Note 27).

Notes to the Consolidated Financial Statements

12 Interest in a jointly controlled entity

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
At beginning of the year	**54**	44,078
Share of results of a jointly controlled entity	**(54)**	(24,768)
Reclassification		
– from other assets and liabilities when a subsidiary became a jointly controlled entity	**—**	24,822
Disposal of a jointly controlled entity	**—**	(44,078)
At end of the year	**—**	54

The following is a list of the jointly controlled entity at 31 December 2008 and 2007, which is established and operates in the PRC:

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Effective interest held as at 31 December 2007	Principal activities
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	The PRC	Limited liability company	RMB 50,000	**50%**	50%	Land and property development

The Group's share of the assets and liabilities, revenues and results of the jointly controlled entity are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Loss RMB'000	% interest held
2008					
Beijing Linlian Property Company Limited	**428,970**	**406,719**	**—**	**(1,646)**	**50%**
2007					
Beijing Linlian Property Company Limited	320,053	295,305	—	(24,768)	50%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the jointly controlled entity.

Notes to the Consolidated Financial Statements

13 Interests in associates

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2007 RMB'000
At beginning of the year	**327,056**	7,058
Share of results of associates	**(2,430)**	9,895
Reclassification		
– from other assets and liabilities when a subsidiary became an associate	**—**	312,005
– from other assets and liabilities when an associate became a subsidiary (Note 42)	**(6,000)**	—
Dividend received	**(7,830)**	(1,902)
At end of the year	**310,796**	327,056

The following is a list of associates at 31 December 2008 and 2007, which are established and operate in the PRC:

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2008	Effective interest held as at 31 December 2007	Principal activities
Beijing Sino-Ocean Grand Architectural Decoration Engineering Company Limited (originally named "Beijing COSCO and Guangtian Decorate Engineering Company Limited") 北京遠洋中廣建築裝飾工程有限公司（原「北京中遠廣田裝飾工程有限公司」）	The PRC	Limited liability company	RMB 50,000	**97%**	40%	Renovation services
Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	The PRC	Limited liability company	RMB 680,850	**47%**	47%	Land development

Notes to the Consolidated Financial Statements

13 Interests in associates *(Continued)*

The Group's share of the assets and liabilities, revenues and results of associates are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	(Loss)/ profits RMB'000	% interest held
2008					
Beijing Central Business District Development and Construction Company Limited	**590,753**	**268,626**	**132**	**(2,430)**	**47%**
2007					
Beijing COSCO and Guangtian Decorate Engineering Company Limited	66,624	52,794	184,439	8,700	40%
Beijing Central Business District Development and Construction Company Limited	607,422	282,865	—	1,195	47%
	674,046	335,659	184,439	9,895	

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(a) Group

	Loans and receivable RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets			
As at 31 December 2008			
Available-for-sale financial assets (Note 16)	**—**	**426,715**	**426,715**
Trade receivables (Note 20)	**187,120**	**—**	**187,120**
Restricted bank deposits (Note 22)	**810,006**	**—**	**810,006**
Cash and cash equivalents (Note 23)	**8,026,677**	**—**	**8,026,677**
	9,023,803	**426,715**	**9,450,518**
As at 31 December 2007			
Available-for-sale financial assets (Note 16)	—	67,487	67,487
Trade receivables (Note 20)	50,930	—	50,930
Restricted bank deposits (Note 22)	879,632	—	879,632
Cash and cash equivalents (Note 23)	8,468,815	—	8,468,815
	9,399,377	67,487	9,466,864

	Liabilities at fair value through the profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities			
As at 31 December 2008			
Borrowings (Note 27)	**710,262**	**14,033,315**	**14,743,577**
Derivative financial instrument (Note 28)	**1,458**	**—**	**1,458**
	711,720	**14,033,315**	**14,745,035**
As at 31 December 2007			
Borrowings (Note 27)	1,402,777	9,881,334	11,284,111
Derivative financial instrument (Note 28)	157,877	—	157,877
Preference shares of a subsidiary (Note 26)	—	144,796	144,796
	1,560,654	10,026,130	11,586,784

14 Financial instruments by category *(Continued)*

(b) Company

	Loans and receivables RMB'000
Assets	
As at 31 December 2008	
Amounts due from subsidiaries (Note 11)	**14,060,108**
Cash and cash equivalents (Note 23)	**41,001**
	14,101,109
As at 31 December 2007	
Amounts due from subsidiaries (Note 11)	13,038,949
Cash and cash equivalents (Note 23)	72,612
	13,111,561

	Liabilities at fair value through the profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities			
As at 31 December 2008			
Amounts due to subsidiaries (Note 11)	**—**	**14,870**	**14,870**
Borrowings (Note 27)	**710,262**	**1,474,565**	**2,184,827**
Derivative financial instrument (Note 28)	**1,458**	**—**	**1,458**
	711,720	**1,489,435**	**2,201,155**
As at 31 December 2007			
Amounts due to subsidiaries (Note 11)	—	7,249	7,249
Borrowings (Note 27)	1,402,777	—	1,402,777
Derivative financial instrument (Note 28)	157,877	—	157,877
	1,560,654	7,249	1,567,903

Notes to the Consolidated Financial Statements

15 Credit quality of financial assets

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Trade receivables		
Counterparties without external credit rating	**192,141**	53,376
Trade receivables that are neither past due nor impaired	**178,047**	40,590

All bank deposits are with reputable corporate and investment banks. None of the bank deposits is considered as exposure to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2008 (2007: nil).

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

16 Available-for-sale financial assets

On 31 March 2008, SOL Investment Fund Limited ("SOL Fund"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. An initial investment amount of HKD780,000,000 was placed into SOL Fund. On 5 May 2008, HKD348,953,000 of investment units was disposed.

Available-for-sale financial assets of the Group also include certain unlisted equity securities, all denominated in RMB. The fair values of unlisted securities are based on the net asset values of respective securities.

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
At beginning of the year	**67,487**	53,563
Addition	**687,883**	—
Disposal	**(307,745)**	—
Revaluation (losses)/surplus	**(20,910)**	13,924
At end of the year	**426,715**	67,487

17 Properties under development

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
At beginning of year	**13,002,533**	6,792,663
Additions	**6,479,227**	6,277,094
Transfer from land under development	**1,507,737**	701,194
Transfer from deposits for land use rights	**3,036,010**	200,000
Acquisition of subsidiaries	**—**	3,282,923
Disposal of a subsidiary	**—**	(509,837)
Transfer to completed properties held for sale	**(5,581,629)**	(3,741,504)
At end of year	**18,443,878**	13,002,533
Properties under development comprises:		
Land use rights	**6,591,275**	3,973,554
Construction costs and capitalized expenditure	**10,672,866**	8,455,371
Interest capitalized	**1,179,737**	573,608
	18,443,878	13,002,533

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
In the PRC held on:		
Leases of over 50 years	**4,655,820**	2,993,044
Leases within 50 years	**1,935,455**	980,510
At end of the year	**6,591,275**	3,973,554

The properties under development are all located in the PRC.

As at 31 December 2008 and 2007, properties under development of approximately RMB1,467,719,000 and RMB3,635,090,000 (Note 27) respectively were pledged as collateral for the Group's borrowings.

18 Land under development

Land under development refers to primary land development projects. No land use rights certificates were obtained for these projects, and the Group generally receives an agreed amount as compensation. Main activities for primary land development projects included dismantling and land leveling works.

19 Deposits for land use rights

	As at 31 December	
	2008 **RMB'000**	2007 RMB'000
Deposits to local land authorities *(a)*	**2,525,086**	3,410,634
Deposits to third parties *(b)*	**1,541,473**	2,169,137
	4,066,559	5,579,771

(a) Deposits of approximately RMB2,525,086,000 and RMB3,410,634,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2008 and 2007 respectively.

(b) Deposits of approximately RMB1,541,473,000 and RMB 2,169,137,000 are paid to third parties for the transfers of land use rights as at 31 December 2008 and 2007 respectively. Such lands are acquired with the intention of project developments.

20 Trade and other receivables

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Trade receivables	**145,917**	53,376
Amounts due from customers for contract work	**46,224**	—
Less: provision for impairment of receivables	**(5,021)**	(2,446)
Trade receivables – net *(a)*	**187,120**	50,930
Prepayments for acquisition *(b)*	**—**	315,400
Prepaid tax – income tax	**166,642**	52,035
Prepaid tax – others	**198,446**	149,780
Entrusted loan to third parties *(c)*	**160,100**	130,000
Entrusted loan to a jointly controlled entity *(d)*	**267,190**	545,400
Entrusted loan to an associate *(d)*	**268,478**	5,000
Notes receivables (Note 28(a))	**187,483**	—
Other prepayments	**46,106**	97,635
Other receivables	**358,493**	191,269
	1,840,058	1,537,449
Less: non-current portion	**(250,731)**	(602,920)
Current portion	**1,589,327**	934,529

(a) Ageing analysis of trade receivables and amounts due from customers for contract work at the respective balance sheet dates are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Less than 6 months	**103,889**	35,247
6 months to 1 year	**80,504**	14,012
1 year to 2 years	**2,284**	1,144
2 years to 3 years	**443**	527
	187,120	50,930

As at 31 December 2008, trade receivables of RMB14,094,000 (2007: RMB12,786,000) were considered as past due. Included in these balances, RMB7,793,000 (2007: RMB8,706,000) are not considered as impaired. Balances not impaired represent receivables from sales of properties. These relate to a number of independent customers for whom there is no recent history of default. All of these receivables are overdue for less than six months.

As at 31 December 2008, trade receivables of RMB6,301,000 (2007: RMB4,080,000) were impaired. The amount of the provision was RMB5,021,000 as at 31 December 2008 (2007: RMB2,446,000). The individually impaired receivables mainly relate to receivables of property management fees. It was assessed that a portion of the receivables is expected to be recovered.

20 Trade and other receivables *(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
At 1 January	**(2,446)**	(2,025)
Acquisition of a subsidiary	**(2,974)**	—
Provision for receivable impairment	**(48)**	(421)
Unused amounts reversed	**447**	—
At 31 December	**(5,021)**	(2,446)

(b) Prepayments for acquisition as at 31 December 2007 represent deposit payments made to third parties for the acquisition of 100% interest in Qingdao Yizhong Real Estate Development Company Limited ("Qingdao Yizhong") as announced by the Group on 26 October 2007. Included in the prepayments is an amount of RMB104,500,000 to the vendors as part of the consideration for the acquisition. Remaining balance represents loans to Qingdao Yizhong. The acquisition ceased on 23 January 2008, and the payments were subsequently recovered in January 2008.

(c) Entrusted loan amounting to RMB130,000,000 represents amounts lent to Tianjin Milan Real Estate Co., Ltd., the original shareholder of Tianjin Pulida Real Estate Construction and Development Co., Ltd. The balance is secured by certain land use rights, interest bearing at 8.82%.

Entrust loan amounting to RMB30,100,000 represents amounts to Beijing Forth Construction & Engineering Co., Ltd., which is unsecured and interest bearing at 7.23%.

(d) Entrusted loans to a jointly controlled entity and an associate are unsecured, interest bearing at rates ranging from 5.58% to 8.22% (2007: 6.73% to 7.29%) and are repayable before 30 April 2009.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are denominated in RMB and USD.

21 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2008 and 2007 respectively.

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Completed properties held for sale comprised of:		
Land use rights	**539,318**	168,301
Construction costs and capitalized expenditure	**3,479,706**	1,509,420
Interest capitalized	**223,514**	56,959
	4,242,538	1,734,680

As at 31 December 2008 and 2007, completed properties held for sales of approximately nil and RMB408,240,000 respectively were pledged as collateral for the Group's borrowings (Note 27).

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**216,241**	103,011
Leases within 50 years	**323,077**	65,290
At end of the year	**539,318**	168,301

22 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balance also includes guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

Included within restricted bank deposits as at 31 December 2007 was a balance of RMB600,000,000, being deposits placed in a restricted bank account as required by a local land department, for the participation of an open market bidding process of a piece of land. Such restricted deposits are subsequently released in January 2008.

23 Cash and cash equivalents

	As at 31 December			
	Group		Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Cash at bank and in hand	**4,840,548**	8,178,353	**1,611**	72,612
Short-term bank deposits	**3,186,129**	290,462	**39,390**	—
Cash and cash equivalents	**8,026,677**	8,468,815	**41,001**	72,612
Denominated in:				
– RMB	**7,344,056**	3,944,983	**—**	35
– HKD	**31,943**	2,895,824	**15,604**	68,969
– USD	**650,655**	1,628,008	**25,374**	3,608
– GBP	**23**	—	**23**	—
	8,026,677	8,468,815	**41,001**	72,612

The effective interest rates on short-term bank deposits were from 0.01% to 3.60 % and 1.71% per annum for the years ended 31 December 2008 and 2007.

The Group's cash and cash equivalents denominated in RMB, HKD and USD are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

24 Share capital and premium

		Number of ordinary shares	Nominal value of ordinary shares HK $'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorized:						
Ordinary share of HKD0.8 each upon incorporation		12,000	10	10	—	10
Increase in authorized share capital		9,999,988,000	7,999,990	7,759,991	—	7,759,991
	(a)	10,000,000,000	8,000,000	7,760,001	—	7,760,001
Issued and fully paid:						
At 12 March 2007 (date of incorporation)						
Issue of ordinary shares of HKD0.8		1	—	—	—	—
Issue of shares arising from re-organization	*(b)*	2,969,999,999	2,475,000	2,400,750	1,006,243	3,406,993
Effect of stock split and re-designation	*(c)*	—	(99,000)	(96,030)	96,030	—
Issue of shares in connection with the listing	*(d)*	1,505,540,000	1,204,432	1,166,302	10,059,351	11,225,653
Listing expenses		—	—	—	(441,626)	(441,626)
At 31 December 2007		4,475,540,000	3,580,432	3,471,022	10,719,998	14,191,020
Share buybacks		(6,953,000)	(5,562)	(4,898)	—	(4,898)
At 31 December 2008		**4,468,587,000**	**3,574,870**	**3,466,124**	**10,719,998**	**14,186,122**

24 Share capital and premium *(Continued)*

(a) On 12 March 2007 (date of incorporation of the Company), the authorized share capital of the Company was HKD10,000 divided into 10,000 ordinary shares of HKD1.00 each.

On 7 June 2007, shareholders' resolutions were passed to approve, inter alia, the increase of the authorized share capital of the Company from HKD10,000 to HKD5,000,000,000 by the creation of 4,999,990,000 new ordinary shares of HKD1.00 each.

On 31 August 2007, shareholders' resolutions were passed to approve, inter alia, the following:

(i) a share capital adjustment (the "Capital Adjustment") whereby every ordinary share of HKD1.00 each in the share capital of the Company was sub-divided into six sub-divided shares of HKD1/6 each (the "Sub-divided Shares") and every five Sub-divided Shares were consolidated into one consolidated share of HKD5/6 each.

Following such Capital Adjustment, the authorized share capital of the Company was altered from HKD5,000,000,000 divided into 5,000,000,000 ordinary shares of HKD1.00 each to HKD5,000,000,000 divided into 6,000,000,000 ordinary shares of HKD5/6 each (each a "New Share");

(ii) upon the Capital Adjustment taking effect and subject to the registration of certain stipulated documents, the nominal value of each New Share be re-designated (the "Re-designation") from HKD5/6 each to HKD0.80 each, resulting in a reduction of the authorized share capital of the Company from HKD5,000,000,000 divided into 6,000,000,000 ordinary shares of HKD5/6 each to HKD4,800,000,000 divided into 6,000,000,000 ordinary shares of HKD0.80 each.

(iii) subject to the passing of the resolutions relating to the Capital Adjustment and Re-designation, the authorized share capital of the Company was increased from HKD4,800,000,000 divided into 6,000,000,000 ordinary shares of HKD0.80 each to HKD8,000,000,000 divided into 10,000,000,000 ordinary shares of HKD0.80 each by the creation of 4,000,000,000 ordinary shares of HKD0.80 each.

(b) On 15 May 2007, the Company entered into a share exchange agreement (the "Listco share exchange Agreement") with the then shareholders of the Group. Pursuant to the Listco share exchange Agreement, on 7 June 2007, the Company acquired the entire issued capital of Shine Wind Development Limited, the then holding company of the Group from the then shareholders. The consideration of which was satisfied by the issue and allotment of 2,474,999,999 shares to the then shareholders of Shine Wind Development Limited, credited as fully paid.

Pursuant to the Capital Adjustment as described in above Note (a), the issued share capital of our such transaction was altered from HKD2,474,999,999 divided into 2,474,999,999 ordinary shares of HKD1.00 each to HKD2,475,000,000 divided into 2,969,999,999 ordinary shares of HKD5/6 each.

(c) Pursuant to the re-designation as described in Note (a), a reduction of the issued share capital of the Company from HKD2,475,000,000 divided into 2,970,000,000 ordinary shares of HKD5/6 each to HKD2,376,000,000 divided into 2,970,000,000 ordinary shares of HKD0.80 each by crediting the HKD99,000,000 arising from the reduction to the share premium account of the Company.

(d) On 28 September 2007, the Company issued 1,272,860,000 ordinary shares of HKD0.80 each at HKD7.70 per share in connection with the listing, and raised gross proceeds of approximately HKD9,801,022,000. Besides on 4 October 2007, pursuant to the exercise of the over-allotment option, additional 232,680,000 ordinary shares of HKD0.80 each were issued at HKD7.70 per share and raised gross proceeds of HKD1,791,636,000.

24 Share capital and premium *(Continued)*

Share options are granted to several directors and to selected employees. The exercise price equals to HKD7.70 for the options that were granted on 28 September 2007 and 24 January 2008, and the exercise price of the options granted on 19 September 2008 equals to HKD2.55, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share HKD	Options (thousands) HKD
At 1 January 2008	**7.70**	**69,820**
Granted during the year	**3.80**	**44,750**
Lapsed during the year	**7.61**	**(2,990)**
At 31 December 2008	**6.14**	**111,580**

Out of the 111,580,000 outstanding options (2007: 69,820,000), 26,972,000 (2007: nil) were exercisable as at 31 December 2008.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
27 September 2012	**7.70**	**67,430**
24 January 2013	**7.70**	**10,310**
19 September 2013	**2.55**	**33,840**
		111,580

The weighted average fair value of options granted during the year determined using the binomial lattice model was 1.50 HK dollars per option (2007: 2.99 HK dollars). Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

Notes to the Consolidated Financial Statements

25 Reserves

(a) Group

	Capital redemption reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Total RMB'000
At 1 January 2007	—	242,816	252,021	160	4,160	—	499,157
Fair value gain on available-for-sale financial assets	—	—	—	—	13,924	—	13,924
Employee share option	—	—	—	—	—	27,925	27,925
Transfer from retained earnings	—	—	66,111	—	—	—	66,111
Shareholders' contribution (Note 24)	—	(1,006,243)	—	—	—	—	(1,006,243)
At 31 December 2007	—	(763,427)	318,132	160	18,084	27,925	(399,126)
At 1 January 2008	**—**	**(763,427)**	**318,132**	**160**	**18,084**	**27,925**	**(399,126)**
Share buyback	**4,898**	**—**	**—**	**—**	**—**	**—**	**4,898**
Currency translation difference	**—**	**—**	**—**	**(8,621)**	**—**	**—**	**(8,621)**
Fair value loss on available-for-sale financial assets	**—**	**—**	**—**	**—**	**(20,910)**	**—**	**(20,910)**
Employee share option	**—**	**—**	**—**	**—**	**—**	**110,814**	**110,814**
Transfer from retained earnings	**—**	**—**	**86,156**	**—**	**—**	**—**	**86,156**
At 31 December 2008	**4,898**	**(763,427)**	**404,288**	**(8,461)**	**(2,826)**	**138,739**	**(226,789)**

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

25 Reserves *(Continued)*

(b) Company

	RMB'000
At 1 January 2007	—
Employee share option	27,925
At 31 December 2007	27,925
At 1 January 2008	27,925
Capital redemption reserve	4,898
Employee share option	110,814
At 31 December 2008	**143,637**

26 Preference shares of a subsidiary

The preference shares were issued by Tak Shing International Investment Limited ("Tak Shing"), a subsidiary of the Group. According to the subscription and shareholders' agreement between the preference shareholder and Tech Power International Investment Limited ("Tech Power"), the immediate holding company of Tak Shing, the preference shareholder has the right to request Tech Power to acquire certain amount of preference shares from the preference shareholder. On 4 February 2008, the preference shareholder had exercised such right and Tech Power acquired all of the preference shares accordingly.

Notes to the Consolidated Financial Statements

27 Borrowings

Group

	As at 31 December	
	2008 **RMB'000**	2007 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– secured *(a) (i)*	**5,206,565**	3,530,000
– unsecured	**8,048,750**	5,063,740
	13,255,315	8,593,740
Other borrowings		
– unsecured	**100,000**	191,744
	100,000	191,744
Convertible bonds (Note 28)	**710,262**	1,402,777
Less: Amounts due within one year	**(5,286,807)**	(2,185,484)
Total non-current borrowings	**8,778,770**	8,002,777
Borrowings included in current liabilities:		
Current portion of long-term bank borrowings		
– secured *(a) (i)*	**726,545**	660,000
– unsecured	**3,750,000**	1,525,484
	4,476,545	2,185,484
Current portion of long-term other borrowings		
– unsecured	**100,000**	—
Current portion of convertible bonds	**710,262**	—
Short-term bank borrowings		
– secured *(a) (ii)*	**—**	800,000
– unsecured	**678,000**	295,850
	678,000	1,095,850
Total current borrowings	**5,964,807**	3,281,334
Total borrowings	**14,743,577**	11,284,111

27 Borrowings *(Continued)*

Company

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– secured *(a) (i)*	**1,474,565**	—
Convertible bonds (Note 28)	**710,262**	1,402,777
Less: Amounts due within one year	**(710,262)**	—
Total non-current borrowings	**1,474,565**	1,402,777
Borrowings included in current liabilities:		
Current portion of convertible bonds	**710,262**	—
Total current borrowings	**710,262**	—
Total borrowings	**2,184,827**	1,402,777

(a) Details of the securities of the Group's borrowings are as follows:

(i) As at 31 December 2008 and 2007, long-term bank borrowings amounting to RMB5,206,565,000 and RMB3,530,000,000 were secured by properties under development (Note 17), land use rights (Note 8), property, plant and equipment (Note 7) and investment properties (Note 9) of the Group, and part of interests in subsidiaries of the Company (Note 11).

(ii) As at 31 December 2008 and 2007, short-term bank borrowings amounting to nil and RMB800,000,000 were secured by the properties under development (Note 17), completed properties held for sale (Note 21), land use rights (Note 8) and property, plant and equipment (Note 7) of the Group.

Notes to the Consolidated Financial Statements

27 Borrowings *(Continued)*

(b) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

As at 31 December

	2008 Bank borrowings RMB'000	**2008 Convertible bonds RMB'000**	**2008 Total RMB'000**	2007 Bank borrowings RMB'000	2007 Convertible bonds RMB'000	2007 Total RMB'000
Total borrowings						
- Within 1 year	**5,254,545**	**710,262**	**5,964,807**	3,281,334	—	3,281,334
- Between 1 and 2 years	**5,783,315**	**—**	**5,783,315**	5,000,000	1,402,777	6,402,777
- Between 2 and 5 years	**1,795,455**	**—**	**1,795,455**	400,000	—	400,000
- Over 5 years	**1,200,000**	**—**	**1,200,000**	1,200,000	—	1,200,000
	14,033,315	**710,262**	**14,743,577**	9,881,334	1,402,777	11,284,111

(c) The Group's borrowings are denominated in RMB, USD and HKD.

(d) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

As at 31 December

	2008 RMB'000	2007 RMB'000
Bank borrowings	**7.69%**	6.99%
Other borrowings	**5.91%**	7.90%
Convertible bonds	**6.50%**	6.50%

27 Borrowings *(Continued)*

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2008 **RMB'000**	2007 RMB'000
Within 6 months	**9,233,315**	5,243,740
Between 6 and 12 months	**5,010,262**	4,345,850
Between 1 and 5 years	**500,000**	1,694,521
	14,743,577	11,284,111

(f) The carrying amount of non-current borrowings approximated to their respective fair values as at 31 December 2008 and 2007. Fair values of non-current borrowings as at 31 December 2008 are based on cash flows discounted using borrowing rates of 5.40%.

Notes to the Consolidated Financial Statements

28 Derivative financial instruments

(a) Notes receivables

On 8 January 2008, the Group subscribed notes receivables with an aggregate principal amount of USD30 million (the "Notes") from an independent third party. The Notes will be converted into shares of the issuer, at a conversion price that is calculated based on the terms as predetermined in the Notes, should the issuer successfully go on its initial public offering within 36 months from the subscription date. At any time after the 36th month from the subscription date, should the issuer failed to go on its initial public offering, the Group has an option to elect to receive USD30 million in cash, with respective interest calculated at a rate as predetermined in the Notes.

Fair value loss on notes receivables for the year ended 31 December 2008 is RMB19,365,000.

(b) Convertible bonds

On 7 September 2007, the Group issued 3% coupon convertible bonds with an aggregate principal amount of HKD1,575 million (the "Bonds"). Holders of the Bonds have the option to convert the bonds into shares of the Company of HKD0.80 each at a conversion price of HKD12.50 per share from the date of issue through maturity on 6 September 2009.

At any time prior to the maturity date, the Group may, redeem all and not some only of the Bonds at a redemption price as defined in the convertible agreement, if the average closing price of the Group's shares for the last three consecutive trading days of the six months following the listing of the Group's shares be above HKD12.50.

At any time prior to the maturity date, the Group may also notify the holders of the Bonds in writing on the immediate following trading day that the conversion shall be exercised, if the Group's shares closes above HKD13.5 per share for three consecutive trading days. Upon receipt of the Group's written notice, holders of the Bonds shall within five working days convert all of the Bonds, or elect to receive HKD1,575 million in cash.

On 5 May 2008, the Group entered into an amendment agreement with the holders of the Bonds, allowing the Group to redeem at a maximum HKD780,000,000 of the convertible bonds, with considerations amounted to 97% of the principal amount of the redemption portion. Such additional option expired on 31 May 2008.

On 5 May 2008, the Group exercised the aforementioned additional option, and redeemed HKD780,000,000 of the convertible bond at a price of HKD756,600,000, equals to 97% of the principle amount of the redeemed portion.

As the functional currency of the bond issuing entity is RMB, the conversion option of the Bonds denominated in HK dollar will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instruments. The conversion option is therefore accounted for as an embedded derivative financial instrument carried at fair value through profit or loss.

Fair value gain on convertible bonds for the year ended 31 December 2008 is RMB75,822,000 (2007: loss RMB49,410,000).

29 Deferred income tax

The net movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
At beginning of the year	**671,364**	111,375
Recognized in the income statement	**(2,529)**	40,299
Acquisition of subsidiaries	**—**	519,690
Disposal of subsidiaries (Note 42)	**9,426**	—
At end of the year	**678,261**	671,364

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

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**38,910**	31,716
– to be recovered within 12 months	**72,867**	70,226
	111,777	101,942
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(779,867)**	(773,306)
– to be recovered within 12 months	**(10,171)**	—
	(790,038)	(773,306)
Deferred tax liabilities, net	**(678,261)**	(671,364)

Notes to the Consolidated Financial Statements

29 Deferred income tax *(Continued)*

The movement in deferred income tax assets and liabilities during the years ended 31 December 2008 and 2007 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses RMB'000	Recognition of financial guarantee liabilities RMB'000	Unrealized gain RMB'000	Total RMB'000
At 1 January 2007	32,739	15,442	60,442	108,623
Credited to income statement	35,166	442	28,965	64,573
Effect of tax rate change from 33% to 25%	(16,462)	(3,851)	(21,674)	(41,987)
At 31 December 2007	51,443	12,033	67,733	131,209
Credited to income statements	12,114	(1,957)	(5,424)	4,733
Disposal of subsidiaries (Note 42)	(9,426)	—	—	(9,426)
At 31 December 2008	**54,131**	**10,076**	**62,309**	**126,516**

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. The Group did not recognize tax losses amounting to RMB102,366,000 and RMB88,585,000 as at 31 December 2008 and 2007 respectively that can be carried forward against future taxable income. These tax losses are going to be expired within five years.

Notes to the Consolidated Financial Statements

29 Deferred income tax *(Continued)*

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Property revaluation RMB'000	Deemed disposal RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	(8,671)	(168,792)	—	(29,748)	(12,787)	(219,998)
Charged to income statement	(4,573)	(146,231)	—	—	(2,355)	(153,159)
Effect of future tax rate change from 33% to 25%	3,211	76,369	—	7,212	3,482	90,274
Acquisition of subsidiaries	—	—	(519,690)	—	—	(519,690)
At 31 December 2007	(10,033)	(238,654)	(519,690)	(22,536)	(11,660)	(802,573)
Charged to income statement	(14,820)	(5,819)	—	12,365	6,070	(2,204)
At 31 December 2008	**(24,853)**	**(244,473)**	**(519,690)**	**(10,171)**	**(5,590)**	**(804,777)**

30 Trade and other payables

(a) Group

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Trade payables	**1,918,825**	2,006,157
Accrued expenses	**1,734,125**	1,583,477
Other payables	**1,195,754**	894,554
Other tax	**121,150**	33,778
Provision for financial guarantee liabilities	**40,304**	65,677
	5,010,158	4,583,643

The carrying amounts of trade payables and other payables approximate their fair values.

30 Trade and other payables *(Continued)*

(a) Group *(Continued)*

Ageing analysis of the trade payables are as follows:

	As at 31 December	
	2008 **RMB'000**	2007 RMB'000
Less than 6 months	**1,453,214**	1,710,168
6 months to 12 months	**196,983**	251,122
1 year to 2 years	**258,018**	9,599
2 years to 3 years	**7,099**	32,494
Over 3 years	**3,511**	2,774
	1,918,825	2,006,157

The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 40 are as follows:

	Year ended 31 December	
	2008 **RMB'000**	2007 RMB'000
At beginning of the year	**65,677**	67,016
Addition	**20,766**	23,834
Reversal	**(46,139)**	(25,173)
At end of the year	**40,304**	65,677

30 Trade and other payables *(Continued)*

(b) Company

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Accrued expenses	**—**	16,309
Other payables	**357,523**	91,298
	357,523	107,607

31 Other income

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Dividend income from available-for-sale financial assets	**11,316**	5,815
Interest income	**180,197**	321,105
Others	**23,366**	32,529
	214,879	359,449

32 Other gains/(losses) – net

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Gain on deemed disposal of a subsidiary *(a)*	**—**	15,606
Gain on disposal of available-for-sale financial assets	**951**	—
Gain on disposal of subsidiaries	**28,827**	26,334
Gain on early redemption of convertible bonds	**77,816**	—
Gain on acquisition of additional interests in subsidiaries from minority shareholders	**35,384**	—
Negative goodwill from acquisition of a subsidiary	**2,999**	—
Loss on disposal of property, plant and equipment	**(319)**	(47)
Exchange losses	**(18,430)**	(70,180)
	127,228	(28,287)

(a) Deemed disposal gain results from capital injection from a minority shareholder of a subsidiary resulting in dilution of the Group's share of the net assets of that subsidiary.

33 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing costs and administrative expenses, as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
– Land use rights	**325,232**	283,800
– Capitalized interest	**73,049**	50,881
– Construction related cost	**2,486,157**	3,050,509
Cost of upfitting services rendered	**239,456**	—
Direct investment property expenses (Note 9)	**31,991**	25,971
Employee benefit expense (Note 34)	**326,184**	195,038
Consultancy fee	**35,346**	24,337
Auditor's remuneration	**6,280**	6,338
Depreciation (Note 7)	**18,354**	12,912
Amortization of land use rights	**5,286**	10,210
Advertising and marketing	**212,204**	103,961
Business taxes and other levies	**359,886**	316,286
Impairment for trade and other receivables (Note 20)	**(399)**	421
Office expenditure	**59,491**	52,117
Properties maintenance expenses	**40,900**	33,619
Energy expenses	**31,300**	24,671
Others	**87,671**	83,307
	4,338,388	4,274,378

34 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Salaries, wages and bonuses	**216,981**	162,508
Retirement benefits contribution	**16,783**	13,979
Share options granted to directors and employees	**110,814**	27,925
Other allowances and benefits	**47,809**	34,628
	392,387	239,040
Less: capitalized in properties under development	**(66,203)**	(44,002)
	326,184	195,038

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2008 and 2007.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

34 Employee benefits expense *(Continued)*

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

Year ended 31 December

	2008					2007				
	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Total RMB'000	Fees RMB'000	Salary and bonus RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Other long-term welfare RMB'000	Total RMB'000
Mr. Li Jianhong	—	—	—	—	—	—	—	—	—	—
Mr. Luo Dongjiang	—	—	—	—	—	—	—	—	—	—
Mr. Li Ming	—	2,915	1,640	1,675	6,230	—	2,839	1,811	1,675	6,325
Mr. Chen Runfu	—	2,092	92	52	2,236	—	2,158	77	—	2,235
Mr. Liang Yanfeng	—	—	—	—	—	—	—	—	—	—
Mr. Zheng Yi (a)	—	—	—	—	—	—	—	—	—	—
Mr. Yin Yingneng (b)	121	—	—	—	121	—	—	—	—	—
Mr. Tsang Hing Lun	182	—	—	—	182	162	—	—	—	162
Mr. Gu Yunchang	182	—	—	—	182	162	—	—	—	162
Mr. Han Xiaojing	182	—	—	—	182	162	—	—	—	162
Mr. Zhao Kang	182	—	—	—	182	113	—	—	—	113
	849	5,007	1,732	1,727	9,315	599	4,997	1,888	1,675	9,159

Notes:

(a) Retired on 9 May 2008.

(b) Appointed on 16 May 2008.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) highest paid individuals during the year are as follows:

Year ended 31 December

	2008 RMB'000	2007 RMB'000
Basic salaries and allowance	2,220	1,806
Bonuses	2,987	3,795
Retirement scheme contributions	178	225
Other long-term welfare	104	240
	5,489	6,066

34 Employee benefits expense *(Continued)*

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

The emoluments fell within the following bands:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
RMB1,362,900 to RMB1,817,200 (equivalent to HKD1,500,000 - HKD2,000,000)	**1**	3
RMB1,817,200 to RMB2,271,500 (equivalent to HKD2,000,000 - HKD2,500,000)	**2**	—
	3	3

(c) During the years ended 31 December 2008 and 2007, no emoluments was paid by the companies now comprising the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

35 Finance costs

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Interest expense on borrowings wholly repayable within five years	**1,009,403**	549,121
Interest expense on convertible bonds wholly repayable within five years	**59,881**	28,142
Interest expense on preference shares wholly repayable within five years	**3,882**	15,098
Less: interest capitalized at a capitalization rate of 7.69% (2007: 7.02%) per annum	**(911,988)**	(378,421)
	161,178	213,940

36 Income tax expense

On 16 March 2007, the National People's Congress of the PRC approved Corporate Income Tax Law of the PRC, which changed the income tax rate applicable to all PRC enterprise from 33% to 25% effective as of 1 January 2008.

As a result, vast majority of the group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities during the years ended 31 December 2008 as determined in accordance with the relevant PRC income tax rules and regulations. Other companies are mainly subjected to Hong Kong income tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Current income tax:		
– PRC enterprise income tax	**521,440**	764,000
– PRC land appreciation tax	**420,397**	260,463
Deferred tax (Note 29)	**(2,529)**	40,299
	939,308	1,064,762

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

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Profit before income tax	**2,383,894**	2,856,574
Add: share of loss of a jointly controlled entity (Note 12)	**54**	24,768
Less: share of loss/(profits) of associates (Note 13)	**2,430**	(9,895)
	2,386,378	2,871,447
Tax calculated at domestic tax rates 25% (2007:33%) applicable to profits in the respective countries	**596,595**	947,578
Impact of income tax law to come into effect in 2008	**—**	(48,287)
Effect of higher tax rate for the appreciation of land in the PRC	**315,298**	174,510
Income not subject to tax	**(56,185)**	(99,718)
Expenses not deductible for tax purposes	**59,412**	59,824
Tax losses not recognized	**38,196**	30,855
Utilization of previously unrecognized tax losses	**(14,008)**	—
Tax expense	**939,308**	1,064,762

37 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2008 RMB'000	2007 RMB'000
Profit attributable to equity holders of the Company	**1,387,896**	1,721,502
Weighted average number of ordinary shares in issue (thousands)	**4,473,127**	3,361,853
Basic earnings per share (RMB per share)	**0.310**	0.512

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options and convertible bonds. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The dilutive effect of the convertible debt is not considered, as the average market price of the Company's shares in the current year is lower than the conversion price.

	2008 RMB'000	2007 RMB'000
Profit attributable to equity holders of the company	**1,387,896**	1,721,502
Weighted average number of ordinary shares in issue (thousands)	**4,473,127**	3,361,853
Adjustments for:		
– Share options (thousands)	**1,512**	4,675
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**4,474,639**	3,366,528
Diluted earnings per share (RMB per share)	**0.310**	0.511

38 Dividends

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Final dividend paid	**502,907**	248,794
Interim dividend paid	**117,984**	—
Final dividend proposed *(a)*	**288,373**	502,907

(a) On 26 March 2009, the Company proposed a final dividend of RMB288,373,000. Full amount had been set aside from retained profits for the 2008 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scip dividend option.

39 Cash used in operations

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Profit for the year	**1,444,586**	1,791,812
Adjustments for:		
– Tax expense (Note 36)	**939,308**	1,064,762
– Depreciation (Note 7)	**18,354**	12,912
– Amortization of land use rights (Note 33)	**5,286**	10,210
– Impairment for goodwill (Note 10)	**22,227**	—
– Impairment for trade and other receivables (Note 33)	**(399)**	421
– Loss on sale of property, plant and equipment (Note 32)	**319**	47
– Interest expense (Note 35)	**161,178**	213,940
– Interest income (Note 31)	**(180,197)**	(321,105)
– Share of loss of a jointly controlled entity (Note 12)	**54**	24,768
– Share of loss/(profits) of associates (Note 13)	**2,430**	(9,895)
– Valuation gain on investment properties (Note 9)	**—**	(418,277)
– Valuation (gains)/loss on derivative financial statements	**(56,457)**	49,410
– Gain on deemed disposal of a subsidiary (Note 32)	**—**	(15,606)
– Gain on disposal of available-for-sale financial assets (Note 32)	**(951)**	—
– Gain on acquisition of additional interests in subsidiaries from minority interests (Note 32)	**(35,384)**	—
– Gain on acquisition of a subsidiary (Note 32)	**(2,999)**	—
– Gain on disposal of a jointly controlled entity	**—**	(909,690)
– Gains on disposal of subsidiaries (Note 32)	**(28,827)**	(26,334)
– Investment income from available-for-sale financial assets	**(19,937)**	(5,815)
– Exchange losses	**46,718**	39,267
– Employee share option (Note 34)	**110,814**	27,925
– Gain on redemption of convertible bonds (Note 32)	**(77,816)**	—
	2,348,307	1,528,752

Notes to the Consolidated Financial Statements

39 Cash used in operations *(Continued)*

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Completed properties held for sale	**(2,520,980)**	(385,840)
– Inventories, at cost	**(18,043)**	(140)
– Trade and other receivables	**(121,567)**	(1,147,113)
– Land under development	**1,186,206**	(1,796,334)
– Deposits for land use rights	**1,513,212**	(3,878,577)
– Trade and other payables	**434,079**	1,186,937
– Dividend payable	**(24,757)**	(430)
– Derivative financial instruments	**(108,300)**	80,325
– Prepayments	**58,686**	126,829
– Advanced proceeds received from customers	**718,741**	66,238
– Properties under development	**(4,646,570)**	(3,066,596)
– Restricted cash	**69,626**	(822,881)
Cash used in operations	**(1,111,360)**	(8,108,830)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Net book amount (Note 7)	**8,938**	2,593
Loss on disposal of property, plant and equipment (Note 32)	**(319)**	(47)
Proceeds from disposal of property, plant and equipment	**8,619**	2,546

40 Financial guarantees – Group

The Group had the following financial guarantees as at the end of the years ended 31 December 2008 and 2007:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (a)	**1,543,580**	1,731,637
Guarantees in respect of banking facilities given to an associate (b)	**—**	600,000
	1,543,580	2,331,637

(a) As at 31 December 2008 and 2007, the Group provided 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. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) As at 31 December 2007, the Group has provided a guarantee in respect of banking facilities given to Beijing Central Business District Development and Construction Co., Limited, an associate of the Group, amounting to RMB600,000,000, such restricted deposits were released in January 2008.

41 Commitments – Group

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Land use rights	**4,911,988**	5,432,123
Property under development	**5,491,665**	4,800,931
Contracted but not provided for	**10,403,653**	10,233,054

(b) Operating lease rental receivables

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

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Within 1 year	**144,942**	104,993
Between 1 to 5 years	**230,220**	182,582
After 5 years	**255,201**	53,838
	630,363	341,413

Notes to the Consolidated Financial Statements

42 Business combinations – Group

(a) Acquisition

On 16 April 2008, the Group acquired a 60% equity interest in Beijing Sino-Ocean Grand Architectural Decoration Engineering Company Limited, an upfitting service company established on 5 May 1998, at a consideration of RMB6,000,000.

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

	2008 RMB'000
Purchase consideration	6,000
Net book value of the subsidiary acquired -shown as below	(8,999)
Negative goodwill	(2,999)

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

	Carrying amount RMB'000
Property, plant and equipments	4,876
Long term investment	223
Inventories, at cost	60,668
Trade and other receivables and prepayments	70,887
Cash and cash equivalents	29,905
Borrowing	(5,000)
Dividend payables	(24,397)
Trade and other payables	(110,904)
Income tax payable	(11,260)
Net assets	14,998
Purchased shares	60%
Net book value of Company's net assets acquired	8,999
Purchase consideration settled in cash	(6,000)
Cash and cash equivalents in the subsidiary acquired	29,905
Cash inflow on acquisition	23,905

42 Business combinations – Group *(Continued)*

(b) Disposal of a subsidiary

On 31 August 2008, the Group disposed a 100% equity interest in Dalian New Yuanfeng Real Estate Development Company Limited, a land development company, at a consideration of RMB120,000,000.

Details of net assets and gain on disposal are as follows:

	2008 RMB'000
Proceeds on disposal of subsidiary	120,000
Less: loan to the subsidiary	(105,180)
Net book value of the subsidiary disposed – shown as below	6,824
Gain on disposal of the subsidiary	21,644

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

	Carrying amount RMB'000
Land under development, net book value	86,096
Deferred tax assets	9,426
Trade and other receivables and prepayments	4
Cash and cash equivalents	3
Loan from shareholder	(105,180)
Other payables	(98)
Net liabilities	(9,749)
Minority shares (30%)	2,925
Net book value of Company's net liabilities disposed of	(6,824)
Proceeds received in cash	14,820
Cash and cash equivalents in subsidiary disposed of	(3)
Cash inflow on disposal	14,817

43 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2008 and 2007:

(a) Sales of properties and services

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Provision of services:		
– COSCO Group	**8,687**	9,085
– A jointly controlled entity	**26,550**	14,917
	35,237	24,002

(b) Sales of a jointly controlled entity

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Sales of a jointly controlled entity:		
– Sinochem Hong Kong	**—**	954,472

(c) Purchases of services

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Purchases of services:		
– Associates	**—**	(93,340)

43 Related party transactions *(Continued)*

(d) Key management compensation

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Salaries and other short-term employee benefits	**16,425**	15,924
Post-employment benefits	**2,176**	2,483
Other long-term welfare	**2,210**	2,151
	20,811	20,558

(e) Interest income

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Interest received:		
– An associate	**15,141**	85
– A jointly controlled entity	**25,065**	—
– A fellow subsidiary	**—**	23
	40,206	108

43 Related party transactions *(Continued)*

(f) Loans to related parties

	Year ended 31 December	
	2008 **RMB'000**	2007 RMB'000
An associate:		
At 1 January	**5,000**	5,000
Loans advanced during year	**268,478**	5,000
Loans repayments received	**(5,000)**	(5,000)
Interest charged	**15,141**	85
Interest received	**(15,141)**	(85)
At 31 December	**268,478**	5,000
A jointly controlled entity:		
At 1 January	**545,400**	—
Loans advanced during year	**1,111,290**	560,600
Loans repayments received	**(1,389,500)**	(15,200)
Interest charged	**25,065**	—
Interest received	**(25,065)**	—
At 31 December	**267,190**	545,400

Subsequent to listing of the Group on 28 September 2007, COSCO Group and Sinochem Group are no longer jointly controlling the Group, and hence respective state-owned enterprises ceased to be considered as related parties of the Group.

44 Event after balance sheet date

On 7 November 2008, the Group entered into 2 sales and purchase agreements ("SP Agreements") to acquire 100% ownership in Tsanghao Real Estate Company, as well as 49% equity interests in each of Dalian Sky Upright Property Limited ("Dalian Sky Upright") and Dalian Sunny Ocean Property Limited ("Dalian Sunny Ocean"), for a total consideration of RMB1,200,000,000 in the form of shares in the Company and RMB480,000,000 in cash. Details of these SP Agreements were set out in the circular as issued by the Company on 28 November 2008. The acquisition was completed on 2 January 2009.

Before the acquisition, the Group owned 51% equity interests in each of Dalian Sky Upright and Dalian Sunny Ocean. After the acquisition, Dalian Sky Upright and Dalian Sunny Ocean became wholly owned subsidiaries of the Group.

Five-year Financial Summary

RMB million	**2008**	2007	2006	2005	2004
Revenue	**6,487**	5,750	3,708	2,711	1,892
Gross profit	**2,820**	1,907	1,089	625	428
Profit attributable to equity holders of the Company	**1,388**	1,722	570	374	94
Total assets	**43,268**	37,766	16,802	9,157	6,205
Total liabilities	**25,485**	20,888	12,735	7,207	4,941
Shareholders equity	**16,653**	15,824	3,526	1,434	1,135
Total equity	**17,783**	16,878	4,067	1,950	1,264


Illustrious

Corporate Information

Directors

Mr. LI Jianhong
(Non-executive Director and Chairman)
Mr. LUO Dongjiang
(Non-executive Director and Vice Chairman)
Mr. LI Ming
(Executive Director and Chief Executive Officer)
Mr. LIANG Yanfeng *(Non-executive Director)*
Mr. CHEN Runfu *(Executive Director)*
Mr. YIN Yingneng Richard *(Non-executive Director)*
Mr. TSANG Hing Lun
(Independent non-executive Director)
Mr. GU Yunchang
(Independent non-executive Director)
Mr. HAN Xiaojing
(Independent non-executive Director)
Mr. ZHAO Kang
(Independent non-executive Director)

Qualified Accountant

Mr. SUM Pui Ying, Adrian

Company Secretary

Mr. SUM Pui Ying, Adrian

Audit Committee

Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing

Remuneration and Nomination Committee

Mr. HAN Xiaojing
Mr. GU Yunchang
Mr. ZHAO Kang

Investment Committee

Mr. LI Ming
Mr. CHEN Runfu
Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

Registered Office

Suite 1512, One Pacific Place
88 Queensway
Hong Kong

Principal Place of Business

31st to 33rd Floor, Block A, Ocean International Center
56 Dongsihuanzhonglu
Chaoyang District, Beijing
PRC

Principal Bankers

Industrial and Commercial Bank of China, Ltd.
China Minsheng Banking Corp., Ltd.
Agricultural Bank of China, Ltd.
Bank of Communications Co., Ltd.
China Merchants Bank Co., Ltd.
Bank of China Limited
Bank of Beijing Co., Ltd
China CITIC Bank Corporation Ltd
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
China Industrial and Commercial Bank of China (Asia) Ltd.
Bank of East Asia Limited

Corporate Information

Auditor

PricewaterhouseCoopers

Legal Advisor

Freshfields Bruckhaus Deringer

Compliance Advisor

BOCI Asia Limited

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

Authorized Representative

Mr. LI Ming
Mr. SUM Pui Ying, Adrian

Stock Code

SEHK: 03377

Company Website

www.sinooceanland.com

Investor Relations Contact

ir@sinooceanland.com