



中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

Stock Code: 688

2008 ANNUAL REPORT



Exercise caution in details and implementation Build a strong foundation to seek greater success

The Group will continue to operate according to its long-standing maxim of “Exercise caution in details and implementation. Build a strong foundation to seek greater success”. Through its hard work and innovation and by continually enhancing its operating and management capability, the Group is fully confident of its performance in 2009. Furthermore, with its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group is capable of converting Crisis to Opportunity and Pressure to Dynamism. The Group is very confident that it can maintain its leadership position in the China real estate industry and achieve steady high-quality balanced growth.



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Board of Directors, Honourable Chairman and Committees

Chairman

Kong Qingping

Honourable Chairman

Sun Wen Jie[#]

Executive Directors

Hao Jian Min *Vice Chairman
and Chief Executive Officer*

Xiao Xiao *Vice Chairman*

Wu Jianbin

Chen Bin

Zhu Yijian

Luo Liang

Wang Man Kwan, Paul

Independent Non-Executive Directors (see note 1 below)

Li Kwok Po, David

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

Authorized Representatives

Kong Qingping

Hao Jian Min

Xiao Xiao *(Alternate authorized representative
to Hao Jian Min)*

Wu Jianbin *(Alternate authorized representative
to Kong Qingping)*

Notes:

- (1) *Dr. Hsu Lai Tai, Rita (alias Fan Hsu Lai Tai, Rita) has been appointed independent non-executive director of the Company to take effect from 2 February 2009.*
- (2) *Dr. Fan Hsu Lai Tai, Rita has been appointed member of the Audit Committee of the Company to take effect from 2 February 2009.*
- (3)
 - (i) *Mr. Hao Jian Min has resigned as Chairman of the Remuneration Committee of the Company and remained as member of the Remuneration Committee to take effect from 2 February 2009.*
 - (ii) *Dr. Wong Ying Ho, Kennedy has been appointed Chairman of the Remuneration Committee of the Company to take effect from 2 February 2009.*
- (4)
 - (i) *Mr. Kong Qingping has resigned as Chairman of the Nomination Committee of the Company and remained as member of the Nomination Committee to take effect from 2 February 2009.*
 - (ii) *Dr. Fan Hsu Lai Tai, Rita has been appointed Chairman of the Nomination Committee of the Company to take effect from 2 February 2009.*

Audit Committee (see note 2 below)

Li Kwok Po, David*

Lam Kwong Siu

Wong Ying Ho, Kennedy

Fan Hsu Lai Tai, Rita

Remuneration Committee (see note 3 below)

Wong Ying Ho, Kennedy*

Hao Jian Min

Li Kwok Po, David

Lam Kwong Siu

Fan Hsu Lai Tai, Rita

Nomination Committee (see note 4 below)

Fan Hsu Lai Tai, Rita*

Kong Qingping

Zhu Yijian

Li Kwok Po, David

Lam Kwong Siu

Wong Ying Ho, Kennedy

[#] *not a director of the Company*

* *Committee Chairman*

Corporate and Shareholders' Information

Corporate Information

Registered Office

10/F., Three Pacific Place
1 Queen's Road East, Hong Kong
Telephone : (852) 2823 7888
Facsimile : (852) 2865 5939
Website : www.coli.com.hk

Qualified Accountant

Wang Man Kwan, Paul

Company Secretary

Keith Cheung, Solicitor

Registrar

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185
E-mail : is-enquiries@hk.tricorglobal.com

Legal Advisor

Mayer Brown JSM

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers (In Alphabetical Order)

Agricultural Bank of China
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
CITIC Ka Wah Bank Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.

Shareholders' Information

Share Listing

The Company's shares and bonds are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

Stock Code

Shares

SEHK : 688
Bloomberg : 688HK
Reuters : 0688.HK

Bond

SEHK : China OVS N1207
Code : 2521
Bloomberg : EF0142101
Reuters : KY022045903 CINS-G2155ZAA2

Investor Relations

For any enquiries, please contact:
Mr. Michael Jiang – Head, Investor Relations
Telephone : (852) 2823 7978
Facsimile : (852) 3527 0342
E-mail : jiang_yongjin@cohl.com

Public Relations

For any enquiries, please contact:
Ms. Carrie Cheng – Assistant General Manager, PR
Telephone : (852) 2823 3695
Facsimile : (852) 2865 5939
E-mail : carrie_cheng@cohl.com

Financial Calendar for 2007/08

Interim results announcement	: 19 August 2008
Interim dividend paid	: 3 October 2008
Final results announcement	: 23 March 2009
Share register closed	: 26 May 2009 to 27 May 2009 (both days inclusive)
Annual general meeting	: 27 May 2009
Final dividend payable	: 8 June 2009

Corporate Structure



CHINA OVERSEAS LAND & INVESTMENT LTD.



Property Development*

Mainland China, Hong Kong, Macau



Design

Mainland China, Hong Kong, Macau, Canada, Japan and others



Property Management

Mainland China, Hong Kong, Macau



Property Investment

Mainland China, Hong Kong

* Property development in 20 major cities in mainland China, Hong Kong and Macau includes Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hangzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Jinan, Hong Kong and Macau.

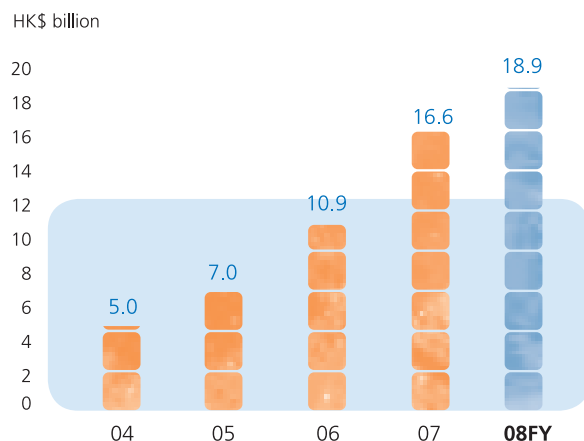
Financial Highlights

For the year ended 31 December	2008	2007	Change (%)
Financial Highlights (HK\$'000)			
Turnover	18,892,373	16,632,553	+13.6
Profit attributable to equity holders of the Company	5,048,637	4,179,579	+20.8
Proceeds from sales of properties	17,891,210	15,438,311	+15.9
Financial Ratios			
Net debt to shareholders' funds (%)	46.8	30.2	+16.6*
Interest cover (times)	8.4	15.0	-6.6**
Dividend payout (%)	20.6	22.2	-1.6*
Financial Information per Share (HK cents)			
Earnings	64.8	56.9	+13.9
Dividends	13	12	+8.3
– Interim dividend	6	5	+20.0
– Final dividend	7	7	—
Equity attributable to equity holders	423.1	339.4	+24.7
Land Reserves (million sq m)			
Development land bank	24.84	23.58	+5.3

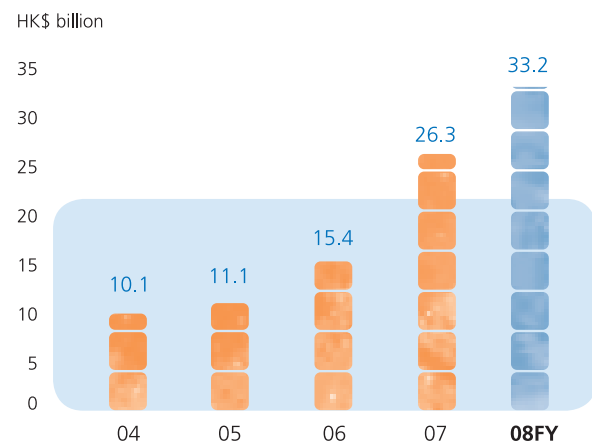
Notes: * Change in percentage points

** Change in number of times

Turnover



Equity Attributable to Equity Holders



□ Chairman's Statement



The audited consolidated profit after taxation and minority interests of the Group for the year ended 31 December 2008 increased by 21% to HK\$5.05 billion. Earnings per share were HK64.8 cents, an increase of 14%. Total shareholders' funds increased by 26% to HK\$33.22 billion. Net assets per share were HK\$4.2, an increase of 24% on 2007, and average return on shareholders' funds reached 17%. The Board recommends the payment of a final dividend of HK7 cents per share for year 2008.

Kong Qingping
Chairman

I have pleasure to report to the shareholders that:

In 2008, the Group adhered to its operational watchword: Sharpening Capabilities for Sustained Growth. Turnover increased by 14% to HK\$18.89 billion, and consolidated net profit increased by 20.8% to HK\$5.05 billion. The consolidated net profit of the Group has sustained a compound increase of about 48.6% in the past five years. This comprises annual increases of over 20%, fulfilling the Group's commitments to its shareholders and investors.



Business Review

During 2008, the US sub-prime mortgage crisis led eventually to a global financial crisis, and the world economy experienced an unprecedented adjustment. Economic development in various countries was adversely affected to different extents, although China still achieved a high GDP growth of 9%. However, as the effects of the global financial crisis intensified and the economies of the US, Europe and Japan entered into recession, China's economic growth was adversely impacted. Economic development in Hong Kong and Macau was also badly affected.

In 2008, the Group adhered to its operational watchword: Sharpening Capabilities for Sustained Growth. By working diligently in such difficult market conditions, the Group achieved historic highs for its various major business benchmarks. Turnover increased by about 14% to HK\$18.89 billion, and consolidated net profit increased by 20.8% to HK\$5.05 billion. The consolidated net profit of the Group has sustained a compound increase of about 48.6% in the past five years. This comprises annual increases of over 20%, fulfilling the Group's commitments to its shareholders and investors.

The turnover of the Group's China real estate business increased by 39.5% to HK\$17.16 billion, and the gross profit margin held steady at the high level of 43.7%, resulting in a 35.1% improvement in the profit contribution to HK\$7.50 billion. Such excellent performance was a result of targeted and innovative sales and marketing measures backed by effective management. Through the timely adoption of flexible sales techniques, the two new projects in Hong Kong and the stock of the La Cité project in Macau were sold at good prices, generating turnover of HK\$734 million. Hong Kong and Macau operations brought in a profit contribution of HK\$297 million and the gross profit margin was 40.5%.

Notwithstanding the volatility of the global financial market, as a Hang Seng Index constituent stock the Company's shares traded actively and held relatively firm against the downward pressure on prices. This demonstrates the recognition by investors of the Company's financial performance, sound financial position and professional management.

Land

The Group continues to be optimistic about the long-term development of the China real estate market. As at 31 December 2008, the Group had total land for development of about 24.8 million sq m (attributable interest of about 21.8 million sq m) to be developed in the near future or under development in 22 cities/districts including mainland cities, Hong Kong and Macau. This is enough to meet its development requirements which are set to ensure annual profit increases of over 20% in the next four to five years.

Taking into consideration the economic conditions, the trend of the real estate market, the funding capabilities of the Group, the land bank on hand and the quality and cost of new land parcels, ten parcels of land were acquired in 2008 in six cities in China — Suzhou, Shanghai, Jinan, Hangzhou, Zhuhai and Tianjin. These land parcels provide an aggregate gross floor area (GFA) of 2.79 million sq m (attributable interest of 2.07 million sq m). By entering Jinan, the Group has strengthened its position in the Bohai Rim & Northeast Region, complementing its existing success in the Pearl River Delta Economic Zone and Yangtze River Delta Economic Zone.

Management Philosophy and Brand Value

Holding to the philosophy of Excellent Integrity, Eternal and Excellent Products (誠信卓越、精品永恒), the Group continues to implement its nationwide business development strategy in major Chinese cities. At the beginning of 2008, the Group foresaw changes in both the economy and real estate market of mainland China. In order to sustain expansion in operational scale and territory and to achieve stable, high-quality balanced growth, the Group must continue to excel with its management structure and style as well as enhance its already well-established base and competitiveness. To this end a regional management model has been established. Furthermore, the Group will also adopt a range of cooperation models including joint ventures, cooperation with funds, and mergers and acquisitions as supplements to its organic growth. These strategies aim to achieve sustainable growth in an ever-changing and increasingly competitive market.



The Group continues to strengthen the influence of its nationwide branded products. In every market in which it operates, the Group seeks to provide top quality products and services to customers.

Property Development

In the fluctuating market, the Group achieved another sales record, of HK\$26.61 billion, in 2008 (including share of sales in syndicated projects), an increase of 19.3% on 2007. Total area of properties sold was 2.71 million sq m, an increase of 25.3% on 2007. Pre-sales amounted to about HK\$14.15 billion as at end of 2008 (of which HK\$11.85 billion has been received), an increase of 56%.

Total sales of properties in China remained robust, amounting to HK\$25.9 billion, an increase of 18.6% on the previous year; the area sold was 2.70 million sq m, representing an increase of 25.3% on 2007.

During the year, 29 projects with GFA of 2.60 million sq m were completed in China for occupation (including 150,000 sq m related to Beijing Zhonghai Square which is an investment property). Total saleable area of these residential projects was 2.03 million sq m, of which 70% had been sold by the end of 2008, corresponding to an area of 1.41 million sq m and raising HK\$14.91 billion.

Furthermore, sales of properties held for sale was satisfactory. During the year, 399,000 sq m was sold for approximately HK\$3.98 billion and, at the end of 2008, about 1 million sq m of properties were held for sale.

Most of the stock for the La Cité project in Macau was sold, resulting in sales turnover of HK\$230 million. Property sales turnover in Hong Kong amounted to approximately HK\$480 million. The In-house and Hey Home projects were completed for occupation in 2008 with 85% sold by the end of the year.

Investment Properties

With the completion of the Beijing China Overseas Plaza, the Group has over 200,000 sq m of investment properties. The occupancy rate of the Group's properties in Hong Kong and Guangzhou was satisfactory. The total rental income for the period was HK\$202 million, representing an increase of 63.2% on 2007; segment results amounted to HK\$1.84 billion which included an increase in fair value of properties of HK\$1.67 billion (the net income after tax was HK\$1.07 billion). Operating profit was HK\$173 million, representing an increase of 64.9% as compared with 2007.

Group Finance

The Group adheres strictly to the principle of a prudent financial management policy. Finance, treasury and fund-raising activities of the Group are subject to centralised management and supervision. During the year, the Group further refined its funding structure while liquidity in the financial market was tight. New banking facilities amounting to HK\$6.84 billion and 6.92 billion yuan were secured while loans amounting to HK\$2.30 billion and 3.55 billion yuan were repaid. Given that the Group has been growing rapidly and the real estate market situation has changed significantly, the net gearing ratio showed an increase from the previous year's ratio of 30.2% to about 46.8%. About 74% of the bonus warrants issued in 2007 to shareholders of the Company were exercised by August 2008 and raised approximately HK\$5.7 billion in equity, of which HK\$4.5 billion was from the Group's controlling shareholder, China Overseas Holdings Limited. Shareholders' funds in the Company increased from HK\$26.28 billion at the end of 2007 to HK\$33.22 billion at the end of 2008. As at 31 December 2008, outstanding bank loans and guaranteed notes payable by the Group were about HK\$22.27 billion and about HK\$2.33 billion (US\$300 million) respectively; and cash on hand amounted to approximately HK\$9.05 billion. Together with available banking facilities of about HK\$4.45 billion, the total funds available amounted to approximately HK\$13.5 billion. Amid the global financial crisis, the Group launched several measures to effectively combat liquidity shortages. These have ensured that the Group is financially sound at all times and has ample financial resources to meet business expansion while maintaining a reasonable gearing ratio.



Human Resources

The Group firmly believes in the importance of human resources management. Systematic staff recruitment, training and incentive schemes are the key drivers for the healthy and sustainable development of any organisation. They are also useful for the enhancement of personal capability and development. Long-term development of the Group and staff's personal development are closely inter-related. This is a pre-eminent feature of the Group's corporate culture and human resource management style.

During the year, the Group provided numerous training programmes tailored for new staff, technical staff and middle to senior core managerial staff, thus enhancing significantly the human resources of the Group. Fresh graduates continued to be recruited from leading universities in the mainland under the "Sons of the Sea Scheme"; 214 staff were recruited, the most of the past eight years.

The Group believes that people are key elements in any organisation and is always willing to share its operational results with staff. Confronted by the deepening global financial crisis and deteriorating economy, the Group encouraged its staff to make new commitments to building a brighter future under such tough conditions.

Corporate Governance

The Group strives to improve corporate governance standards in order to protect the interests of all the Group's stakeholders. The Board recognises its prime duty is to protect and best utilise resources in the Group and to enhance shareholder value. Good corporate governance is the key to improving corporate profit and enhancing sustainable development. The Board strives to strike a balance between compliance with rules and regulations and flexibility in doing business, and the interests of the controlling shareholder and minority shareholders. In the past year, the Group has done its best to promote corporate transparency, to enhance the efficiency of the Board and the various committees under the Board, and to improve the Group's internal controls and risk management. The Strategy and Risk Management Department was established in July 2008 to enhance the Group's capability in risk management. To improve communication with investors, starting from July 2007 the Group has released monthly data on sales and its land bank in China. The annual report is one of the major tools for communication with investors, and the Group continues to improve its quality. The 2007 annual report was recognised in the renowned international ARC Awards and Mercury Awards. This demonstrates the Group's achievements in its communications with investors.

Corporate Citizenship

The Group places great emphasis on its corporate social responsibilities and is active in social and charitable activities. The Group pays attention to environmental, arts and staff development issues, and strives to maintain a culture for the corporation that fully serves its shareholders, business associates, staff members and the community.

The Group participated actively in many social and charitable activities in 2008. It was the first organisation to respond to the call of Oxfam and donated HK\$2 million to help the victims of the China snowstorms. The Group also reacted quickly to the Sichuan earthquake; a special team was set up to attend to the disaster relief work and over 20 million yuan worth of cash and materials was raised by the Group.

Subsequent to the Sichuan earthquake, the Group accelerated and increased the Zhong Hai Hope School programme. The construction of two new China Overseas Hope Schools and the building of the Du Jiang Yan Special Education School were both started in 2008.



Chairman's Statement *(continued)*

In the course of developing a property project, at the design stage and during construction, great emphasis is placed on environmental protection and safety. The Group will do its best to build a greener community. As a property developer, the Group can make a major contribution towards the economy, infrastructure development, environmental enhancement and provision of job opportunities in urban areas.

Awards

In 2008, the Group received numerous awards. Among them, China Overseas Property (中海地產) was acknowledged for the fifth year in a row by the China Real Estate Top 10 Research Team as number one in terms of integrated strength among the top 100 China real estate enterprises. The brand value of China Overseas Property increased to 9.9 billion yuan, and the company was also recognised as number one China Blue Chip Real Estate Developer and as one of the Top 20 Branded Enterprises. China Overseas Property was awarded six Jian Tian Yao (詹天佑) awards for excellence in its quality, design and management, five CNBC international real estate awards, two National Guang Xia awards and a Global Best Environment Estate award.

Prospect Macroeconomy

The negative impact of the global financial crisis on the world economy will be more evident in 2009. Major developed countries including USA, UK and Japan have entered into recession. The economies of emerging markets, including China, will also be heavily affected. Governments in many countries have developed stimulus measures aimed at boosting credit liquidity in the financial markets, stimulating consumption and finally regaining economic momentum, but it will take a while for these measures to take effect. In the second half of 2008, China made major adjustments to its macro-control policies by adopting active fiscal policies and moderately loose monetary policies, aiming to maintain steady economic growth, mainly by increasing domestic demand. The global financial crisis has also badly hurt the economies of Hong Kong and Macau, and both entered into recession in 2009. In response the respective governments have launched various stimulus packages.

It is estimated that this financial crisis will have a long and deep impact on the world economy and financial markets and that most enterprises will face tremendous challenges in 2009.

In such tough operating conditions, the Group will strive to maintain healthy development, and at the same time will continue to improve its corporate governance standards and to actively take up more corporate social responsibility.

Business Growth

After rapid growth for so many years, the China economy has slowed down due to the impact of the global financial crisis. Under the government's proactive fiscal policies and moderately loose monetary policies, the stimulus package — comprising interest rate cuts, tax rebates, tax cuts and mortgage interest rate reductions — will be beneficial for the recovery and development of the property market in China. The Group is confident about the long-term development of the mainland China property market, though in 2009 it will follow a pattern of "survival of the fittest and elimination of the weakest". Property developers with strong brand names, scale, adequate financial resources and effective management will have opportunities to enlarge their development scale, increase their land banks, accelerate their rate of development and expand their market shares.

It is expected that the property markets in Hong Kong and Macau, especially the high-end segment, will be under continued pressure. In 2009, the Group will concentrate on developing the two current projects and actively procure the completion of the land premium compensation work for the Fan Ling Project.



Market Leading Status

China is a vast country whose economy is developing at varying rates, and its property markets are also at various stages at any one time. However, comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group will continue to excel and balance its nationwide development strategy by actively exploring new markets with strong potential. This will help to increase its leadership of the industry in terms of turnover, net profit and brand value. In this way the reputation of the Group as a market leader in the high-end market will be enhanced. The Group will adhere to its professionalism and strive to maintain its philosophy of attention to detail to deliver outstanding quality and value-for-money products and services, in order to consolidate its status as market leader.

Sustainable Project Development

With the market turnover in China slowing and prices falling, the Group will control the pace of its development appropriately and launch scarce, highly differentiated and top-quality products. By fully utilising the strength of its brand name, backed by additional marketing and sales resources, the Group can improve its cash flow and maximise the return on its assets. After taking into consideration the economic conditions, market trends and the Group's situation, it is planned that in 2009 forty-three projects with GFA of 5.0 million sq m will be completed for occupation. The Group will aim to achieve total sales area of not less than 3.5 million sq m for 2009, an increase of 30% on 2008.

Better Business Structure

The Group will continue to strengthen the competitiveness of its business structure with residential development as the main element and investment property in a supplemental role. It will balance resources allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns. A professional investment property team has been steadily built up to ensure stable growth of income from investment property and enhancement in the value of investment properties, thus strengthening its capability to balance market risk. The Group will strive to generate a profit contribution from investment property that exceeds 20% of the total profit by 2010. The completion of the Beijing China Overseas Plaza has added more than 150,000 sq m of investment property to the Group, and currently the commercial property area being developed and yet to be developed exceeds 1.2 million sq m, with most to be completed by the end of 2011.

Withdrawal from Infrastructure Business

The Group has disposed of all its infrastructure investment businesses except for the Nanjing Yangtze River II Bridge. In 2008, the Group successfully sold the Nanchang Bridge and Laizhou Port for a total sum of HK\$1.53 billion. The Group will look for the best timing to dispose of the Nanjing Yangtze River II Bridge in the most appropriate way.

Land Replenishment

Under less favourable macroeconomic conditions, the Group will calmly meet the challenges ahead. It will maintain an appropriate scale of investment, monitor the pace of its development and maintain a reasonable gearing ratio. To capture opportunities offered by market adjustments, the Group will enter into projects with good earning prospects, government support, moderate financial requirement and high cash turnover rate, either by public auction or merger and acquisition. The Group will also enhance cooperation with large state-owned enterprises to acquire new land resources at relatively lower funding levels. Subject to the improvement in the financial position of the Group, it is intended that the replenishment of land for development for 2009 will not be less than 4 million sq m.



Multi-Growth Models

Many property developers will face severe sales pressure and funding deficiencies amid the financial crisis. Under such depressed market conditions, merger and acquisition opportunities will arise. The Group will strive to make real progress in the setting up of a real estate fund and also in merger and acquisition activities so as to expedite its development and expand its development scale.

Effective Management

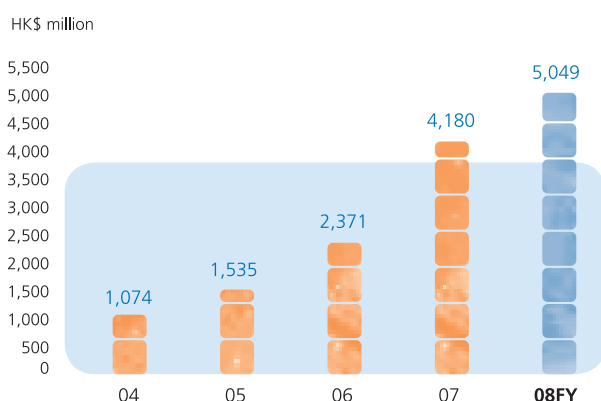
Facing such a tough economic and operating environment, and in order to meet the challenges and seize the opportunities, the Group needs to enhance its overall capabilities including its competitiveness and risk control capability. The Group will continue to focus on policies and regulations, resource protection, risk management and operating efficiency enhancement. The last can be achieved through actively acquiring high-value land reserves at low cost, continued improvement of product quality and reduction of costs and expenses in project development, sales and marketing.

Prudent Financial Management

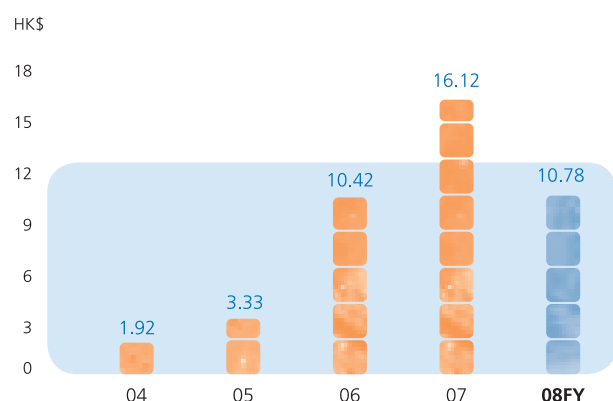
The financial crisis poses various challenges, creating unprecedented pressure on financial and funds management in every corporation. The Group will continue to adhere to prudent financial management while it strives to improve its funds management capability. The Group will make full use of its fund-raising platforms in the international, Hong Kong and mainland China financial markets, exploring new channels to enhance its financial strength and resources and to increase its asset protection capabilities. The Open Offer announced by the Group on 10 December 2008 gained support from the Group's controlling shareholder, China Overseas Holdings Limited, who agreed to underwrite the whole Open Offer. The Open Offer was heavily oversubscribed and HK\$2.5 billion in equity was raised in February 2009. After the Open Offer, the shareholder equity of the Group was increased to over HK\$35 billion and the gearing ratio was decreased to about 40%. The Group is indeed the mainland China property developer with the strongest financial capabilities, with little debt repayment pressure due to the fact that most of its bank loans and guarantee bills are long term with maturity falling after 2010. The Group will continue to upgrade and promote its ERP system to enhance project and financial information communication, intensify cash flow control for all regions, increase cash inflow and effectively combat the risks brought about by any shortage in liquidity.

Prudent financial management and strong financial capabilities can enable the Group to handle the financial crisis and position itself to seize business opportunities.

Growth in Net Profit



Share Price as at year-end date





Business Prospects

The Board is confident about prospects for the Group. In the last few years, the Group has diligently built a solid foundation, and has stepped up to new heights as an evergreen enterprise. Strong, persistent profit growth has continued for six consecutive years, and excellent share price performance demonstrates the Group's strength and capability. This year, 2009, will be full of opportunities and challenges. The Group will continue to operate according to its long-standing maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success". Through its hard work and persistent innovation and by continually enhancing its operating and management capability, the Group is fully confident of its performance in 2009. Furthermore, with its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group is capable of converting Crisis to Opportunity and Pressure to Dynamism. The Group is very confident that it can maintain its leadership position in the China real estate industry and achieve steady high-quality balanced growth.

Mission

The Group strives to bring out the best value in its human resources, and places great emphasis on establishing a satisfactory operational and working environment. The Group is committed to enhancing shareholder value, raising its standards of corporate governance, moral integrity and corporate citizenship, and improving its core competitiveness through continuous innovation. The ultimate goal is to attain an outcome that is mutually beneficial for the Group, its shareholders, business associates, staff members and the community. The Board will endeavour to develop the Group into an evergreen enterprise.

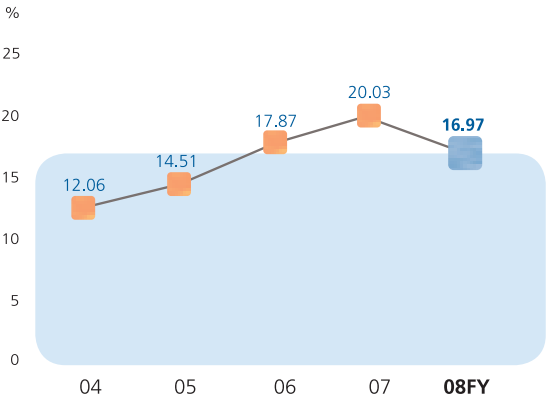
Appreciation

Lastly, I would like to thank the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust, and the entire staff for their dedication.

Kong Qingping
Chairman

Hong Kong, 23 March 2009

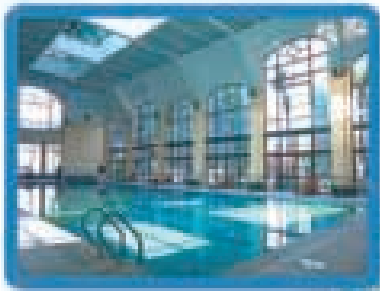
Average Return on Equity in the past 5 years



▣ Management Discussion and Analysis



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Overall Performance for Year 2008

The Group's turnover from continuing operations amounted to HK\$18.89 billion (2007: HK\$16.63 billion), an increase of 14%. The operating profit amounted to HK\$9,040 million (2007: HK\$7,102 million), an increase of 27%. Profit attributable to shareholders amounted to HK\$5,050 million (2007: HK\$4,180 million), an increase of 21%. Basic earnings per share amounted to HK64.8 cents (2007: HK56.9 cents), an increase of 14%.

The equity attributable to the shareholders of the Company by the end of 2008 increased by 26% to HK\$33.22 billion (2007: HK\$26.28 billion).

Income

The operating income from the Group's property developments amounted to HK\$17.89 billion, an increase of 16% over 2007. The mainland China property development business grew rapidly with the revenue increasing by 39% to HK\$17.16 billion, representing 96% of the total property development turnover and accounting for 91% of the Group's turnover. Hong Kong and Macau property operating income amounted to HK\$734 million.

Property investment income amounted to HK\$202 million, an increase of 63%.

Other income amounted to about HK\$799 million, a decrease of 25%.



Residential properties were well-received in mainland markets

Operating profit

The Group's operating profit amounted to HK\$9,040 million, an increase of 27% over 2007. The operating profit of the mainland real estate business amounted to HK\$8,164 million, an increase of 70%, which was attributable to the sale of the 27 projects completed during the year and the sale of property held for sale. In 2008, the market was tough and the overall gross margin of the mainland China property development business decreased from last year's 45.1% to 43.7%. The property development business in Hong Kong and Macau realized a profit of HK\$297 million and with a satisfactory gross profit margin of 40.5%.

Investment property rentals continued to provide stable income for the Group, with the operating profit amounting to HK\$173 million. There was an increase in the fair value of investment properties amounting to HK\$1,667 million (net after tax increase of HK\$1,073 million, an increase of 225%) mainly due to the completion of the Beijing China Overseas Plaza.

The sale of infrastructure projects generated operating profit of HK\$132 million.

Costs and expenses

The Group's selling and distribution costs and the administrative expenses increased substantially by 37% to HK\$1,575 million, mainly due to the expansion of business operating scale in a difficult market. Unallocated administrative expenses amounted to HK\$176 million, an increase of 21% over 2007. As a result of increased borrowing and interest rate rises in China, financial costs increased by 96% to HK\$1,338 million. Uncapitalized financial costs amounted to HK\$418 million, a decrease of 17%.



China Overseas Property has become a leading brand in the mainland property sector



Land Reserves

Annual summary

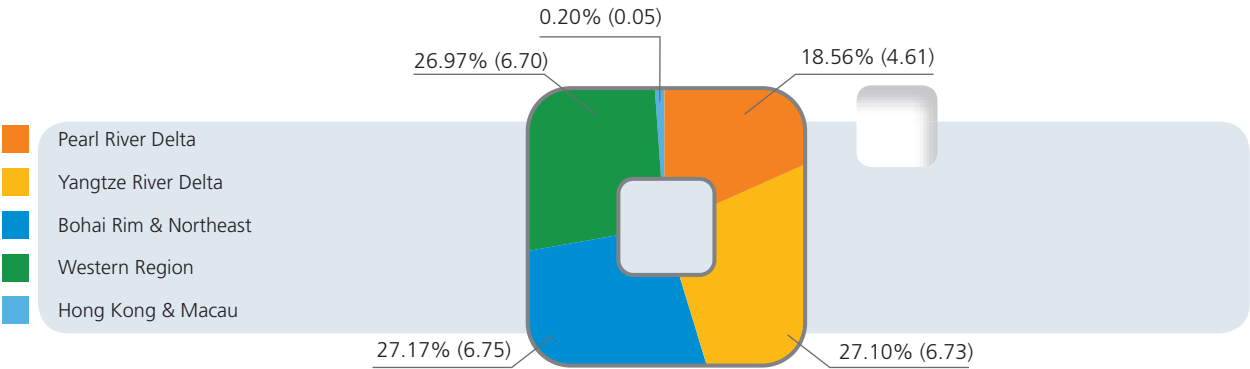
- Ten parcels of land were acquired by the Group in six mainland cities, with a total GFA of 2.79 million sq m (attributable interest of 2.07 million sq m)
- The Group entered Jinan by acquiring three parcels of land
- At the end of 2008, total GFA for development amounted to 24.84 million sq m (attributable interest of 21.77 million sq m)

Taking into consideration factors such as the deteriorating global economy, the slowdown in economic development growth, decreasing real estate transaction volumes, prices in mainland China, Hong Kong and Macau, and the moderate change in the pace of project development, new land acquisition needs to be appropriately adjusted.

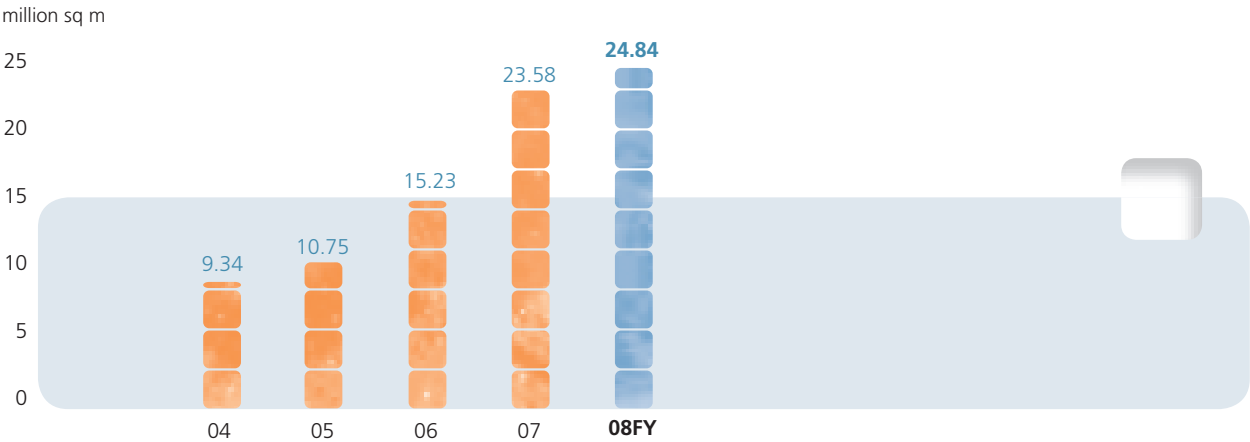
The Group acquired ten parcels of land in six mainland cities, which provided additional GFA of approximately 2.79 million sq m, in which attributable interest was 2.07 million sq m, located in Zhuhai, Suzhou, Shanghai, Jinan, Hangzhou and Tianjin. The Group's land acquisition was less than that planned at the beginning of 2008. The Group entered Jinan, the provincial capital of Shandong province, thus strengthening the Group's coverage in the Bohai Rim & Northeast region and further consolidating the Group's nationwide strategy. The newly acquired land parcels are in premium locations, either in city CBDs or districts with great development potential, and lay a solid foundation for the sustainable development of the Group's business.

As at 31 December 2008, the Group had a total land reserve of over 24.84 million sq m, in which attributable interest was 21.77 million sq m in 22 mainland China cities and districts, Hong Kong and Macau. This is sufficient to support the Group's annual profit growth rate of over 20% in the coming four to five years. Respectively 19%, 27%, 27% and 27% of the land reserves in mainland China are situated in the burgeoning Pearl River Delta Economic Zone, Yangtze River Delta Economic Zone, Bohai Rim & Northeast region, and Western Region respectively, which have large economic scale and strong economic growth potential. China is a vast country whose economy is developing at varying rates, and its property markets are also at various stages of development at any one time. A comprehensive national strategic spread can effectively balance economic and market risks associated with cyclical fluctuations. In recent years, the Group expanded its scale by increasing land reserves in major provincial capitals and key cities. By utilizing the opportunities of fast growing property markets in these cities, the Group can effectively avoid market risks brought about by macro-control measures. The Group's small land reserves in Hong Kong and Macau are of high quality and can provide satisfactory returns for the Group.

Breakdown of Land Reserves by Region (unit: million sq m)



2004–2008 Growth in Total Land Reserves





National Coverage of the Group

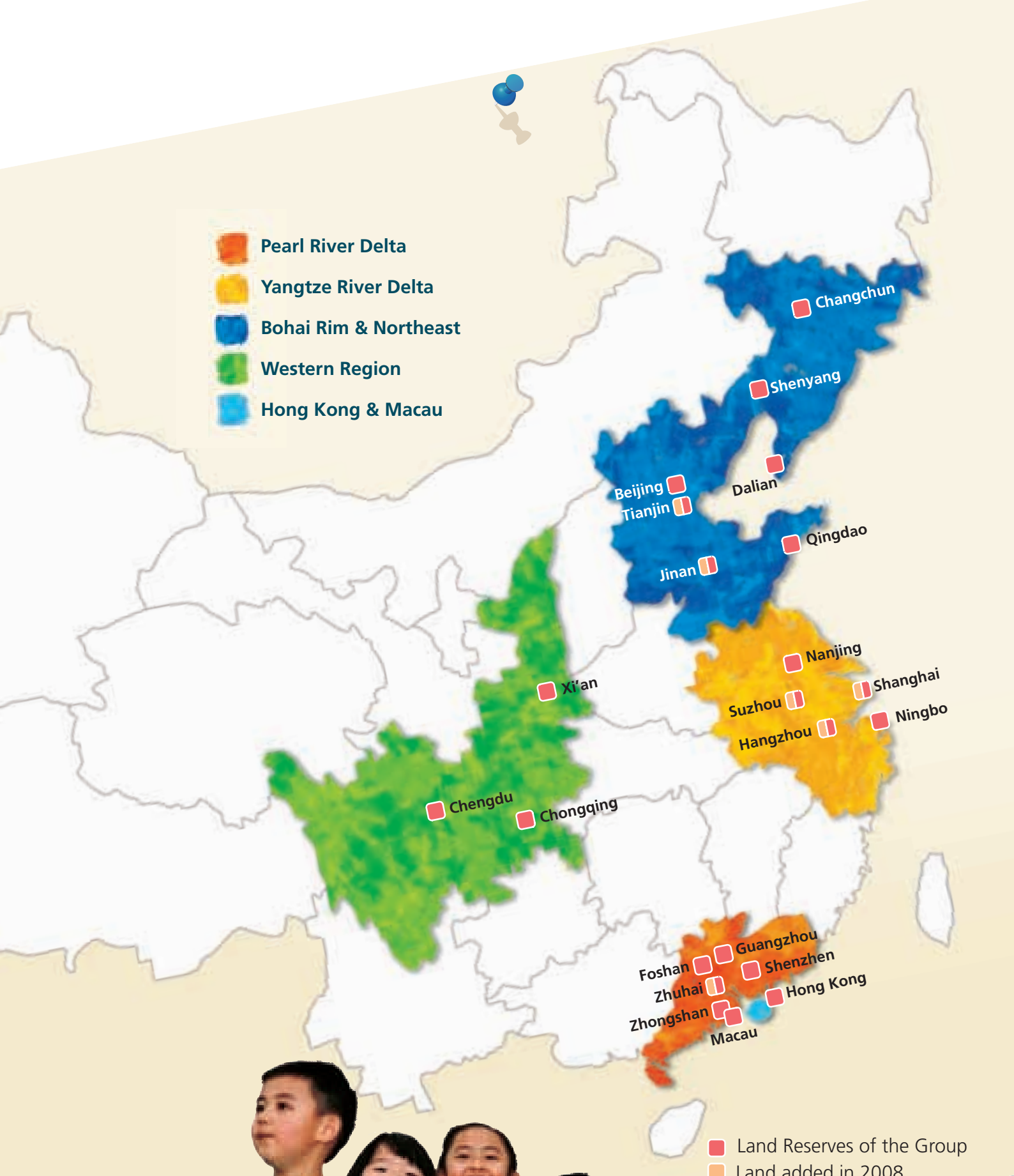


Land Parcels added in 2008

District	Project Name	Land Area ('000 sq m)	Total GFA ('000 sq m)
Pearl River Delta			
Zhuhai	Hengqin Island	81.9	138.0
	Sub-total	81.9	138.0
Yangtze River Delta			
Suzhou	2007-G-53	344.6	341.6
	Sub-total	344.6	341.6
Hangzhou	Binjiang No. 76	87.9	335.7
	Binjiang No. 75	193.6	721.4
	Sub-total	281.5	1,057.1
Shanghai	Kangqiao Telecom Park	131.2	191.4
	Zone A No. 1		
	Sub-total	131.2	191.4
Bohai Rim & Northeast			
Tianjin	Jintan (2007) No. 36	8.6	56.2
	Xiangluo Bay CBD C02	9.9	172.7
	Sub-total	18.5	228.9
Jinan	Royal Dynasty	172.9	346.2
	3-2 Slot, Lixia District	85.8	166.1
	3-3 Slot, Lixia District	150.1	324.4
	Sub-total	408.8	836.7
Total		1,266.5	2,793.7

Total Land Reserves

District	City	GFA ('000 sq m)
Pearl River Delta	Shenzhen	1,142.8
	Zhongshan	104.5
	Guangzhou	563.4
	Foshan	1,906.3
	Zhuhai	889.5
Yangtze River Delta	Shanghai	1,327.0
	Ningbo	617.9
	Hangzhou	1,712.1
	Nanjing	848.1
	Suzhou	2,226.2
Bohai Rim & Northeast	Beijing	1,368.1
	Tianjin	366.5
	Jinan	845.0
	Shenyang	1,602.6
	Changchun	1,573.0
	Dalian	267.4
Western Region	Qingdao	733.3
	Chengdu	2,242.2
	Xi'an	1,626.2
Hong Kong & Macau	Chongqing	2,830.0
	Hong Kong	50.6
Total		24,842.7



Property Development



The Group operates a nationwide brand expansion strategy and consistently delivers excellent products. It will develop the best products in its category in different cities and provide prime **products and excellent services** to its customers through its professional operation and management team.





Annual Summary

- 29 projects were completed, with a GFA of 2.60 million sq m
- 70% of the completed projects were sold
- The total GFA sold amounted to 2.71 million sq m, raising HK\$26.61 billion, representing increases of 25% and 19% respectively over 2007
- Profit contribution of HK\$6,731 million, represented an increase of 3% over last year

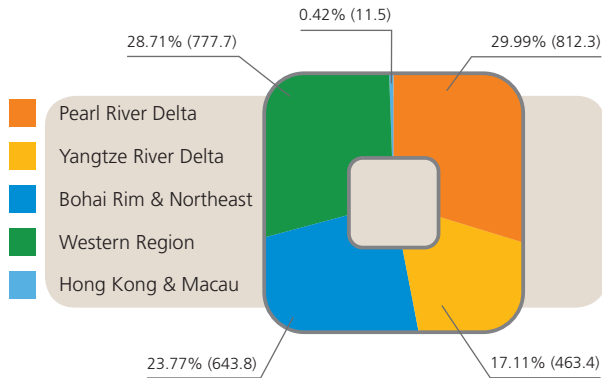
The outbreak of the financial crisis affected both the liquidity and stability of the global financial market, resulting in a credit crunch, asset depreciation, investment losses and reduction in wealth. The damage to the world economy gradually spread and the growth in the mainland's economy has slowed. The sentiment and performance of stock markets and real estate markets remained poor. Ability, confidence and desire for consumption were eminently low, and property developers with a shortage of liquidity initiated vicious price-cut competition. China began to adjust its macro-control policies in the second half of 2008 and the local municipal government introduced various measures to try to stabilize the real estate market. Under such difficult operating conditions, adhering to the Group's operating philosophy of "Excellent Integrity, Excellent and Eternal Products" (誠信卓

越、精品永恒), its professional management model and the support of its branding advantage on the mainland, the Group continued to provide consumers with premium properties while improving its marketing capability and standards, further enhancing its profit margin. China Overseas Property (中海地產) is the brand name used by the Group in mainland China, and the value of this brand name has been substantially enhanced. In 2008, the Group was honoured to be ranked first in overall capability among the top 100 China Property Development Enterprises and also acknowledged as China's leading real estate company, with a brand value of 9.89 billion yuan.

Property sales for the year was satisfactory and totalled HK\$26.61 billion, representing an increase of 19% over 2007. The total GFA sold was 2.71 million sq m, an increase of 25% over last year. Sales in China were HK\$25.90 billion, accounting for 97% of the total sales and an increase of 19%. The total GFA sold in China amounted to 2.70 million sq m, an increase of 25%. Sales in Macau and Hong Kong amounted to HK\$715 million, an increase of 55%.

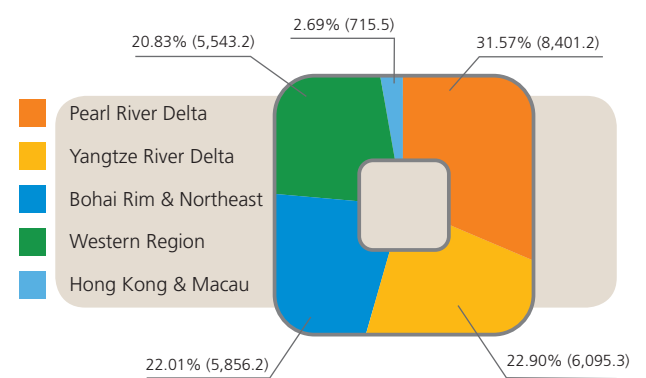
2008 Property Sales in area by Region

(unit: '000 sq m)



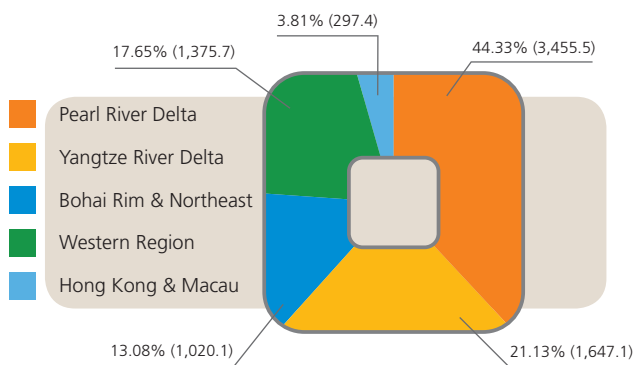
2008 Property Sales by Region

(unit: HK\$ million)



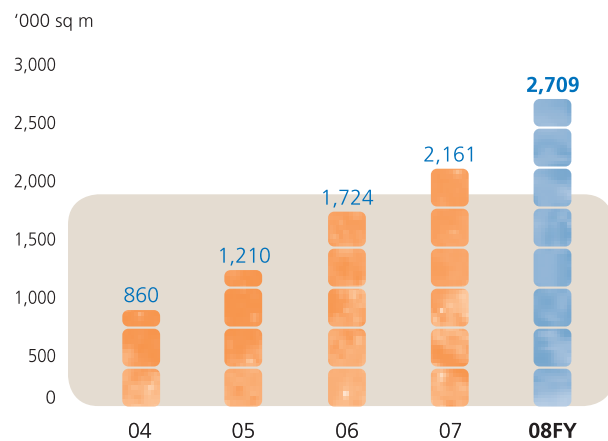
2008 Gross Profit Contribution by Region

(unit: HK\$ million)



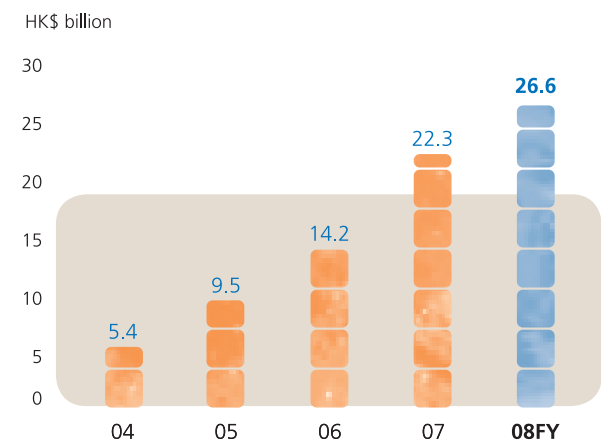
2004 to 2008 Growth in Property Contract Sales

(unit: '000 sq m)



2004 to 2008 Growth in Property Sales

(unit: HK\$ billion)





Property Development *(continued)*

The business and operating environment was relatively poor in 2008. However, the Group continued to achieve excellent performance. It was mainly due to its comprehensive nation-wide development strategy and the diligent work of its staff. The Western region should be commended on its outstanding performance amid the extra pressure caused by the Sichuan Wenchuan earthquake in May 2008. We therefore offer a special introduction to Chengdu, Chongqing and Xi'an:

Chengdu

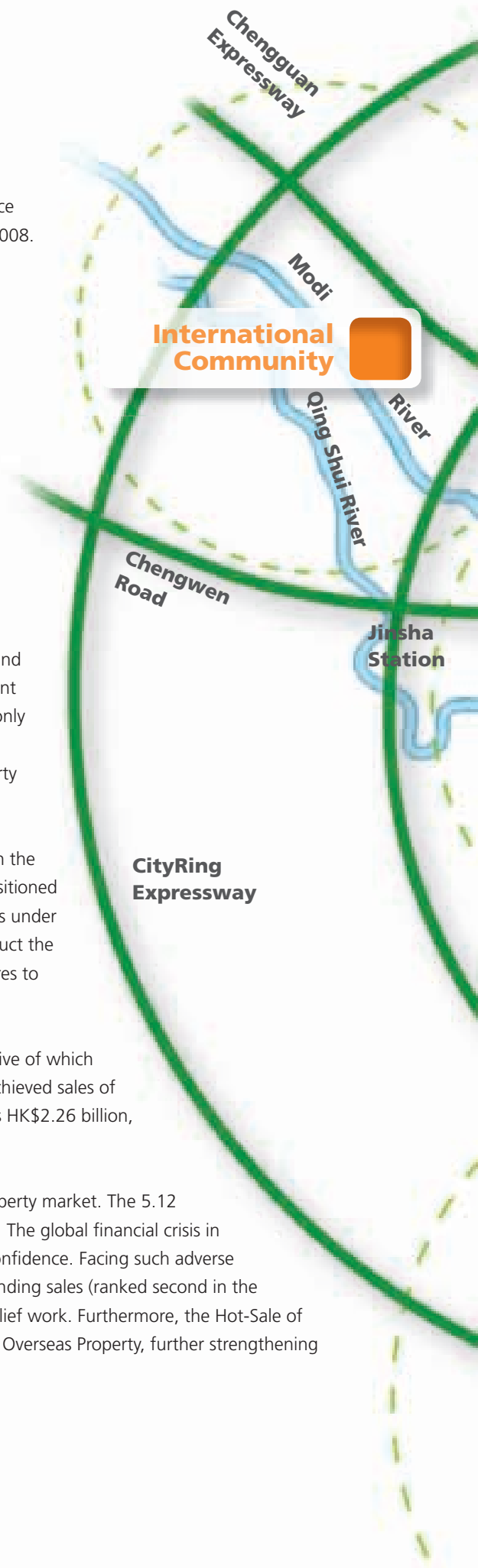
Chengdu, with a history of more than 2,300 years, was the first city developed in the southwest region of China. It is a fount of China's national culture and is abundant in ancient heritage, which makes it the most important city for politics, economics and culture in southwestern China and the ChangJiang River Drainage Area. Chengdu, with an aggregate area of 14,000 sq km and a population of 12 million and is one of the fastest developing cities in China.

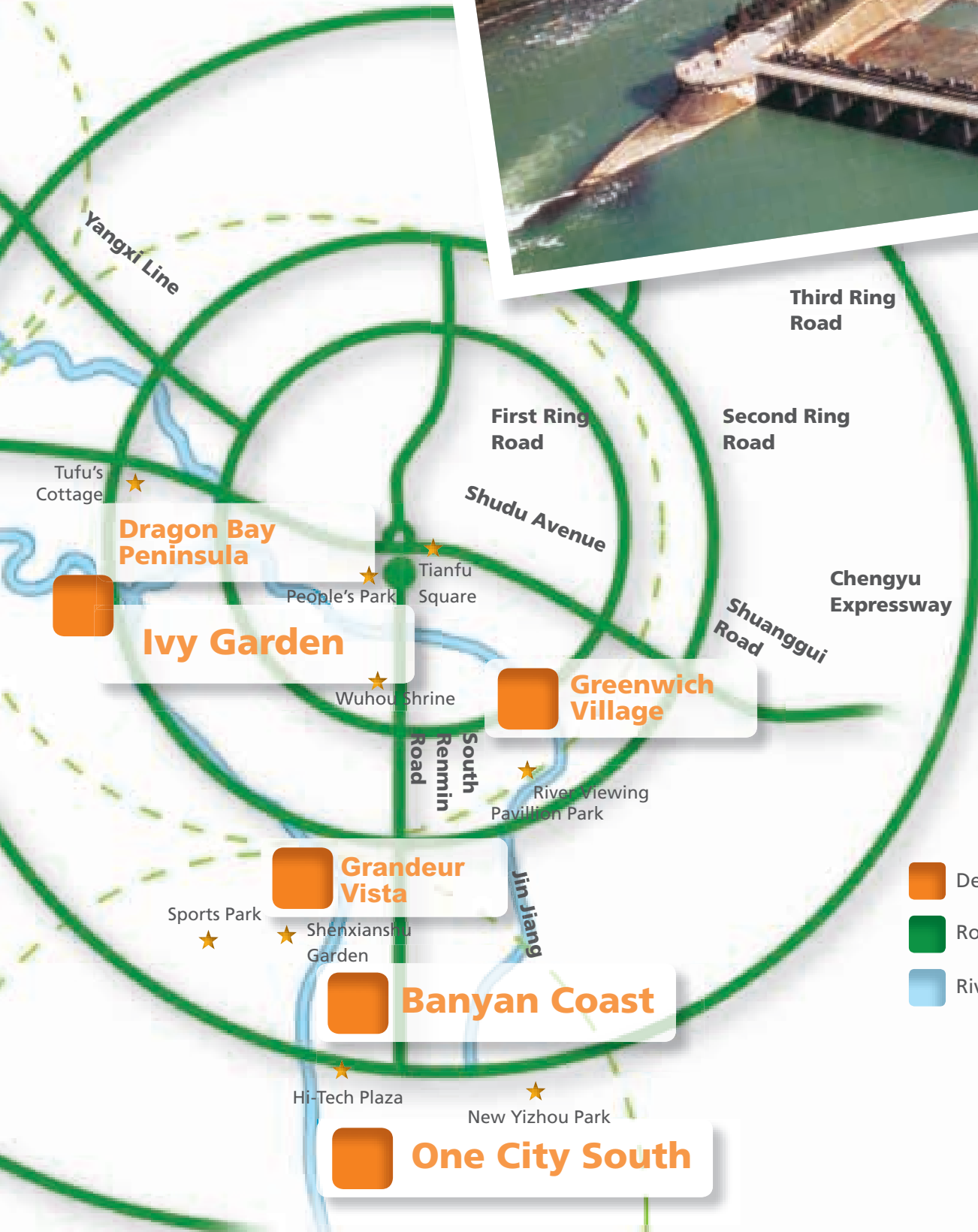
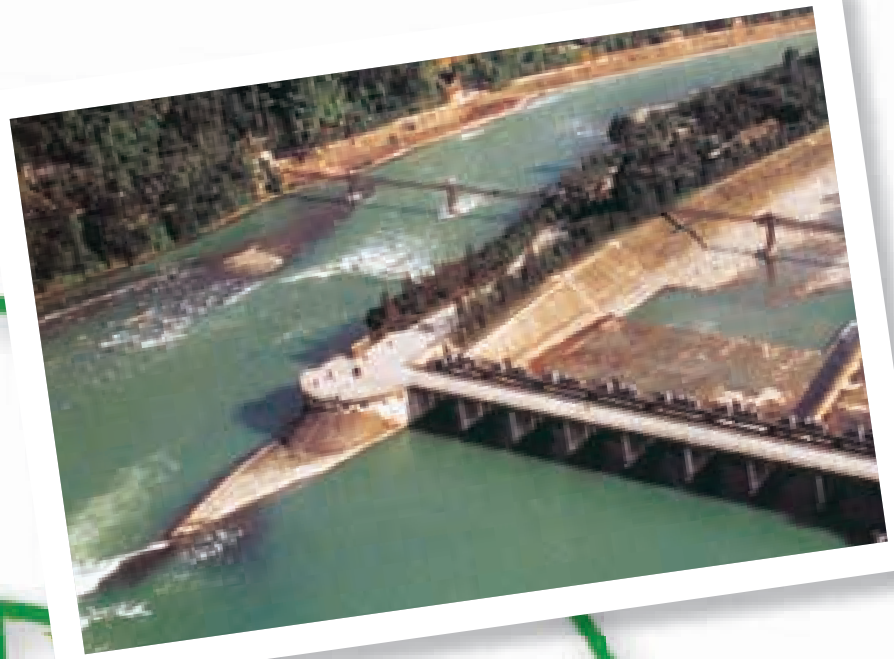
The property market in Chengdu started in the early 1990s, The market is comparatively mature among the second-tier cities, and people from overseas and other parts of China are attracted to settle or invest here because of its important location and its unique atmosphere. The average property price in Chengdu is only 50–60% of that in first-tier cities, such as Beijing and Shanghai. Taking into consideration Chengdu's status and city value there is plenty of room for property prices to increase in the future.

A building, similar to the "New Town of Abundance" in Pudong, Shanghai, is in the process of being built. It is mainly being developed for software services and positioned as the "Western Silicon Valley". Chengdu has ample development opportunities under the policies of Supporting High Technology Industry Development and Reconstruct the Disaster Area After the Earthquake amid the implementation of the Ten Measures to Increase Domestic Demand issued by the State Council.

The Group entered Chengdu in 2000 and has so far developed eight projects, five of which have already been launched on the market. In 2008, the Chengdu subsidiary achieved sales of 412,900 sq m in area valued at HK\$2.96 billion. Sales turnover for the year was HK\$2.26 billion, contributing gross profit of HK\$933 million.

The year 2008 was the most memorable and complicated for the Chengdu property market. The 5.12 Wenchuan Earthquake had a substantial adverse effect on the property market. The global financial crisis in the second half of the year caused further deterioration, particularly in buyer confidence. Facing such adverse situation, the Chengdu subsidiary reacted quickly and cleverly, achieving outstanding sales (ranked second in the Chengdu property market) while devoting its full efforts towards the disaster relief work. Furthermore, the Hot-Sale of the Zhong Hai projects once again confirmed the branding advantage of China Overseas Property, further strengthening the brand name of China Overseas Property in Chengdu.





Yangxi Line

Third Ring Road

First Ring Road

Second Ring Road

Tufu's Cottage

Dragon Bay Peninsula

Shudu Avenue

People's Park

Tianfu Square

Chengyu Expressway

Ivy Garden

Shuanggui Road

Greenwich Village

Wuhou Shrine

South Renmin Road

River Viewing Pavilion Park

Grandeur Vista

Development Project

Sports Park

Shenxianshu Garden

Road/Expressway

Banyan Coast

River

Hi-Tech Plaza

New Yizhou Park

One City South

Orchid Garden

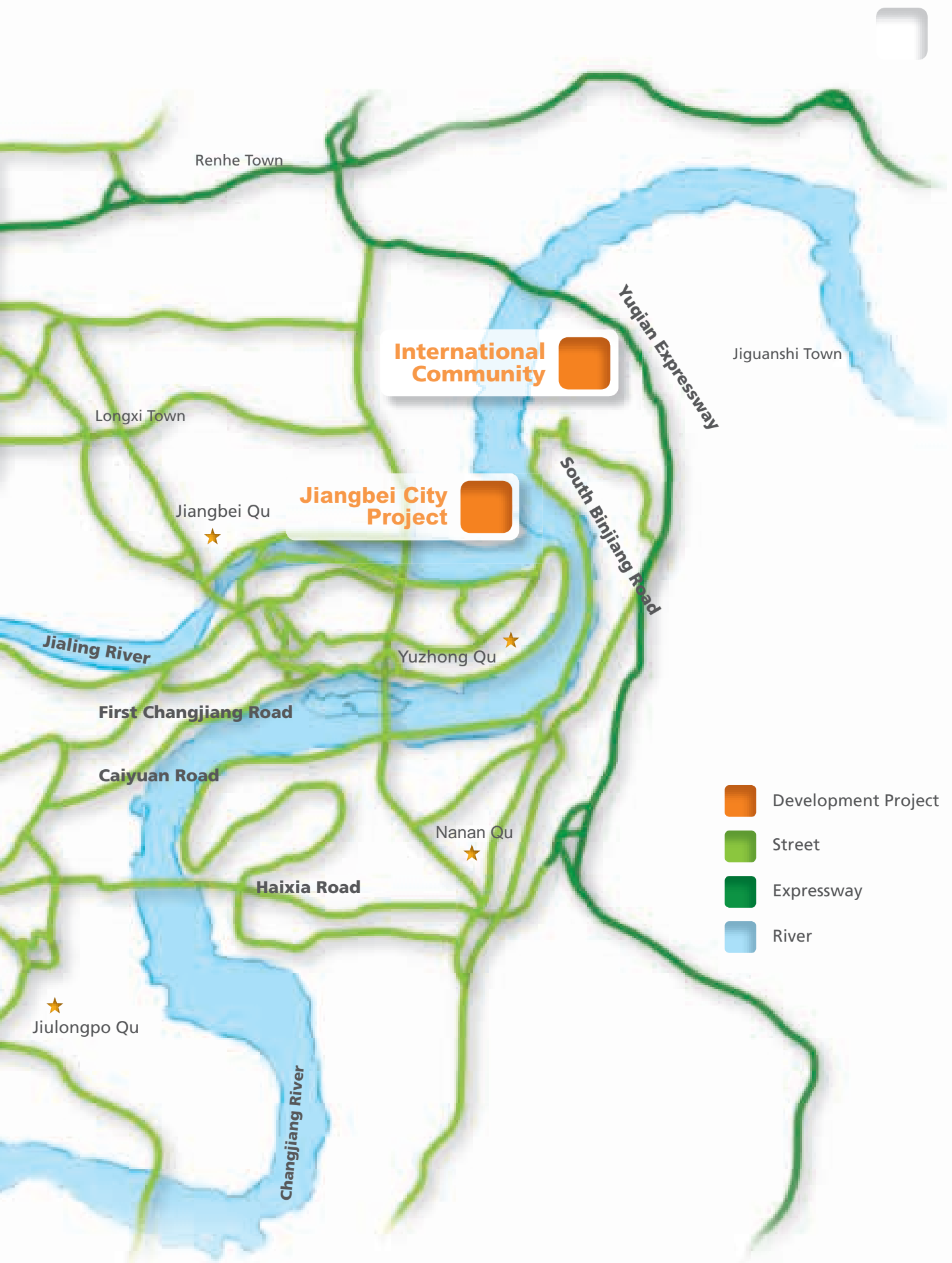


Chongqing

Chongqing is the largest and most populous provincial-level city in China, renowned for its 3,000-year history and culture. With an area of 82,000 sq km and a population of 32 million, Chongqing has abundant tourist resources ranging from natural beauty to cultural attractions. The economic development of Chongqing has been good in the past years, with GDP growth of 13.9%, 15.2%, 15.3% and 14.3% for the four quarters of 2008. Economic and property development in Chongqing both started relatively late and the impact of the macro-measures and the global financial crisis have been relatively small. The adjustment in the price and speed of sale for property is not serious. The average selling price in 2008 was higher than 2007. With the support of both central and local government policies, the future for property development is still very good.

The Group entered Chongqing in 2006 and is one of the market leaders. It has three projects, of which the One North Riviera project and the International Community project, in which the Group is cooperating with the Hong Kong's Wharf Group, have been launched on the market. Sales in Chongqing were satisfactory and not much affected by the Sichuan Earthquake. Regarding One North Riviera, over 48% of the project has already been sold. The International Community project has a land area of 1,550 acres and GFA of 2.3 million sq m. It will be developed into an integrated residential area with ample recreational and art facilities in the CBD of Chongqing. So far 343 units have been sold, out of the 598 units put on the market and sales have amounted to 113 million yuan. The Chongqing City office completed sales of 67,200 sq m worth HK\$546 million in 2008. The sales turnover for 2008 was HK\$624 million, contributing gross profit of HK\$320 million. It is expected that the profit contribution for 2009 will substantially increase.





Property Development *(continued)*

Xi'an

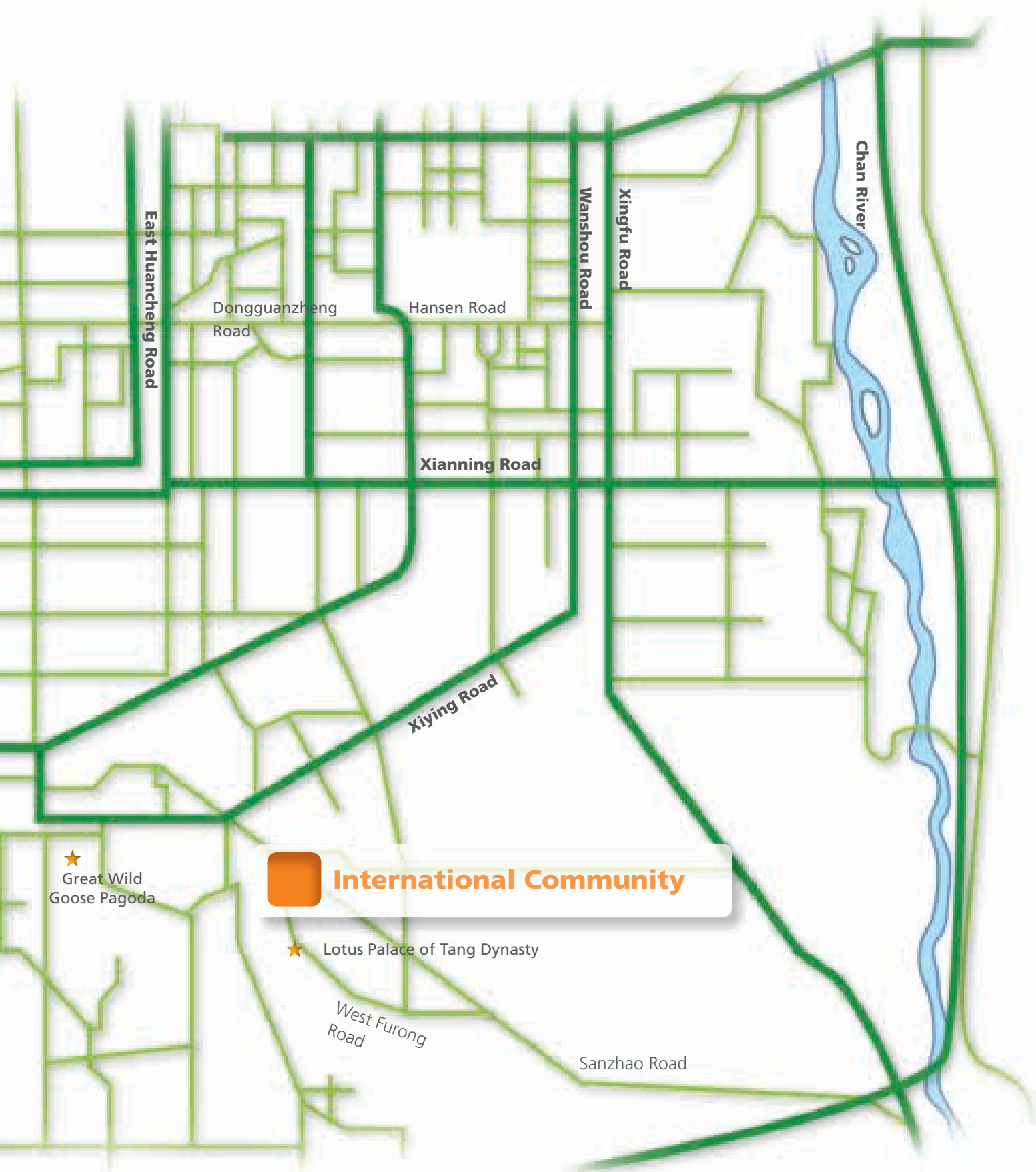
Xi'an is the provincial city of Shaanxi Province. It is internationally famous for its history and culture, an important birthplace of Chinese civilization and at different times the capital of many empires. With an area of 9,983 sq km and a population of 7.41 million, Xi'an is an important centre for technology and education in western China. The city has abundant tourist resources and is the starting point for the famous Silk Road. It also has many important preserved buildings and art treasures, including the eighth wonder of the world, the Terra Cotta Warriors and Horses of the Emperor Qin Shi Huang.

Economic development in Xi'an has been good in recent years, with GDP growth of 15.6% in 2008 and over 13% for each of the last eight years. Both economic and property development in Xi'an started relatively late and the impact of the macro-measures and the global financial crisis is hence relatively small. The adjustment in the price and speed of sale for property is not significant, and the average property price in 2008 is actually higher than in 2007. With the support of the government policy, the future is still good for property development.

The Group entered Xi'an in year 2004 and is now the market leader. It has one project in progress, which has been launched on the market. The Xi'an City office completed sales of 297,600 sq m, worth HK\$2,037 million in 2008. Sales turnover for 2008 was HK\$352 million, contributing gross profit of HK\$122 million. Gross profit contribution in the future is expected to increase substantially.

The year 2008 was a volatile one for the China property market. The 5.12 Wenchuan Earthquake had some impact on the property market and the global financial crisis caused further deterioration. The Xi'an office managed to beat its sales target without exceeding the sales and marketing budget, mainly due to its accurate understanding of the market, customers and competitors, its knowledge of sales and marketing from other city offices, appropriate use of the China Overseas Property branding advantage and the timely adjustment of its sales and marketing strategy. It also focused effort on launching an effective sales and marketing strategy at the right time with the Zhong Hai International Community project recording sales of 1.8 billion yuan in 2008, the largest such project in Xi'an for the year.





International Community

★ Great Wild Goose Pagoda

★ Lotus Palace of Tang Dynasty

- Development Project
- Road
- Street
- River



Property Development *(continued)*

Project Development

The Group completed 27 projects in mainland China during the year, amounting to a GFA of 2.58 million sq m. The completed projects were mainly residential and 70% of the GFA was sold at the end of 2008. The Group completed two projects in Hong Kong, amounting to a GFA of 12,000 sq m, and 85% of the GFA was sold at the end of 2008. It is planned that forty-three projects amounting to GFA of 5.00 million sq m will be completed in 2009. Leveraging the Group's product philosophy of Creating Quality for Infinity, strict project management and cost control, the Group aims to maximise value for customers at every stage of the property value chain, from land acquisition, product design, construction, sales and property management to customer service.

GFA of Projects Completed in 2008 by Region (unit: '000 sq m)

District	GFA
Pearl River Delta	
Shenzhen	425
Zhongshan	124
Guangzhou	229
Foshan	436
<i>Sub-total</i>	1,214 (49.67%)
Yangtze River Delta	
Shanghai	60
Suzhou	259
Ningbo	57
<i>Sub-total</i>	376 (15.38%)
Bohai Rim & Northeast	
Changchun	208
Dalian	19
Beijing	110
<i>Sub-total</i>	337 (13.79%)
Western Region	
Xi'an	42
Chongqing	140
Chengdu	323
<i>Sub-total</i>	505 (20.66%)
Hong Kong & Macau	
Hong Kong	12
<i>Sub-total</i>	12 (0.50%)
Total	2,444



GFA of Projects to be Completed in 2009 by Region (unit: ' 000 sq m)

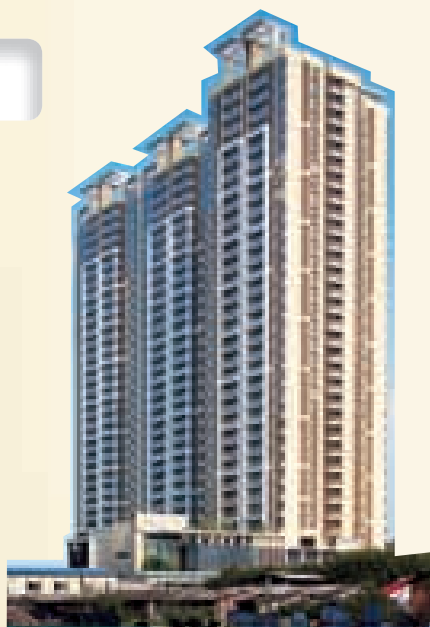
District	GFA
Pearl River Delta	
Shenzhen	340
Zhongshan	40
Guangzhou	208
Foshan	606
Zhuhai	23
<i>Sub-total</i>	1,217 (24.34%)
Yangtze River Delta	
Shanghai	183
Suzhou	489
Nanjing	78
Ningbo	142
Hangzhou	216
<i>Sub-total</i>	1,108 (22.16%)
Bohai Rim & Northeast	
Changchun	609
Qingdao	144
Dalian	145
Shenyang	41
Beijing	126
Jinan	94
<i>Sub-total</i>	1,159 (23.18%)
Western Region	
Chengdu	920
Xi'an	325
Chongqing	262
<i>Sub-total</i>	1,507 (30.14%)
Hong Kong & Macau	
Hong Kong	9
<i>Sub-total</i>	9 (0.18%)
Total	5,000



Major Projects Completed

Six of the Group's projects were awarded "Zhan Tianyou Residential Golden Awards" in 2008, representing close to one-third of the total 20 awards and demonstrating the Group's high standard in project design and management.

Pearl River Delta



Guangzhou: Blossom Cove



Foshan: Starcrest

Bohai Rim & Northeast



Changchun: Der Dhein



Yangtze River Delta

Ningbo: Bellagio



Shanghai: Bay Line

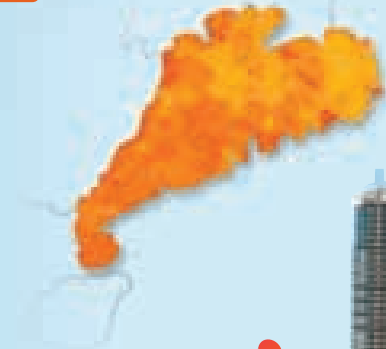


Western Region

Chengdu: International Community

Major Projects under Development

Pearl River Delta

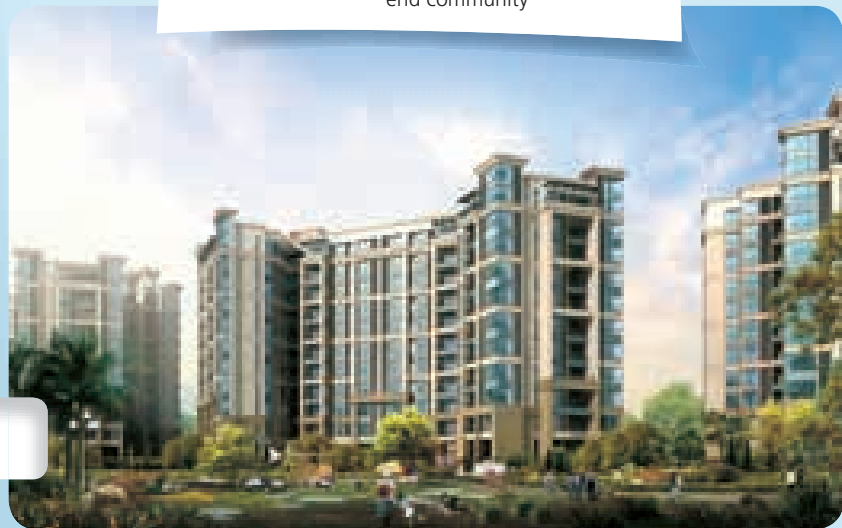


Foshan: Gold Coast

Land area: 409,000 sq m
GFA: 1,135,000 sq m
Number of units: 8,292
Est. completion: December 2011
Brief introduction: Situated along the Zhu Jiang and will be developed into an international community with lots of greeneries

Guangzhou: Bel Casa

Land area: 127,000 sq m
GFA: 306,000 sq m
Number of units: 2,433
Est. completion: March 2009
Brief introduction: High-rise apartments in a high end community





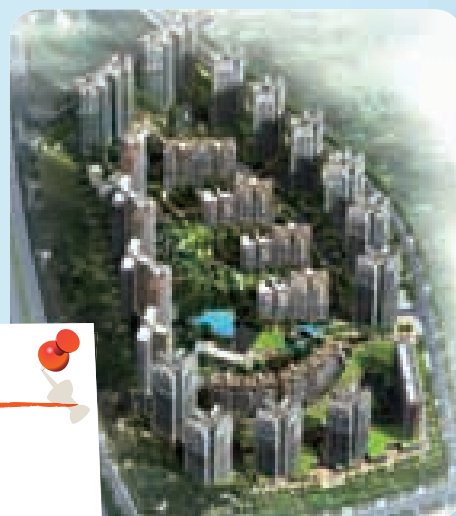
Zhuhai: Universal Park (Residential Portion)

Land area: 19,000 sq m
 GFA: 77,000 sq m
 Number of units: 395
 Est. completion: December 2010
 Brief introduction: High-rise apartments in the city centre



Zhuhai: Yin Keng Development

Land area: 108,000 sq m
 GFA: 369,000 sq m
 Number of units: 900
 Est. completion: December 2013
 Brief introduction: A row of villas and high-rise apartments with full seaview



Shenzhen: Olympic City

Land area: 119,000 sq m
 GFA: 372,000 sq m
 Number of units: 3,708
 Est. completion: December 2009
 Brief introduction: High-rise apartments in the landmark of the Da Yuan New Town



Major Projects under Development (continued)

Yangtze River Delta



Suzhou: Royal Lakefront

Land area: 260,000 sq m
GFA: 316,600 sq m
Number of units: 1,464
Est. completion: December 2009
Brief introduction: Well located along the lake shore with comprehensive facilities. Comprised of high end, high and low-rise apartments and some houses



Ningbo: The Manor Park

Land area: 81,300 sq m
GFA: 111,100 sq m
Number of units: 273
Est. completion: October 2010
Brief introduction: Mainly town houses, designed for high standard of living

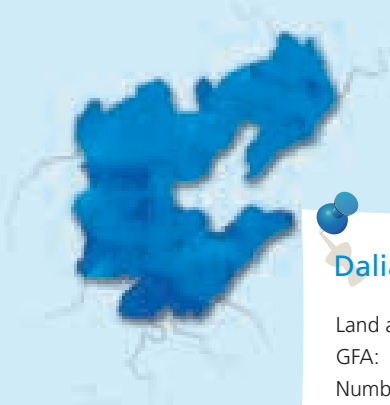
Hangzhou: The Wisteria

Land area: 49,800 sq m
GFA: 123,200 sq m
Number of units: 1,236
Est. completion: June 2011
Brief introduction: Modern Water City. Mainly low-rise and high-rise apartments





Bohai Rim & Northeast



Dalian: The Prime Manor

Land area: 87,000 sq m
 GFA: 171,000 sq m
 Number of units: 1,246
 Est. completion: December 2010
 Brief introduction: Comprised of houses and also multi-storey, low-rise and high-rise apartments

Shenyang: International Community

Land area: 470,000 sq m
 GFA: 1,170,000 sq m
 Number of units: 10,000
 Est. completion: December 2012
 Brief introduction: Situated along the river in the Changbai Island with nice environment and view



Beijing: The Metropolis

Land area: 246,000 sq m
 GFA: 666,000 sq m
 Number of units: 5,030
 Est. completion: December 2011
 Brief introduction: Situated in Beijing CBD near the metro and will be developed into an international community





Major Projects under Development *(continued)*

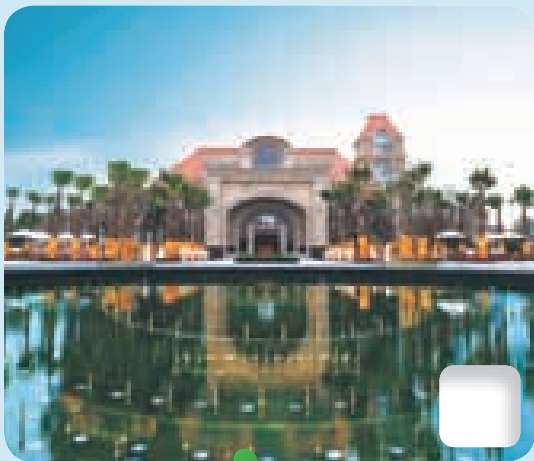


Western Region



Chengdu: Banyan Coast

Land area: 64,000 sq m
GFA: 293,000 sq m
Number of units: 2,046
Est. completion: September 2011
Brief introduction: Located at the city south, Xin Shen Xian Shu. It provides high end apartments



Chongqing: CBD International Community

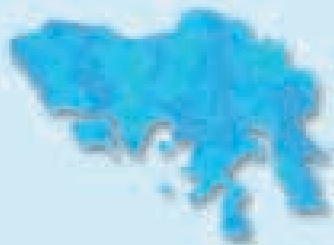
Land area: 565,000 sq m
GFA: 2,699,000 sq m
Number of units: 19,002
Est. completion: December 2014
Brief introduction: Located at the CBD. It comprised of luxurious apartments, villas and town houses. It also provides comprehensive recreational, cultural and arts facilities

Xi'an: International Community

Land area: 640,000 sq m
GFA: 1,716,000 sq m
Number of units: 11,453
Est. completion: June 2012
Brief introduction: Located at the Qu Jiang Leisure and Cultural Centre. It includes houses, low-rise, high-rise apartments and commercial properties



Hong Kong & Macau



Hong Kong: 6 Stanley Beach Road

Land area: 3,770 sq m
GFA: 2,820 sq m
Number of units: 10
Est. completion: March 2010
Brief introduction: Seaview deluxe houses in the south region of the Hong Kong Island



Hong Kong: 1 Oxford Road

Land area: 3,110 sq m
GFA: 5,560 sq m
Number of units: 12
Est. completion: October 2009
Brief introduction: Deluxe houses in Kowloon Tong

Property Investment





Gradually increasing investment property such as prime office so as to improve **long term stable** cash flow and to diversify risk in real estate business.





Annual Summary

- Investment properties held amounted to over 200,000 sq m
- Commercial properties under development or to be developed totalled 1.2 million sq m
- Excluding the newly completed Beijing China Overseas Plaza, general occupancy was 94%
- Annual rental income was HK\$202 million
- Net rental income of HK\$173 million
- Increase in fair value of investment property amounted to HK\$1.67 billion, mainly due to Beijing China Overseas Plaza



Mainly due to the completion of the Beijing China Overseas Plaza, there was an increase in fair value of investment properties amounting to HK\$1,667 million.

The Group will continue to build a business structure with residential development as the main stream and investment properties as supplementary, and will gradually increase the proportion of investment properties in order to obtain long-term and stable returns, thus enhancing its ability to offset market risk. The Group will selectively increase its investment in commercial properties, and aim to develop Grade A office buildings in core districts of cities such as Beijing and Shanghai which can offer higher returns.

Completed Investment Projects

Following the completion of the Beijing China Overseas Plaza at the end of 2008, the Group had an aggregate of over 200,000 sq m of investment properties in Hong Kong and mainland China. Total rental income for the year was HK\$202 million, representing an increase of 63% from the previous year. Total rental income arising from Hong Kong amounted to HK\$98 million, while that arising from the mainland amounted to HK\$100 million, accounting for 48% and 49% of the total rental income respectively. Segment results amounted to HK\$1,840 million which included a net increase in fair value of properties of HK\$1,667 million. Operating profit was HK\$173 million, representing an increase of 65% from the previous year.

China Overseas Property Tower, located in Financial Street in Beijing, was fully let and the annual rental income reached 48 million yuan. China Overseas Plaza will provide office area of 120,000 sq m, and commercial area of 40,000 sq m, and is expected to provide rental income of over 200 million yuan every year.

Beijing



China Overseas Plaza

Location:	Chao Yang District, CBD of Beijing with Chang An Street to the south and the International Trading Centre to the east
Type of property:	Grade A office building with some commercial facilities
Development area:	about 160,000 sq m

Property-Related Business



Property-related business such as property management and construction design supplement the development of residential property and investment property. They have become **important parts of the business chain**, enhancing the Group's core competitiveness.

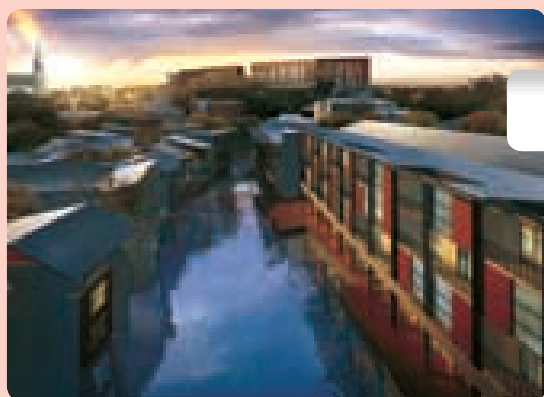




Design Projects



No. 1 Office Building of Taishan Nuclear Power Plant



The planned Wuhan Zhongshanjian plots C and D



Nanjing Times Media Cultural Pioneering Park

Construction Design

Incorporated in Hong Kong, Hua Yi is the only wholly foreign-owned design and consultancy company awarded a Grade-A Design Licence (甲級工程設計證書) by the PRC Ministry of Construction. With a high quality professional design team, "Hua Yi" has become a famous trade mark. Since its establishment 20 years ago, Hua Yi has completed projects across more than 20 large and medium-size cities of mainland China and abroad, including Canada, Japan, Hong Kong and Macau.

In 2008, the Group continued to enhance its residential product development and design innovation, completed its design management system, and greatly improved the competitive advantage of the Group. Six Group projects were awarded Zhan Tianyou Residential Golden Awards which fully reflects that the product innovation and design capability of the Group has been recognised by the market.

Property Management

China Overseas Property Management, part of the Group, has become a leading brand in the property management industry in mainland China. It has secured a dominant market share and its excellent service has a vital role in enhancing the branding advantages and asset value of the Group.

In 2008, the Group recorded property management fee income of HK\$448 million (HK\$128 million from Hong Kong and HK\$319 million from mainland China), representing an increase of 33% over 2007; the Group managed a total GFA of 13.16 million sq m (approximately 3.45 million sq m in Hong Kong, and 9.71 million sq m in the mainland). China Overseas Property management is one of the leading management companies managing the biggest shopping malls and car parks in Hong Kong. During the year, the property management business contributed HK\$25 million to the Group's gross operating profit, a decrease of 9% over 2007.

Awards in Property Management Sector

During this year, because of its outstanding performance in benchmarks such as service scope, operating result, service quality and development potential, China Overseas Property Management won three awards in the 2008 Chinese Property Management Company Development and Research Forum cum Presentation Ceremony of Research on Top 100 Property Management Companies. It

was ranked number one in "China Top 100 Property Management Company", in "China Top 10 in Property Management Scope" as well as in "China Top 10 in Property Management Quality". These awards were appraised by professional and leading authorities in the China real estate industry, namely the Enterprise Research Institute under Development Research Center of the State Council, the Institute of Real Estate Study of TsingHua University and the China Index Academy.



Listening and caring

China Overseas Property Management in Hong Kong passed the ISO9001, ISO10002, ISO14001 and OHSAS18001 qualification. It advocates "Service with heart every day", and its excellent service in estate/building security and environment protection promotion is widely recognised including by the offices in HKSAR set up by the Central Authorities and departments of the HKSAR.

It has set up an emergency response system in recent years and this system worked perfectly on 7 June 2008. On that day Hong Kong recorded the most severe rainstorm in a century when many areas of Hong Kong were seriously flooded. Proper and rapid responses reduced losses to a minimum.



*China Overseas Property Management
"Please take our smile home"*



Group Finance

Structure of Borrowings

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a cash to total assets ratio of 10% and a reasonable level of gearing. At 31 December 2008, the Group's bank loans and guaranteed notes payable were HK\$22.27 billion and HK\$2,329 million respectively and the repayment schedule was as follows:

Repayment schedule	2008 (HK\$ million)	2007 (HK\$ million)
Bank loans		
Within one year	3,946	2,885
More than one year, but not exceeding two years	5,518	3,086
More than two years, but not exceeding five years	12,802	8,203
Guaranteed notes		
7-year (US\$300 million)	2,329	2,326
Total borrowings	24,595	16,500
Deduct:		
Bank balances and cash	9,048	8,570
Net borrowings	15,547	7,930
Equity attributable to shareholders of the Group	33,220	26,282
Gearing ratio (%)	47%	30%

The Group places great emphasis on liquidity management. In addition to maintaining a relatively high level of cash and adequate standby banking facilities, the Group also closely manages its loan maturity portfolio. Except for the lending policy in mainland China, the Group will always raise long-term financing. At the end of 2008, only 16% of the loans were due within one year. Since all such loans were made in mainland China, refinancing is straightforward and not affected by the credit crunch in external financial markets.

At 31 December 2008, bank balances and cash amounted to HK\$9,048 million (31 December 2007: HK\$8,570 million).

Financial Ratios

The net current assets of the Group at 31 December 2008 increased by 39% to HK\$41.94 billion and the current ratio increased from 2.28 times in 2007 to 2.40 times this year. The net gearing ratio of the Group was about 47%. The Group has been growing rapidly in the past years. In the current tough market, the financial position of the Group is considered to be good in the industry. Interest cover (measured by the ratio of operating profit to total net interest expenses including those capitalised) was 8.4 times compared with 15.0 times for the previous year, reflecting the net effect of increase in operating profit and amount of loans and debts, and a decrease in the interest rates of Hong Kong dollar funding during the year.



The annual financial meeting set the financial management strategy of the Group



Available Funds

The global financial crisis resulted in a credit crunch in the financial markets. With its good business performance and reputation, the Group retained the confidence and trust of banks in mainland China and Hong Kong. During the year, the Group raised bank facilities of HK\$6.84 billion in Hong Kong and HK\$7.85 billion in mainland China. After repaying matured loans, standby banking facilities remained available. At all times the Group strives to maintain adequate standby facilities, explore additional financing means and channels as well as to reduce its financing costs.

The Group continued to excel its liquidity management and expedite cash inflow from projects while controlling tightly expenditure on development and operations. At 31 December 2008, the Group's bank balances and cash were HK\$9.05 billion. Together with HK\$4.45 billion of unutilised banking facilities, available funds stood at HK\$13.50 billion. This financial strength and stable financial structure provide strong support for the Group to explore the best commercial opportunities and to accelerate business expansion in Hong Kong, Macau and mainland China. The Company is the only Hong Kong listed company in the China property development sector whose investment grade rating continued to be affirmed by Moody's and Standard and Poor's.

The proportion of each currency is listed below:

	Bank loans and Guaranteed notes	Bank balances and cash
Hong Kong dollars	44.88%	33.35%
Yuan	45.65%	51.50%
Macao patacas	—	0.12%
US dollars	9.47%	15.03%
Total	100%	100%

Financial Structure

The Group places great emphasis on financial security. The financial structure and strength of the Group has been enhanced through the various capital fund-raising exercises. Through the exercise of the bonus warrants issued in 2006 and in 2007 to the shareholders of the Company, HK\$9,350 million in equity was raised. In December 2008, the Group announced an "open offer" scheme whereby the Company would issue about 314 million shares at a price of HK\$8 each. About HK\$2,500 million in equity was raised through this exercise in February 2009, enhancing the equity and debt structure of the Group as well as its ability to raise funds. The equity attributable to shareholders of the Company was increased from HK\$7,130 million at end of 2003 to HK\$35.00 billion today, thus providing favourable conditions for the sustainable development of the Group.



Exposure to Fluctuations in Exchange Rates and Interest Rates and Related Hedges

All the bank borrowings of the Group have been made at floating rates. The financing cost for the bank loans and financial debt of the Group was approximately 5.5% for 2008 (total financial costs divided by annualized borrowings).

The major currency exposure of the Group came from its investment in property projects in mainland China and the US-dollar denominated guaranteed notes. As interest rate trends and also the exchange rate of the USD to the yuan may change, the Group will prudently consider appropriate times to enter into some currency and interest swap arrangements to hedge against such exposure.

Contingent Liabilities

At 31 December 2008, the Group's contingent liabilities relating to guarantees given and indemnities provided in respect of the guaranteed notes issued by certain associates amounted to HK\$2.33 billion. The Group provided buy-back guarantees to banks granting mortgage loan facilities to buyers purchasing the Group's properties in mainland China which amounted to HK\$5.22 billion. In addition, outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK\$54 million. The Group has never suffered any loss in the past in relation to the provision of similar guarantees or indemnities.

Customer Service and Relationships

The Group holds to the philosophy of “Excellent Integrity, Eternal and Excellent Products”. It also adheres to its professionalism and strives to produce elite products in every market in which it operates. Products and services of outstanding quality and for-value are delivered.

Besides the high quality houses, the Group also dedicates to provide beautiful, harmonious, safe and caring community life to the property owners. It encourages the owners to participate in activities of “Harmony Community, Civilized Living”, thus enriching their cultural life.

3.15 International Day for Protecting Consumers’ Rights Activity

The Group’s subsidiary in Suzhou organised “Complete Sincerity, Future Accompany — 3.15 construction site visit day”, which allowed the clients to learn the high-quality of our construction and to feel the commitment and sincerity of China Overseas before the houses are delivered for occupation.



Property owners of Suzhou Galaxy Centro visiting site on 3.15

Caring the Youth’s Growth

Cultivate the youth towards healthy hobby through helpful community activities, such as art performances and drawing pictures.

On Children’s Day, families in “China Overseas Bay Line” community enjoyed the colorful holiday through the activity “Romantic Huangpu River, Caring Bay Line — Recycling Bag Designing Award Ceremony” organized by the Group.



Children Drawing Competition in Shanghai Bay Line



Community art performance evening party at Christmas in One Honey Lake, Shenzhen



Christmas evening party in Nerine Cove, Tuen Mun, Hong Kong

Residents' Talent Show

A Talent Show at Christmas was organized in Nerine Cove to give a chance for the residents to show their acting talent.

Activities to Improve Body and Mind

The natural and fresh air around community Shenzhen Mount Canyon gives the residents there the feeling of going back to nature. Zhonghai Club invited Xiaohong Xu, an expert of personal appearance, to give lectures about how to beautify life and experience Yoga.



Residents in Shenzhen Mount Canyon experienced Yoga

Environmental-protection Community Promotion

The Group plays an active role in community environmental protection activities and summons the residents to protect environment, such as "Barter Recycling" and "Source Waste Separation" etc.



"Barter Recycling" activity in Nerine Cove, Tuen Mun, Hong Kong

□ Directors and Organization



1. Mr. KONG Qingping
2. Mr. HAO Jian Min
3. Mr. XIAO Xiao
4. Mr. WU Jianbin

5. Mr. CHEN Bin
6. Mr. ZHU Yijian
7. Mr. LUO Liang
8. Mr. WANG Man Kwan, Paul



Board of Directors

Executive Directors

Mr. KONG Qingping

Chairman

Aged 53, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and Hong Kong Polytechnic University and is a member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. Mr. Kong was the Chairman of the Nomination Committee of the Company from 15 March 2006 to 1 February 2009 and is now a member of the Nomination Committee. In June 2005, he was appointed Chairman of China State Construction International Holdings Limited ("CSCIHL"), which was listed on the main board of The Stock Exchange of Hong Kong Limited in July of the same year, and designated as Non-Executive Director of CSCIHL. Mr. Kong is also a director of certain subsidiaries of the Group, China Overseas Holdings Limited and certain of its subsidiaries, and the Vice President of CSCEC. He has more than 27 years' extensive experience in management of corporate affairs, construction



projects and property development. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the “Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)” by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People’s Political Consultative Conference and a Standing Committee Member of Chong Qing Committee of Chinese Political Consultative Conference.

Mr. HAO Jian Min

Vice Chairman & Chief Executive Officer

Aged 44, graduated from Shenyang Institute of Construction Engineering and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed Director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao was the Chairman of the Remuneration Committee of the Company from 22 March 2007 to 1 February 2009 and is now a member of the Remuneration Committee. Mr. Hao is also a director of China Overseas Holdings Limited and certain of its subsidiaries. He has 22 years’ experience in construction and property business.

Mr. XIAO Xiao

Vice Chairman

Aged 52, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of a subsidiary of the Company in 1994 and certain others subsequently. Mr. Xiao was appointed Executive Director and Vice President of the Company in February 2005, and has been appointed Vice Chairman of the Company in March 2007. He is also a director of China Overseas Holdings Limited and certain of its subsidiaries and has 27 year’s experience in construction and property business.





Directors and Organization *(continued)*

Mr. WU Jianbin

Aged 46, graduated from Shanxi University of Finance and Economics (now known as School of Management, Xi'an Jiaotong University) and is a MBA and DBA graduate from the Macau University of Science and Technology. Mr. Wu joined China State Construction Engineering Corporation in 1984 and was seconded to the Group in 1987. He was appointed Director and Financial Controller of China Overseas Holdings Limited in 2001 and appointed Executive Director and Financial Controller of the Company in 2002. He is also a director of certain subsidiaries and associates of the Group. Mr. Wu has 25 years' management experience in corporate finance, accounting and investment. He was awarded the "2006 CFO of the Year" Award jointly assessed by China CFO Magazine, China CFO International Summit Committee, Sina.com, ccfo.com.cn and China CFO Club (cfoclub.com.cn) in 2006, and was awarded "the Achievement Award for Financial Management of 30th Anniversary of China's Reform and Opening up" assessed by China Association of CFO in December 2008.

Mr. CHEN Bin

Aged 39, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen was seconded to the Group in 1997 and appointed a director of a subsidiary of the Company in 2001. He was appointed Assistant President of the Group in 2005. Mr. Chen has been appointed Executive Director of the Company in November 2006. He was also a director of China Overseas Holdings Limited since March 2004 and has about 16 years' management experience in construction business and personnel administration.

Mr. ZHU Yijian

Aged 42 and graduated from the Xi'an University of Architecture and Technology and Hong Kong Open University, holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1988 and was seconded to the Group in 1994. He was appointed assistant general manager of the Group in 2005. Mr. Zhu has been appointed as executive director and member of the Nomination Committee of the Company in March 2007. He has about 20 years' experience in corporate human resources management and staff training.



Mr. LUO Liang

Aged 44, graduated from Huazhong Polytechnic University (now known as Huazhong University of Science and Technology), holder of master degree, architect, associate professor. He joined the Group in 1999. Mr. Luo has been appointed as executive director of the Company in March 2007. Mr. Luo has about 20 years' architectural experience.

Mr. WANG Man Kwan, Paul

Fellow of the Hong Kong Institute of Certified Public Accountants

Fellow of the Association of Chartered Certified Accountants

Aged 52, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a Fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an Associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. Mr. Wang joined the Group as General Manager, Finance & Treasury Department on 16 December 2004. Subsequently, in 2005, he was appointed Executive Director and Deputy Financial Controller in February and Qualified Accountant of the Company in March respectively. Prior to joining the Group, Mr. Wang was Director and Chief Financial Officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and Chief Operating Officer of a South East Asian Group in charge of operations in China, the Philippines, Indonesia, Singapore, Dubai and Germany.



Independent Non-Executive Directors

Dr. The Hon. David Li Kwok-po

GBM, GBS, OBE, MA Cantab. (Economics & Law), Hon. DSc. (Imperial), Hon. DBA (Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. DSocSc (Lingnan), Hon. LLD (Hong Kong), Hon. LLD (Warwick), Hon. LLD (Cantab), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCI Arb, JP, Officier de L'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Officier de la Légion d'Honneur

Aged 70, joined the board of directors as an independent non-executive director of the Company on 30 July 1992 and has served the Company for almost 16 years. Dr. Li is also the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of The Bank of East Asia, Limited and he is also a director of many other companies including: AFFIN Holdings Berhad (listed on Bursa Malaysia Securities Berhad), **COSCO Pacific Limited, Criteria CaixaCorp, S.A. (listed on the stock exchange of Madrid, Barcelona, Bilbao and Valencia), **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, IMG Worldwide Inc., **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He serves on the international advisory board of Federal Reserve Bank of New York's International Advisory Committee. He is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. He was a director of **AviChina Industry & Technology Company Limited, **China Merchants China Direct Investments Limited and Dow Jones & Company, Inc..

** *companies listed on The Stock Exchange of Hong Kong Limited*

Mr. LAM Kwong Siu

SBS

Aged 74, joined the board as an independent non-executive director of the Company on 30 September 2003 and has served the Company for almost 5 years. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is the Vice Chairman of BOC International Holdings Limited, the Delegate of the National People's Congress, the Chairman of the Board of Hong Kong Federation of Fujian Associations, the Chief Supervisor of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Co-operation, the Honorary Chairman of the Chinese General Chamber of Commerce and the Adviser of the Hong Kong Chinese Enterprises Association, and the Non-Executive Director of Hong Kong CITIC Ka Wah Bank Limited, Citic International Financial Holdings Limited (withdrawal of listing on 5 November 2008), **Fujian Holdings Limited and **Xinyi Glass Holdings Limited. Mr. Lam has over 50 years' continuous banking and finance experience.



** companies listed on the Stock Exchange of Hong Kong Limited



Dr. WONG Ying Ho, Kennedy

BBS, DCL, JP

Aged 46, joined the board as an independent non-executive director of the Company on 5 January 2004 and has served the Company for almost 4 years. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and has been appointed as Chairman of the Remuneration Committee of the Company on 2 February 2009. He is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He was appointed as a National Committee Member of the Chinese People's Political Consultative Conference in January 2008. Dr. Wong is the chairman of ** Hong Kong Resources Holdings Company Limited (formerly known as Ocean Grand Chemicals Holdings Limited), and also is a director of **Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, **Goldlion Holdings Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, #Pacific Alliance Asia Opportunity Fund Limited, #Pacific Alliance China Land Limited and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Computime Group Limited and **International Financial Network Holdings Ltd..

** *companies listed on The Stock Exchange of Hong Kong Limited*
companies listed on AIM Board, London Stock Exchange

Dr. Fan Hsu Lai Tai, Rita

GBM, GBS, JP

Aged 63, joined the board as an independent non-executive director of the Company on 2 February 2009. Dr. Fan is also the Chairman of the Nomination Committee and a Member of the Audit Committee and the Remuneration Committee of the Company. She is one of Hong Kong's best-known public figures and has an outstanding track record of service to the community. Dr. Fan was appointed to the Legislative Council from 1983 to 1992 and was a Member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Her term of office ended on 30 September 2008. Dr. Fan has served as President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years.

In the lead-up to Hong Kong's reunification with China, Dr. Fan played a valuable role as a Member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007, and is now a Member of the Standing Committee of the Eleventh session of the NPC. Dr. Fan is also the first female steward of The Hong Kong Jockey Club.

Outside the political arena, she is an Honorary Advisor to Junior Chamber International Hong Kong and Patron of the Hong Kong Kidney Foundation, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. She was Chairman of the Board of Education from 1986 to 1989 and Chairman of the Education Commission from 1990 to 1992.

After graduating from St. Stephen's Girls' College, Dr. Fan studied at the University of Hong Kong, and was awarded a Bachelor degree in Science, and later on, received a Master degree in Social Science. She received an Honorary Doctorate in Law from the China University of Political Science and Law, the People's Republic of China and an Honorary Doctorate in Social Science from the City University of Hong Kong respectively. Her record of public service has been acknowledged by the HKSAR Government through the award of the Gold Bauhinia Star in 1998 and Hong Kong's top award, the Grand Bauhinia Medal, in 2007.

She is also an Independent Non-Executive Director, a Member of the Audit Committee, the Remuneration Committee and the Nomination Committee of **COSCO Pacific Limited.

** *companies listed on The Stock Exchange of Hong Kong Limited*





Directors and Organization *(continued)*

Senior Management

Mr. DONG Daping

Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 49, graduated from Harbin Architectural University, holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1983 and was seconded to the Group in 2001. He has about 26 years' corporate management experience.

Mr. GE Yafei

Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 45, graduated from Tsinghua University and Beijing University of Technology, holder of master degree, senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 1990. Mr. Ge has about 20 years' management experience in construction business.

Mr. HU Ping

General Manager of COB Development (Shanghai) Co., Ltd.

Aged 53, graduated from Beijing Normal University, engineer. He joined the Group in 1992. Mr. Hu has about 25 years' management experience in construction business.

Mr. ZHANG Yi

Deputy General Manager of China Overseas Property Group Co., Ltd.

Aged 42, graduated from Beijing Economics University (now known as Capital Business and Economics University), holder of master degree, senior economist. He joined China State Construction Engineering Corporation in 1994 and was seconded to the Group during the year. He has about 15 years' management experience in public and investment strategy business.

Mr. QU Yonghai

Deputy General Manager of China Overseas Property Group Co., Ltd., and Director and General Manager of Shenzhen China Overseas Property Co. Ltd.

Aged 38, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993. Mr. Qu has about 16 years' experience in purchasing and investment strategy management.

Mr. QI Dapeng

Assistant General Manager of China Overseas Property Group Co., Ltd.

Aged 38, graduated from Harbin Institute of Technology, holder of master degree, accountant. He joined the Group in 1997. Mr. Qi has about 17 years' experience in finance and corporate management.

Mr. YAN Jian Guo

Assistant General Manager of China Overseas Property Group Co., Ltd.

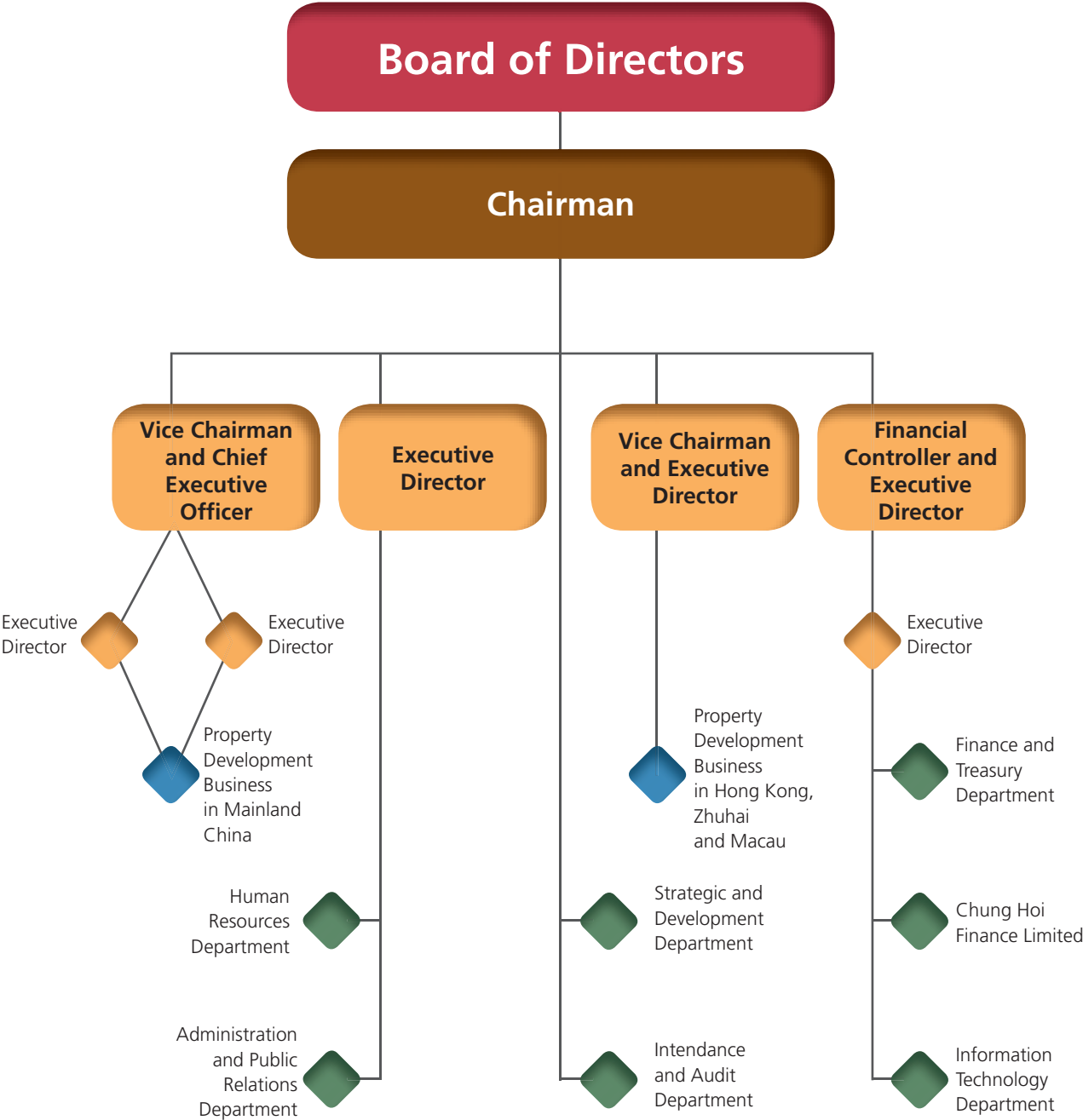
Aged 42, graduated from Peking University, holder of master degree, senior engineer. He joined China State Construction Engineering Corporation in 1989 and was seconded to the Group in 2001. Mr. Yan has about 20 years' management experience in construction business.

Mr. GUO Yong

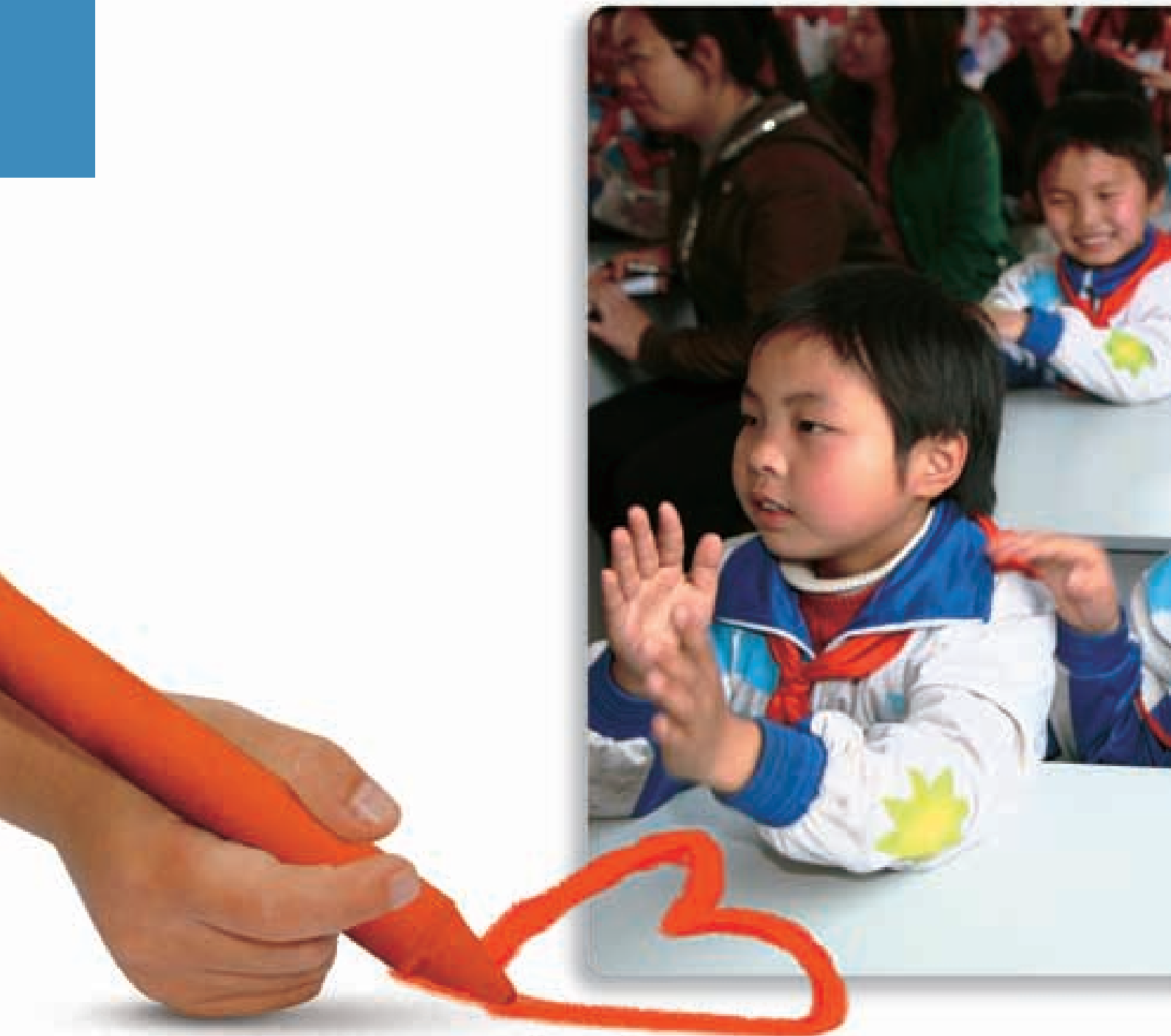
Director and General Manager of COBD Holdings (Chengdu) Co., Ltd.

Aged 45, graduated from Chongqing University, senior engineer. He joined the Group in 1993. Mr. Guo has about 25 years' management experience in construction business.

Organization Chart of China Overseas Land & Investment Ltd.



▣ Corporate Citizenship



The Group continues to carry out its corporate social responsibility and to **share its success with the community** at all levels. In 2008, the Group was well recognized by the public for its efforts in creating a harmonious society through active participation in public charity, educational subsidies, environmental protection, optimizing customers' life, serving customer and promoting staff development. A Corporate Social Responsibility Committee was set up during the year to enhance our efforts towards this aspect.





Corporate Citizenship *(continued)*

As a responsible property developer, by developing top-quality properties the Group helps the economic development and improves the living conditions of the region there. The Group has won numerous prizes and awards including the Zhan Tianyou Awards and the five awards in the CNBC International Property Awards 2008 (Asia Pacific) for the excellent quality, design and management of its projects. Furthermore, according to the appraisal of International Trade and Economic Cooperation Academy, which is under The Ministry of Commerce, China Overseas Property Group Co. Ltd, the property business flagship of the Group in mainland China, was for the fourth consecutive year, ranked AAA^① in terms of overall integrity. This proves the Group's performance gains acceptance by the Chinese government in terms of debt management, contract and debt performance and public records.



Meeting of the Social Responsibility Committee

China Overseas Property Management Co. Ltd., another subsidiary of the Group in China was ranked number one in the "2008 Chinese Property Management Company Development and Research Forum" and the "Presentation Ceremony of Research on Top 100 Property Management Companies". This again proves that the Group has great emphasis on product quality, customer service and community interest while pursuing the maximum benefits for its shareholders.

Charity Activities

Selfless Contribution, Gracing China

The Group is an active participant in charity activities. This year as usual, the Group successfully organized staff to join the "Walk for Millions" and "The Community Chest Sports Corporate Challenge". Furthermore, the Group always encourages its staff to take good care of the community through participation in volunteer service and environmental protection.

2008 was an unusual and indelible year for China. As a responsible entity, the Group continues its philanthropic spirit with the belief of "taking benefit from the community and use for the interest of community". In this year, the Group contributed donations, construction works and helping the victims who suffered from the nature calamities in mainland China.



Mr. Kong, Chairman, donated HK\$2 million to HK OXFAM for the snowstorm calamity



On 16th May, volunteer team from Chengdu subsidiary well-prepared to Mianyang to help earthquake victims



Shenzhen Sunny Palm residents donating to victims

School opening ceremony of China Overseas Xinhua Hope Primary School in Changchun



Donation to Victims

Snowstorm

"Unmerciful Storm, Merciful China Overseas". The Group responded immediately to the snowstorm which occurred in the beginning of 2008. The Group was the first entity in Hong Kong to donate to the snowstorm through The Hong Kong OXFAM and HK\$2 million was donated on 1 February. The Group summoned its staff for donation and touched by the Group's action a lot of business associates also followed suit. Over HK\$3.5 million was raised for the victims.

Sichuan Earthquake

Facing the 5.12 Sichuan Wenchuan earthquake measuring 8.0 on the Richter scale, all the staff in the Group joined together with one heart and soul and cared about the disaster area closely. All regional subsidiaries responded quickly, raising money and needed goods for the disaster area. Over 1.3 million yuan was raised right away. The Group cancelled its annual celebration on Lu Ban Festival, and donated all the budgeted expenditure. Over 20 million yuan was donated towards the disaster relief works including money to be spent on re-building schools in the disaster area. Chairman of the Group Mr. Kong Qingping paid a visit to Du Jiangyan City, a severely-hit area during this earthquake. He made on-site observation and mourning, as well as delivered his sympathy to the victims, demonstrating blood band spirit between corporate leader and people in the disaster area.

Educational Subsidies

School Building

In the year, the Group continued to promote education by making donations to build up three primary schools in mainland China including "The China Overseas Xinhua Hope Primary School" in Jingyue Economy Developing Zone of Changchun City, "The China Overseas Sanxia Hope Primary School" in Huolong Village, Panlong Town, Yunyang County of Chongqing City, and "The China Overseas Special Education Primary School" in Du Jiangyan City of Sichuan Province. The China Overseas Xinhua Hope Primary School was quickly completed in the middle of August in 2008 with only 92-day of construction period and was already in use. The Group donated more than 6 million yuan for setting up the school which has an area of 18,000 sq m. The school has 12 classes and is equipped with various facilities, such as staff rooms, multifunctional classrooms, micro-computer classrooms and color asphalt tracks etc.. With speedy yet careful construction for the other two projects, more children will soon be provided with high quality education facilities. The Group will continue to make more contributions towards Chinese domestic education in the suburb and backward areas.

Education Assistantship

The Group's subsidiary in Dalian took active part in "Caring Property Developer Education Assistantship Scheme" and subsidized needy students who got the admission to universities nationwide. The donation helps more excellent students to fulfill their dreams. Therefore, the Dalian Company was awarded as the "2008 Dalian Charitable Education Assistantship Property Developer" by the local government.



Corporate Citizenship *(continued)*

School Visits

During Easter Holidays, the Group organized around 40 Hong Kong employees and paid a charitable visit to The China Overseas Qinglong Hope Primary School and The China Overseas Sanquan Hope Primary School. During the visits, the team visited needy students and reached multi-level contacts.

In the China Overseas Class of The Sanquan Hope Primary School, tuition fees of dozens of students' are donated by China Overseas employees. Through aid schemes such as "China Overseas Class", and "Pairs Forming", periodic visits, and activities such as "A letter to the uncles and aunties of China Overseas", "Article writing — China Overseas in my heart", which were organized by the Hope school authority, intimate communication between students and China Overseas employees was greatly enhanced, enabling China Overseas employees to understand more of the needs of the school and the students.

Plant the Seeds of Hope

Chongqing Company, a subordinate of the Group organized dozens of property owners to visit China Overseas Sanquan Hope Primary School and attended tree planting activities, through which these owners not only knew more about the situations of the needy students in remote areas, but also understood the social responsibility that China Overseas takes as a real estate corporate, thus enhancing more social recognition towards the charity works done by the Group.

Mr. Kong, Chairman, attending the signing ceremony for the Special Education School in the disaster area



China Overseas Xinhua Hope Primary School opening ceremony



The ground-breaking ceremony of China Overseas Sanxia Hope Primary School in Chongqing

"Love in the Yellow River Headstreams"

In June 2008, the Group gathered a big group of owners in our projects in Shenzhen, Guangzhou and Shanghai to visit poor students in the remote areas of the Qinghai Province, bringing them lots of daily necessities and making donations of over 400,000 yuan towards education subsidies and over 200,000 yuan to a hospital.



Employees visited poor students in mountain area in Qinghai and donated goods and materials

Community Services

Volunteer Works

China Overseas Property Services Limited, a subsidiary of the Group in Hong Kong, for the fourth consecutive year, was named as a Caring Group by the Hong Kong Council of Social Service. Its Charity Team in the past years took active participation in the various volunteer service activities and were both awarded by The Hong Kong Social Welfare Department the honor of "Volunteer Service Gold Certificate". In this year, the Charity Team participated in many activities in Hong Kong and the Mainland such as "Visiting the Elderly of Lions Club in Victoria Peak", "TREATS Journey to Integration 2008", "St. James' Settlement — show your love with Zong Zi", and "Volunteers' Journey to Qingyuan City" & etc.. The Charity Team actively helps children and teenagers, encourages employees to care about the rehabilitated children and teenagers in the society, and establishing partnership with the NGO 'TREATS'. In order to know children and teenagers' needs, the team gathered and talked with children and teenagers from various backgrounds and with different capabilities by organizing many kinds of large-scale fund-raising events, community promotion and education activities.

Caring Needy Single Parent Families

On 8 March 2008, the Group together with China Travel Group invited members of The Hong Kong Single Parents Association living in Tin Shui Wai to visit The Equestrian Venue for The Olympics 2008 and projects under construction for The East Asian Games 2009, and finally to celebrate the International Women's Day with happiness and joy together with Dr. Li Lok Sze and Dr. Lee Wing-King.



Gathering with single parent families from Tin Shui Wai on Women's Day



Visiting orphans on the eve of Women's Day



Human Resources and Staff Development

Human Resources Strategy

The Group continued to emphasize its community responsibility amid the ever-expanding financial crisis, and proposed to overcome the challenges jointly together with its employees. At the same time, the Group consistently believes that employees are the key capital in the organization. The Group dedicates to maintain staff stability and to continue with staff quality enhancement, so as to provide a strong base to build a brighter future after the financial crisis.

Human Resources Management

The Group firmly believes in the importance of human resources management. Systematic staff recruitment, training and incentive schemes are the key drivers for the healthy and sustainable development of any organization. They are useful for the enhancement of personal capability and development. Long-term development of the Group and staff's personal development are closely inter-related. This is a pre-eminent feature of the Group's corporate culture and human resources management style.

Awards

In 2008, the Group was awarded "Top 10 Enterprises", and "Excellent Result Prize", as well as "Best Employer" and "New Enterprise in Ranking Table" by the university students in mainland China for its excellent performance in human resources management. These awards also clearly demonstrated recognition by the public for the Group's human resources management in the past years.



The "Sea's Recruits" in Jinan

Awards ceremony for "Best Employer of Chinese University Graduates"



Employees

At the end of 2008, the Group had a total of 11,397 employees, including 114 at the Group's headquarters, 2,029 in the property business, 9,012 in property management and 242 in the infrastructure business. By geographical location, 1,080 employees were working in Hong Kong and Macau, and 10,317 employees in mainland China. The staff in infrastructure business has been reduced significantly because of disposal of most of the relevant assets in the past 2 years. The middle and senior managerial staff in all business lines and departments remains stable in the year.

"Sons of Sea" and "Sea's Recruits" Schemes

Through cultivation in the past years, the "Sons of Sea" and "Sea's Recruits" Schemes have become a famous brand in the property industry in mainland China. This year, the Group recruited more than 200 staff from fresh graduates of leading universities in the mainland China through the upgraded "Sons of Sea" Scheme; in the meanwhile, the "Sea's Recruits" Scheme has become an effective channel for recruiting experienced talents. This year, Recruitment Day was launched in thirteen cities in the mainland.

Staff Training and Development

The Group aims to become a "learning style" enterprise, through multilevel and comprehensive training; through tailor-made training courses, the Group aims at improving employees' skill and enhancing career development. In this year, the Group enhanced the training courses for fresh employees recruited through "Sons of Sea" and "Career Foundation Schemes"; the Group organized "Blue Sea Scheme" for technical employees as well. By making best use of the internal resources and the regional platform, through group training and or remote video training, training works was more efficient and systematic. Capability of staff was thus enhanced and their desire to enrich knowledge was effectively met. The Group totally organized six hundred and twenty trainings of various types, with over eleven thousand staff attending.

The China Overseas Institute of Management

In order to implement our human resources strategy and to enhance the technical skills and management capabilities of our middle and senior management, the Group organizes systemic training in accordance with their personal requirement, thus providing a platform and channel for them to catch up with new business concepts and skills. In this year, Nankai University-China Overseas EMBA Class was opened to middle management staff of the Group. Seven seminars were conducted with good effects and the human resources capital of the Group was greatly strengthened.



Nankai University-China Overseas EMBA Lecture



Training for "Sons of Sea"



Environmental Protection

The Group keeps injecting environmental protection element into the design and construction of the property projects. Besides placing emphasis on external appearance and internal facilities, energy conservation, trash reduction and air purification are closely attended to. The Group also widely applies the concept of friendly environment in estates managed by us through active promotion of recycling of old clothes, waste batteries and used computers. Provision of latest environment related information in club houses to enable the residents to get abreast with the latest development. Furthermore, to demonstrate the Group's concern and care about environment, the Community Chest Green Day is also taken as the China Overseas Environmental Protection Day. Environmental protection events are organized on that day to promote staff awareness towards environment protection. The Group will do its best at all time to build a green community.



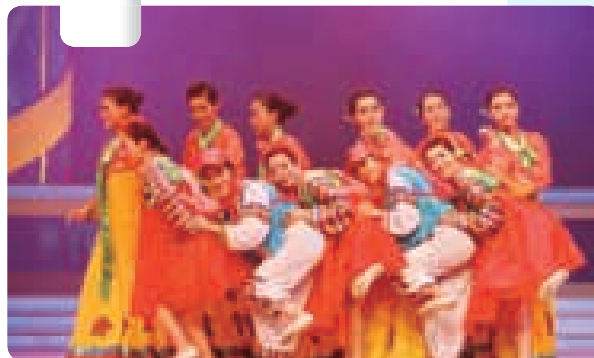
Royal Lakefront in Suzhou was selected as the 'UN World Habitat Award-Best Residential Community' by United Nations Human Settlements Program, which is the 'Oscar in the real estate industry'



The environmental protection roof in Fu Shan Estate Community, Hong Kong

Corporate Culture and Art Communication

Since 1997, the Group has continued to hold the annual show called "Voice of China Overseas". The show is a demonstration of the Zhong Hai corporate culture and provides a platform for the staff to show their skill, ideas and feelings. The event was held this year on 26 July 2008 in The Shenzhen Grand Theatre. It exhibited not only the innovation, ambition, community responsibility of the Group during its development in the past years, but also the fighting spirit of its staff as well as the prosperous and wonderful world around us. One hundred and ninety-seven people from the various business sectors of the Group, the buyers of the property units and teachers and students of The China Overseas Sanquan Hope School participated in the show.



The 5th "Voice of China Overseas" (LOVE AT HEART) dance performance



The Group continued to make every effort to communicate effectively with its shareholders and investors and provide them with the latest information about our development strategies, operation management, financial information and business progress. In 2008, the Group arranged over one hundred visits for institutional investors, participated in more than 20 telephone conferences, organized as many as 200 man-visits to our Mainland property projects, took part in more than 20 investor conferences which were organized by reputable investment banks including UBS, Deutsche Bank, Citibank, Credit Lyonnais, Credit Suisse and JP Morgan Chase. After the annual and interim result announcement, the Group participated in global roadshows to Asia, Europe and America to meet with international investors. The Group timely provided its latest development information so as to enable investors to better understand the market and the Group's latest business development. In addition, the Group has strengthened its promotion efforts to Mainland QDII potential investors and to new market investors, and has expanded the ranks of analyst.

The management of the Group regularly meets with analysts, investors and the media to enhance the Group's operating and business transparency and improve corporate governance. Investors can now timely access to the latest information of the Group from the Company's website. The shareholders' concern and valuable suggestions are reflected to the senior management, which are useful in working out operating and development strategies beneficial to the shareholders.

Major Investor Relations Activities in 2008

Month	Activities
January	Discussion Forum on Greater China (UBS, Shanghai) Investor's Forum (Deutsche Bank, Beijing)
March	Announcement of the 2007 annual results <ul style="list-style-type: none"> • Press conference • Briefing with fund managers and analysts Asian Investment Conference (Credit Suisse)
April	Roadshows to Singapore, Japan, Europe and the United States China Investors' Conference (JPMorgan)
May	Promotion forum on China investment (CLSA)
August	Announcement of the 2008 interim results <ul style="list-style-type: none"> • Press conference • Briefing with fund managers and analysts Roadshows to Hong Kong, Singapore, Japan
September	Roadshows to Asia
October	Investor Conferences (Citigroup, Macao)
November	Investor Conference (Goldman Sachs, Beijing) China Investors' Conference (Credit Suisse) Investor Forum (Daiwa Securities, Hong Kong)

Corporate Governance Report

General

The Company always place importance on the interests of the shareholders and other stakeholders. The Board recognises its prime duty is to safeguard and best utilise resources in the Group and to enhance shareholders' value. Good corporate governance is the key to improve corporate profit and to enhance sustainable development. Thus the Group has always been dedicated to pushing forward and improving corporate governance at three levels. Firstly, the Company ensures compliance with respective laws, regulations and the highest standard of ethics. Secondly, the Board of the Company continues to strengthen systematic mechanisms to ensure that all decisions are in the interests of shareholders. Lastly, the Company enhances its core competitiveness and stakeholders' value under the principles of corporate governance. The Board tries its best to strike a balance between compliance with rules and regulation and flexibility in doing business, and between the interest of the controlling shareholder and the interest of minority shareholders.

In line with the best corporate governance practice, the Company has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

In the past year, the Group has done its best to promote corporate transparency, to enhance the independence of the Company's operations, to establish an effective accountability system, to enhance the efficiency of the Board and the various committees under the Board, and to improve the Group's internal control and risk management. To enhance the independence of the Board of the Company, an additional Independent Non-Executive Director was appointed on 2 February 2009.

Corporate Governance Practice

The Company has complied throughout the year with all the provisions (except Code Provision A.4.1 and A.4.2 as set out in the section headed "Appointment, re-election and removal" under The "Board of Directors" section below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, and with most of the Recommended Best Practices.

The Board of Directors Responsibilities and Division of Work

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, by formulating overall strategies and policies of the Company to ensure the availability of financial and other resources necessary for the Group to achieve pre-set strategic goals. The Board is also responsible for supervising the work of the management and reviewing business performance of the Company.

The different duties and roles of the Chairman of the Board (the "Chairman") and the Chief Executive Officer have been clearly defined. The Chairman is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties include: overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. The Chief Executive Officer, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses.

During the year, the Board provided strategic guidance on the operation of the Company, reviewed and supervised the implementation of all lines of businesses.

Internal Control

The Board is responsible for the Group's system of internal control and is committed to managing business risks and maintaining sound and effective internal control system to safeguard the shareholders' investment and the Group's assets.

During the year, the Board conducted periodic reviews of the Group's internal control system, including financial, operational and compliance control, and risk management functions.

The internal control system is designed to provide reasonable assurance that there is no material mis-statement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives.

The Internal Audit Department performs regular audit reviews and report of the key controls of the Group to the Board and the Audit Committee. The responsible Department Heads will be notified of the control deficiencies noted for rectification.

In compliance with the Code on Corporate Governance Practices, the Board continuously reviews the effectiveness of the Company's system of internal control (including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function). The Company has initiated actions to further improve and strengthen its internal control effectiveness by paying greater attention to the management of operational, business and policy risks, and by applying functional and organizational mechanisms to conduct and evaluate relative analysis.



The Board and senior management of the Group conducted regular assessment on macro-economic environment, business operation and risk management. Picture shown was 2008 Economic Analysis Meeting



Board composition

The Board has 12 Directors, including 8 Executive Directors and 4 Independent Non-Executive Directors. The number of Independent Non-Executive Directors equal to one-third of the Board, and the Company has thus complied with Rule A.3.2 of the Recommended Best Practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules:

- eight Executive Directors — Mr. Kong Qingping (Chairman), Mr. Hao Jian Min (Vice Chairman and Chief Executive Officer), Mr. Xiao Xiao (Vice Chairman), Mr. Wu Jianbin, Mr. Chen Bin, Mr. Zhu Yijian, Mr. Luo Liang and Mr. Wang Man Kwan, Paul; and
- four Independent Non-Executive Directors comprising Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy and Dr. Fan Hsu Lai Tai, Rita (appointed on 2 February 2009).

The Board believes that the balance between Executive and Independent Non-Executive Directors is reasonable and adequate. Other than providing sufficient checks and balances to safeguard the interests of shareholders, other stakeholders and the Group, such board composition also establishes a good base for the sustainable development of the Group.

The Directors' biographical details are set out on pages 56 to 63 of the report.

Board Meetings and Committee Meetings

The Board convenes meetings on a regular basis. The date of each meeting is decided in advance and notice of at least 14 days is given so that most of the Directors entitled to attend the meetings have the chance to attend such meetings in person and have sufficient time to propose matters for inclusion in the agenda. To ensure that all Directors are properly informed on matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least three days prior to the meeting.

All Directors have access to the Company Secretary and are entitled to secretarial services so as to ensure full compliance with the procedures of Board meetings and all applicable rules. If the relevant corporate governance regulations have been changed, the Company Secretary will keep the Board updated of such changes.

Minutes of meetings of the Board and the subordinate committees are prepared and maintained by the Company Secretary. Drafts of the minutes of the meeting are sent to the Directors who have attended the meeting for their comments within a reasonable time after each meeting, while the final version is filed for records. Minutes of meetings of the Board and the subordinate committees are available for inspection by all Directors. In order to perform their duties, the Directors are entitled to seek independent professional advice through the Chairman, at the Company's expense. If a significant shareholder or director has an interest in a matter to be considered at a Board meeting, the Board will ensure that an adequate number of independent directors are involved in the consideration of the relevant resolutions, and the interested director will abstain from voting.

Appointment, re-election and removal

The Company has complied throughout the year with all the provisions (except Code Provision A.4.1 and A.4.2 as stated below) of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, and with most of the Recommended Best Practices.

Code Provision A.4.1 — This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 — This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The directors of the Company were appointed, for a term subject to retirement in accordance with the Articles of Association of the Company (“Articles”). Effectively, their terms of appointment are three years or less as the Company has adopted the internal mechanism mentioned below (“Internal Mechanism”).

The Articles provide, amongst other things, the following:

- (a) any director appointed to fill a casual vacancy shall hold office only until the next following Annual General Meeting (“AGM”) of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and
- (b) at each AGM, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as a Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

To ensure that all directors will be subject to retirement by rotation at least once every three years or their terms of appointment are three years or less, the Internal Mechanism adopted by the Company has the following additional requirements:

- (1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and
- (2) any director (including Executive Chairman and Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

Confirmation of independence

The Company has received from Dr. Li Kwok Po, David, Mr. Lam Kwong Siu and Dr. Wong Ying Ho, Kennedy, the Independent Non-Executive Directors, an annual written confirmation of independence and the Company considers such Directors to be independent in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules. Dr. Fan Hsu Lai Tai, Rita, who was appointed on 2 February 2009, has also submitted a written confirmation of independence to the Stock Exchange. Pursuant to the Rule A.4.3 of the Recommended Best Practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, serving more than nine years could be relevant to the determination of a Non-Executive Director’s independence. The Directors are of the opinion that although Dr. Li Kwok Po, David has served as Independent Non-Executive Director for more than nine years, he maintains an independent view of the Company’s affairs despite his long service, and continues to bring relevant experience and knowledge to the Board.



Regular meetings were conducted with board members



The Committees of the Board

As part of good corporate governance practice, a Nomination Committee, a Remuneration Committee and an Audit Committee have been established. These Committees comprise mainly Independent Non-Executive Directors whose independent judgements are important to the execution of the controls and corporate governance standards expected of a publicly listed company. Each Committee has its own specific delegated authorities and operates within defined terms of reference; these terms of reference have been posted on the Company's website at <http://www.coli.com.hk> and are updated from time to time. All Committees report to the Board in relation to their decisions, findings or recommendations.

To further enhance the corporate governance of the Company, the Board of Directors of the Company have nominated the Independent Non-Executive Director to act as Chairman of Nomination Committee and Remuneration Committee with effect from 2 February 2009. Particulars as follows:

- (1) Mr. Kong Qingping resigned as the Chairman of the Nomination Committee (remain as member of the Nomination Committee) and Dr. Fan Hsu Lai Tai, Rita be appointed to fill the vacancy; and
- (2) Mr. Hao Jian Min resigned as the Chairman of the Remuneration Committee (remain as member of the Remuneration Committee) and Dr. Wong Ying Ho, Kennedy be appointed to fill the vacancy.

As such, all the three Committees under the Board have an Independent Non-Executive Director acting as Chairman and with the Independent Non-Executive Directors making the great majority of the Committees. The independence of the Committees has greatly enhanced.

Audit Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Audit Committee. After that, the Audit Committee comprises four Independent Non-Executive Directors, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy, and Dr. Fan Hsu Lai Tai, Rita, with Dr. Li Kwok Po, David, chairing the Committee.

The main duties of the Audit Committee are to review financial information of the Company, monitor the integrity of financial statements, financial reports and accounts, and to examine and review matters such as the financial control, internal control and risk management system of the Company. During the year, the Audit Committee has duly discharged the above duties.

Remuneration Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Remuneration Committee. After that, the Remuneration Committee comprises Mr. Hao Jian Min, Vice Chairman and Chief Executive Officer of the Company, together with four Independent Non-Executive Directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy, and Dr. Fan Hsu Lai Tai, Rita, with Dr. Wong Ying Ho, Kennedy chairing the Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, determining the remuneration of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors. During the year, the Remuneration Committee has duly discharged the above duties.

Nomination Committee

With effect from 2 February 2009, Dr. Fan Hsu Lai Tai, Rita has been appointed as additional member of the Nomination Committee. After that, the Nomination Committee comprises Mr. Kong Qingping, Chairman of the Company, Mr. Zhu Yijian, Executive Director, together with four Independent Non-Executive Directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, Dr. Wong Ying Ho, Kennedy, and Dr. Fan Hsu Lai Tai, Rita, with Dr. Fan Hsu Lai Tai, Rita chairing the Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on matters related to the appointment or re-appointment of Directors as well as reviewing the structure, size and composition of the Board and assessing the independence of Independent Non-Executive Directors. During the year, the Nomination Committee has duly discharged the above duties.

Attendance at Board or Committee meetings during the year 2008

Name	Attended/Eligible to Attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Kong Qingping	4/4	—	—	1/1
Mr. Hao Jian Min	4/4	—	1/1	—
Mr. Xiao Xiao	3/4	—	—	—
Mr. Wu Jianbin	4/4	—	—	—
Mr. Chen Bin	3/4	—	—	—
Mr. Zhu Yijian	4/4	—	—	1/1
Mr. Luo Liang	1/4	—	—	—
Mr. Wang Man Kwan, Paul	4/4	—	—	—
Dr. Li Kwok Po, David*	4/4	4/4	1/1	1/1
Mr. Lam Kwong Siu*	4/4	4/4	1/1	1/1
Dr. Wong Ying Ho, Kennedy*	4/4	4/4	1/1	1/1

* Independent Non-Executive Directors

— N/A

Model Code for Directors' Share Dealing

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The Directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2008.

Conflict of Interest and Responsibility for the Financial Statements

Potential conflict of interest involving a substantial shareholder or a Director

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in an actual meeting, as opposed to being dealt with by written resolution. Directors and Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.



Whenever a transaction is considered at a Board meeting, the Directors are required to report their respective interests involved, and the interested Director shall absent from such meeting when appropriate.

Directors' responsibilities for the Financial Statements

The Directors confirmed that they are responsible for the preparation of the financial statements. Such financial statements should give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In preparing the Financial Statements for the year ended 31 December 2008, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the Financial Statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group does employ sufficient qualified staff to assist the preparation of financial statements.

Auditors' Remuneration

The Audit Committee is responsible for oversees the independence of its external auditors including the provision of non-audit services. None of the four Audit Committee members is a former partner of the external auditors.

Deloitte Touche Tohmatsu was re-appointed as the external auditors for 2008 with shareholders' approval at the AGM. During the year, HK\$7,143,000 paid to the external auditors by the Group for audit service and HK\$69,710 for other services.

Interests in Shares held by the Senior Management

Name of senior management	Number of shares held	Percentage of issued share capital [#]
Mr. Dong Daping	436,000	0.006%
Mr. Ge Yafei	1,100,000	0.014%
Mr. Hu Ping	2,772,000	0.035%
Mr. Zhang Yi	0	0.000%
Mr. Qu Yonghai	0	0.000%
Mr. Qi Dapeng	0	0.000%
Mr. Yan Jian Guo	0	0.000%
Mr. Guo Yong	712,000	0.009%
Total	5,020,000	0.064%

[#] The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2008 (7,850,699,215 ordinary shares).

Relations with Shareholders

Ten substantial shareholders

To the best of the knowledge of the directors, the ten substantial shareholders of the Company as at 31 December 2008 are set out below:

Ranking	Name of shareholder	Nation or region	Number of shares held	Percentage of issued share capital [#]
1.	China State Construction Engineering Corporation*	China	4,371,490,630	55.683%
2.	Janus Capital Management LLC	United States	198,589,000	2.530%
3.	Carmignac Gestion	France	99,033,114	1.261%
4.	JF Asset Management (HK) Ltd.	Hong Kong SAR	96,685,680	1.232%
5.	FIL Investment Management (Hong Kong) Limited	Hong Kong SAR	61,536,217	0.784%
6.	Baring Asset Management Asia Ltd.	Hong Kong SAR	56,639,290	0.721%
7.	T. Rowe Price Associates, Inc.	United States	56,623,420	0.721%
8.	Barclays Global Investors, N.A.	United States	53,556,000	0.682%
9.	Schroder Investment Management (Hong Kong) Ltd.	Hong Kong SAR	48,148,000	0.613%
10.	Deutsche Asset Management (Asia) Ltd.	Singapore	43,985,996	0.560%
Total			5,086,287,347	64.788%

[#] The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2008 (7,850,699,215 ordinary shares).

* Pursuant to the Securities and Futures Ordinance, China State Construction Engineering Corporation is deemed to be interested in 4,371,490,630 shares directly owned by China Overseas Holdings Limited (please refer to the section headed "Report of Directors — Substantial Shareholders' Interests in Securities").

Annual General Meeting and Communication with Shareholders

The Company is keen to promote two-way communications both with its institutional investors and its private shareholders. The AGM provides a useful platform for shareholders to exchange views with the Board. An AGM circular containing Notice of AGM was distributed to all shareholders at least 20 clear business days prior to the 2008 AGM, setting out details of each proposed resolution and other relevant information as required by the Listing Rules. Directors are present at the AGM to answer any questions raised by shareholders.

The voting on all resolutions of the 2008 AGM was conducted by way of poll. Directors were re-elected by means of a separate resolution. A separate resolution was proposed in respect of other substantially separate issue at a general meeting.

The Company communicates with its shareholders through the publication of annual, interim reports, results announcements and releases. All communications to shareholders are also available on the Company's website at <http://www.coli.com.hk>. Shareholders and investors may email their enquiries to the Company's email address, particulars please refer to the "Corporate and Shareholders' Information" section of this report. Such enquires will be handled by the relevant person of the Company.

Accolades & Awards 2008

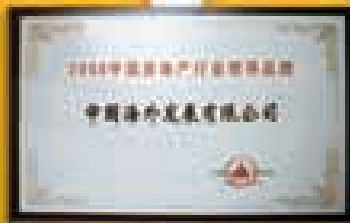
- 1 **2008 China Mainland Real Estate Company — Top 10 Listed in Hong Kong in terms of overall ranking China Overseas Property**
by China Real Estate Top 10 Research Team
- 2 **2008 Leading Brand of China Real Estate Company (for five consecutive years) China Overseas Property**
by China Real Estate Top 10 Research Team
- 3 **No. 1 China Blue Chip Property Developer (for five consecutive years) China Overseas Property**
by Economic Observer etc.
- 4 **The Most Influential Renowned Trademark/Brand Enterprise China Overseas Property**
by 中國房地產商標戰略高峰論壇組委會
- 5 **中國人居10年傑出貢獻企業 China Overseas Property**
by China Real Estate Business and IRETO
- 6 **2008 Top 500 Real Estate Developers in China China Overseas Land & Investment Ltd.**
by 中國房地產測評中心
- 7 **Enterprise Credit Rate of AAA^① China Overseas Property**
by Chinese Academy of International Trade & Economic Cooperation, Ministry of Commerce



3



1



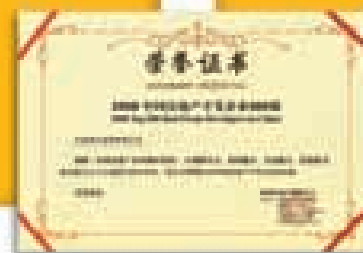
2



4



5



6

8 Zhan Tianyou Residential Golden Awards

China Overseas Property
by China Civil Engineering Society etc.

9 CNBC Asia Pacific Property Awards 2008

China Overseas Land & Investment Ltd.
by CNBC and media partners

10 China Human Resource Management Grand Award

China Overseas Property
by Chinese Association of Human Resources Development etc.

11 China TOP 10 in Property Management Quality

China Overseas Property Management
by China Real Estate Top 10 Research Team

12 Caring Company Logo 2008/2009
China Overseas Land & Investment Ltd., China Overseas Property Services Limited

by Hong Kong Council of Social Service

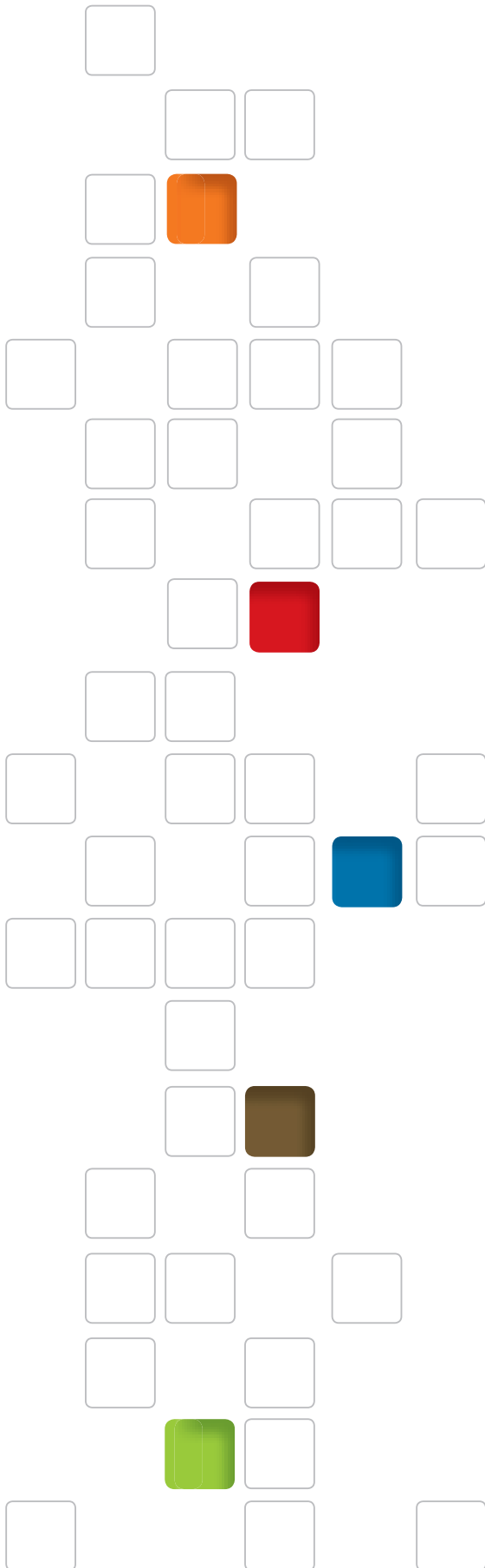
13 "International ARC Awards" Overall Presentation Honor Prize
"International Mercury Awards" "Design — Overall Annual Report Interior" Silver Prize

China Overseas Land & Investment Ltd.

by MerComm Inc.



Financial Information



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Group Financial Summary

Key Financial Information and Ratios

Financial year	2004 <i>HK cents</i>	2005 <i>HK cents</i>	2006 <i>HK cents</i>	2007 <i>HK cents</i>	2008 <i>HK cents</i>
Earnings per share	17.1	24.0	35.5	56.9	64.8
Dividends per share	6	7	10	12	13
— Interim dividend	2	3	4	5	6
— Final dividend	4	4	6	7	7
Equity attributable to equity holders per share	158.1	173.2	220.5	339.4	423.1
Net debt to shareholders' funds (%)					
Net debt	21.4	39.2	34.0	30.2	46.8
Shareholders' funds					
Interest cover (times)					
Operating profit-Interest income	7.5	8.9	8.1	15.0	8.4
Net interest expenses before capitalization-Interest income					

Key Profit and Loss Items

For the year ended 31 December	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	8,624,475	7,930,763	10,910,234	16,632,553	18,892,373
Operating profit	1,410,865	2,055,547	3,059,313	6,600,722	8,623,130
Profit attributable to shareholders	1,073,559	1,534,684	2,370,750	4,179,579	5,048,637

Key Balance Sheet Items

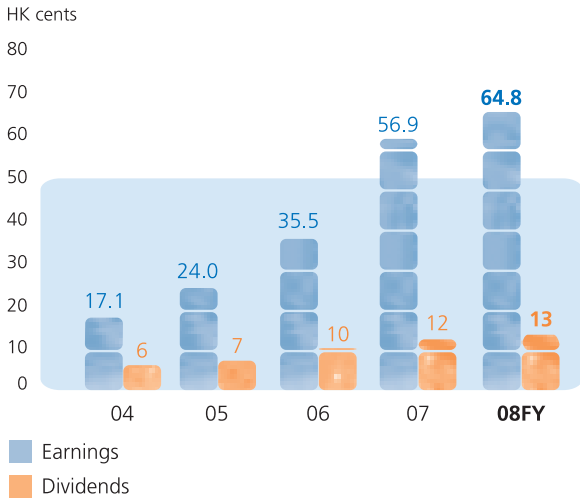
As at 31 December	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Fixed assets*	3,030,675	2,785,175	3,142,911	4,867,116	6,703,587
Long-term investments	1,606,384	1,717,500	2,166,857	2,660,587	2,130,890
Other non-current assets	2,306,180	1,342,988	853,726	3,186,905	4,862,353
Net current assets	7,148,162	11,728,244	18,288,562	30,174,160	41,943,853
Non-current liabilities	(4,519,008)	(6,793,661)	(9,562,647)	(15,098,666)	(22,756,295)
Net assets	9,572,393	10,780,246	14,889,409	25,790,102	32,884,388

* Including investment properties and property, plant and equipment.

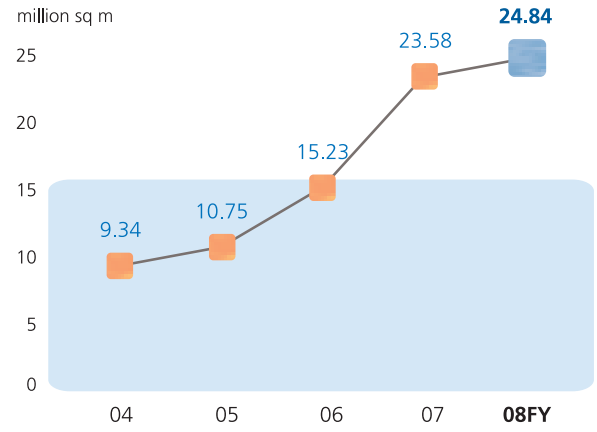


Group Financial Summary *(continued)*

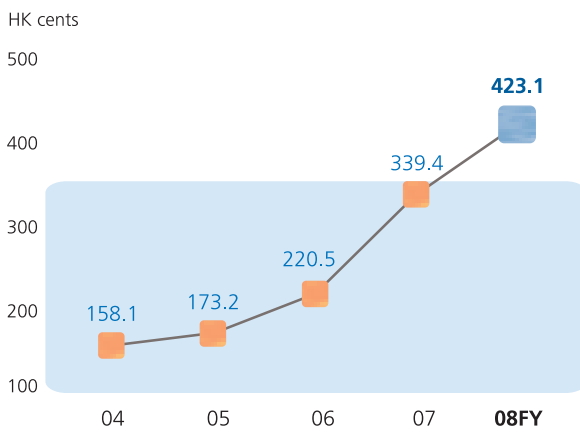
Earnings and Dividends per Share



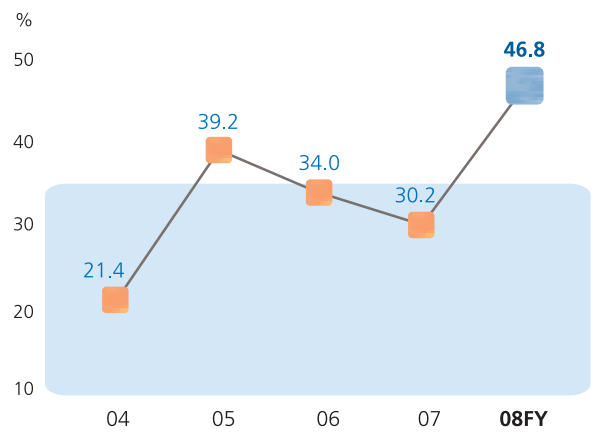
Land Reserves



Shareholder's Fund per Share



Net Debt to Shareholders' Funds



The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2008.

Principal Activities

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 51, 20 and 21 to the financial statements respectively.

An analysis of the Group's turnover and contribution is set out in notes 7 and 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 114.

An interim dividend of HK6 cents per share was paid on 3 October 2008. The board of directors recommends the payment of a final dividend of HK7 cents per share (2007: HK7 cents per share) to shareholders whose names appear on the Register of Members of the Company on 27 May 2009. Together with the interim dividend of HK6 cents per share (2007: HK5 cents per share), dividends for the year will amount to a total of HK13 cents per share. The final dividend will be payable on 8 June 2009.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 118 and note 36 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 207 and 208.

Major Properties

Details of the major properties and property interests of the Group at 31 December 2008 are set out on pages 209 to 212.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK\$1,666,701,000 which has been credited directly to the consolidated income statement.

Details of these and other movements during the year in the tangible fixed assets of the Group and the Company are set out in notes 16 and 17 to the financial statements.



Share Capital and Warrants

Details of movements during the year in the share capital of the Company are set out in note 35 to the financial statements.

Particulars of the subscription and exercise of warrants during the year is set out in note 35 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Borrowings and Interest Capitalised

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities in the balance sheet. An analysis of the repayment schedule of non-current borrowings is set out in note 37 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK\$920,435,000.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Kong Qingping	<i>(Chairman)</i>
Mr. Hao Jian Min	<i>(Vice Chairman and Chief Executive Officer)</i>
Mr. Xiao Xiao	<i>(Vice Chairman)</i>
Mr. Wu Jianbin	
Mr. Chen Bin	
Mr. Zhu Yijian	
Mr. Luo Liang	
Mr. Wang Man Kwan, Paul	

Independent Non-executive Directors

Dr. Li Kwok Po, David	
Mr. Lam Kwong Siu	
Dr. Wong Ying Ho, Kennedy	
Dr. Fan Hsu Lai Tai, Rita	<i>(appointed on 2 February 2009)</i>

Directors *(continued)*

In accordance with Article 105(A) and Article 96 of the Company's Articles of Association, Mr. Chen Bin, Mr. Zhu Yijian, Mr. Luo Liang, Dr. Li Kwok Po, David and Dr. Fan Hsu Lai Tai, Rita shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

The Company confirmed that it has received from each of the independent non-executive directors (except Dr. Fan who was appointed on 2 February 2009 and has submitted a confirmation of independence to The Stock Exchange of Hong Kong Limited in February 2009) an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive directors to be independent.

No director proposed for re-election at the forthcoming Annual General Meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Information regarding directors' emoluments is set out in note 13 to the financial statements.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Organization" on pages 56 to 64 of this Annual Report.



Information on Share Options of the Company

Information in relation to share options disclosed in accordance with the Listing Rules is as follows:

(1) Movement of share options during the year ended 31 December 2008:

Name	Date of Grant	Number of underlying shares comprised in options				Outstanding at 31.12.2008
		Outstanding at 01.01.2008	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	
<i>Directors</i>						
Mr. Kong Qingping	18.06.2004 (vi)	1,344,000	—	—	—	1,344,000
		1,344,000	—	—	—	1,344,000
Mr. Hao Jian Min	18.06.2004 (vi)	1,152,000	—	(576,000)	—	576,000
		1,152,000	—	(576,000)	—	576,000
Mr. Xiao Xiao	18.06.2004 (vi)	800,000	—	(400,000)	—	400,000
		800,000	—	(400,000)	—	400,000
Mr. Wu Jianbin	18.06.2004 (vi)	1,152,000	—	(576,000)	—	576,000
		1,152,000	—	(576,000)	—	576,000
Mr. Chen Bin	18.06.2004 (vi)	640,000	—	(320,000)	—	320,000
		640,000	—	(320,000)	—	320,000
Mr. Zhu Yijian	18.06.2004 (vi)	520,000	—	(260,000)	—	260,000
		520,000	—	(260,000)	—	260,000
Mr. Luo Liang	18.06.2004 (vi)	256,000	—	(128,000)	—	128,000
		256,000	—	(128,000)	—	128,000
	Sub-Total	5,864,000	—	(2,260,000)	—	3,604,000
Aggregate of other employees*	14.02.1998 (ii)	1,370,000	—	(450,000)	(920,000)	—
	30.09.1998 (iii)	—	—	—	—	—
	04.01.2000 (iv)	20,000	—	(20,000)	—	—
	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	16,516,000	—	(9,632,000)	—	6,884,000
	Sub-Total	17,906,000	—	(10,102,000)	(920,000)	6,884,000
	Grand Total	23,770,000	—	(12,362,000)	(920,000)	10,488,000

* Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.

Information on Share Options of the Company *(continued)*

- (2) At 31 December 2008, the options granted to subscribe for 10,488,000 Shares remained outstanding, representing approximately 0.13% of the issued share capital of the Company at that date. 920,000 options to subscribe for Shares have been cancelled during the year ended 31 December 2008.

Subsequent to balance sheet date, on 3 February 2009, due to the open offer, the exercise price of the outstanding options granted under the Company's Share Option Scheme has been adjusted from HK\$1.13 per Share to HK\$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding options has been adjusted from 10,488,000 Shares to 10,607,657 Shares.

As at the date of this annual report, 10,607,657 Shares (before adjustment on 3 February 2009: 10,488,000 Shares) were available for issue under the Share Option Scheme, representing approximately 0.13% of the issued share capital of the Company at that date.

- (3) During the year ended 31 December 2008, options to subscribe for a total of 12,362,000 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	14.02.1998 (ii)	30.09.1998 (iii)	04.01.2000 (iv)	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise (HK\$)
21.01.2008	300,000	0	0	0	1,152,000	1,452,000	14.82
25.01.2008	150,000	0	0	0	0	150,000	14.45
15.04.2008	0	0	0	0	2,880,000	2,880,000	14.23
20.06.2008	0	0	20,000	0	1,380,000	1,400,000	14.47
08.07.2008	0	0	0	0	4,044,000	4,044,000	14.29
30.07.2008	0	0	0	0	412,000	412,000	14.25
26.08.2008	0	0	0	0	520,000	520,000	14.04
19.09.2008	0	0	0	0	716,000	716,000	13.76
08.10.2008	0	0	0	0	60,000	60,000	13.51
24.10.2008	0	0	0	0	280,000	280,000	13.22
20.11.2008	0	0	0	0	60,000	60,000	12.85
12.12.2008	0	0	0	0	188,000	188,000	12.68
23.12.2008	0	0	0	0	200,000	200,000	12.64
Total:	450,000	0	20,000	0	11,892,000	12,362,000	



Information on Share Options of the Company (continued)

Notes:

(a) Particulars of share options granted:

	Date of Grant	Vesting Period (both days inclusive)	Exercise Period (both days inclusive)	Exercise Price Per Share (HK\$)	Note
(i)	17.07.1997	17.07.1997–16.07.1998	17.07.1998–16.07.2007	4.06	Lapsed
(ii)	14.02.1998	14.02.1998–13.02.1999	14.02.1999–13.02.2008	1.08	Lapsed
(iii)	30.09.1998	30.09.1998–29.09.1999	30.09.1999–29.09.2008	0.52	Lapsed
(iv)	04.01.2000	04.01.2000–03.01.2001	04.01.2001–03.01.2010	0.58	—
(v)	24.10.2001	24.10.2001–23.10.2002	24.10.2002–23.10.2011	0.69	—
(vi)	18.06.2004	18.06.2004–17.06.2009*	18.06.2005–17.06.2014	1.13	—

* particulars shown in note 35 to the financial statements.

(b) During the year under review, no options have been granted to any eligible employees (including the directors and independent non-executive directors of the Company) to subscribe for Shares of the Company.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2008, the Directors, the Chief Executive of the Company and their respective associates had the following interests in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in Shares and Underlying Shares of the Company (all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	Number of underlying shares comprised in		Total	% of shares in issue (Note 2)
		Options (Note 1)			
Mr. Kong Qingping	7,156,000	1,344,000		8,500,000	0.108%
Mr. Hao Jian Min	5,452,500	576,000		6,028,500	0.077%
Mr. Xiao Xiao	2,529,500	400,000		2,929,500	0.037%
Mr. Wu Jianbin	2,920,000	576,000		3,496,000	0.045%
Mr. Chen Bin	1,008,000	320,000		1,328,000	0.017%
Mr. Zhu Yijian	1,126,000	260,000		1,386,000	0.018%
Mr. Luo Liang	596,750	128,000		724,750	0.009%
Mr. Wang Man Kwan, Paul	284,000	0		284,000	0.004%
Dr. Li Kwok Po, David	5,250,000	0		5,250,000	0.067%

Directors' and Chief Executive's Interests in Securities *(continued)*

(b) Long Positions in Shares and Underlying Shares of the Associated Corporation — China State Construction International Holdings Limited

(unless otherwise stated, all being personal interest and being held in the capacity of beneficial owner)

Name of director	Number of shares held	Number of underlying shares comprised in		Total	% of shares in issue (Note 5)
		Options (Note 3)	Warrants (Note 4)		
Mr. Kong Qingping	2,956,800	2,995,200	422,396	6,374,396	0.261%
Mr. Hao Jian Min	2,755,200	1,747,200	268,800	4,771,200	0.195%
Mr. Xiao Xiao	1,680,000	2,654,400	240,000	4,574,400	0.187%
Mr. Wu Jianbin	2,755,200	1,747,200	264,000	4,766,400	0.195%
Mr. Chen Bin	1,198,080	1,198,080	82,284	2,478,444	0.101%
Mr. Zhu Yijian	1,597,600	1,497,600	106,968	3,202,168	0.131%
	(Note 6)				
Mr. Luo Liang	1,574,400	998,400	82,284	2,655,084	0.109%
Mr. Wang Man Kwan, Paul	0	998,400	38,856	1,037,256	0.042%
Dr. Li Kwok Po, David	53,332	0	7,616	60,948	0.002%

Notes:

- Information in relation to interests in options to acquire shares of the Company is set out in the section headed "Information on Share Options of the Company" of this report.
- The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2008 (i.e. 7,850,699,215 shares).
- The exercise price for the share options is HK\$0.99 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the share options is HK\$0.2475 per share. The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).
- The exercise price for the warrants is HK\$15.00 per share (before share subdivision). Immediately after the share subdivision approved on 12 June 2008, the exercise price for the warrants is HK\$3.75 per share and the exercise period is from 28 February 2008 to 27 February 2009 (both days inclusive).
- The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 2008 (i.e. 2,444,767,764 shares).
- 100,000 shares of such 1,597,600 shares are beneficially owned by Mr. Zhu Yijian's spouse.



Directors' and Chief Executive's Interests in Securities *(continued)*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2008, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Arrangements to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Chen Bin, Zhu Yijian and Luo Liang held directorships in the Company's ultimate holding company, China State Construction Engineering Corporation ("CSCEC"), and/or its subsidiaries, which are engaged in construction, property development and related business.

As the board of directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of these companies.

Substantial Shareholders' Interests in Securities

At 31 December 2008, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares and underlying shares held			% of shares in issue (Note 1)			Capacity
	(Long Position)	(Short Position)	(Lending Pool)	(Long Position)	(Short Position)	(Lending Pool)	
China Overseas Holdings Limited	3,837,380,380 (Note 2)	—	—	55.68%	3.12%	—	Beneficial owner
	534,110,250 (Note 2)	245,197,740	—			—	Interest of controlled corporation
China State Construction & Engineering Corporation Limited ("CSC&EC") (Note 3)	4,371,490,630	245,197,740	—	55.68%	3.12%	—	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") (Note 3)	4,371,490,630	245,197,740	—	55.68%	3.12%	—	Interest of controlled corporation
JP Morgan Chase & Co.	53,708,443 132,417,998 300,311,520	29,319,616 — —	300,311,520 — —	6.20%	0.37%	3.83%	Beneficial owner Investment manager Custodian/Approved lending agent

Notes:

- The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2008 (i.e. 7,850,699,215 shares).
- These include (a) an interest in 4,057,478,182 Shares held by COHL and/or its subsidiaries, and (b) an interest in 314,012,448 Offer Shares derived from (i) the obligations of China Overseas Finance Investment Limited ("COFIL") (a wholly-owned subsidiary of COHL) under the Underwriting Agreement in respect of Open Offer; and (ii) COHL's undertaking to apply for, and procure Silver Lot to apply for, the entire number of the Offer Shares in the assured allotments in which COHL and Silver Lot are beneficially interested. As a result of the over-subscription of the Open Offer, COFIL, the Underwriter, was not called upon to subscribe for any Offer Shares pursuant to the Underwriting Agreement. Thus, the relevant shareholding was adjusted to 4,219,777,308 shares on completion of the Open Offer on 3 February 2009.
- COHL is a direct wholly owned subsidiary of CSC&EC, which in turn is a direct 94%-owned subsidiary of CSCEC, thus CSC&EC and CSCEC are deemed by the SFO to be interested in 4,371,490,630 Shares (including long position, short position and lending pool (if any)) in which COHL is or is taken to be interested.



Substantial Shareholders' Interests in Securities *(continued)*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2008.

Major Customers and Suppliers

For the financial year ended 31 December 2008, the five largest customers of the Group accounted for less than 2% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 76% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 20% for the year.

Save as aforementioned, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 100 to 112. Save as the related party transactions disclosed in note 49 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK\$30 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Donations

During the year, the Group made charitable and other donations amounted to approximately HK\$24,328,000.

Audit Committee

The principal duties of the Audit Committee are the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee have been satisfied with the Company's internal control procedures and the financial reporting disclosures.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 76 to 83.

Auditor

Messrs. Deloitte Touche Tohmatsu has acted as auditor of the Company for the past three years.

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Kong Qingping

Chairman

Hong Kong, 23 March 2009



Connected, Continuing Connected and Related Party Transactions

In this section, the following expressions have the following meanings unless the context requires otherwise:

“associate(s)”, “connected person(s)”, “subsidiary”	the terms “associate(s)”, “connected person(s)” and “subsidiary” shall have the meanings as defined in the Listing Rules
“BEA”	The Bank of East Asia, Limited of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder
“Board”	the board of Directors
“BOCGIL”	Bank of China Group Investment Limited, a company incorporated in Hong Kong
“CCEMacau”	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau, a direct wholly-owned subsidiary of COHL and an associate of the Company at the date of the announcement
“CCEMacau Engagement Agreement”	the engagement agreement entered into between the Company and CCEMacau on 22 November 2005 in respect of the engagement by the Group of CCEMacau as construction contractor for the Group in Macau
“CODS”	深圳中海工程顧問有限公司 (formerly known as 深圳市中海建設監理有限公司) (transliterated into English as Shenzhen China Overseas Engineering Consultant Co., Ltd.), a company established in PRC, the equity interest of which is owned as to 95% by SCO and 5% by a subsidiary owned by SCO as to 95% at the date of the announcement
“COHK”	China State Construction Limited (formerly known as China Overseas (Hong Kong) Limited), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of CSCIHL
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, in approximately 51.6% of the issued share capital of the Company
“COI”	China Overseas Infrastructure Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“COLI” or “Company”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688)

“COLI Continuing Connected Transactions”	the transactions as contemplated under the SCOCE Engagement Agreement (together with the SCOCE Cap), the CSCIHL Engagement Agreement (together with the CSCIHL Cap) and the CCEMacau Engagement Agreement (together with the CCEMacau Cap)
“COP”	中海地產集團有限公司 (formerly known as 中海地產股份有限公司) (China Overseas Property Group Co., Ltd.), a Sino-foreign joint venture company established in PRC, the registered capital of which is owned as to 79% indirectly by the Company, 11% by SCO and 10% by three independent PRC entities not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them at the date of the announcement
“COPIC”	China Overseas Ports Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of COLI at the date of the announcement
“COPIC Group”	COPIC and its subsidiaries
“COPL”	China Overseas Property Limited, a wholly-owned subsidiary of the Company
“CORB”	China Overseas Road & Bridge Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of COLI
“COS”	China Overseas Security Services Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
“COZG”	China Overseas (Zhong Guo) Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of the Company
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL
“CSCEC Group”	CSCEC and its subsidiaries, other than SCOCE, CCEMacau, CSCIHL and their respective subsidiaries
“CSCEC Group Engagement Agreement”	the engagement agreement entered into between the Company and CSCEC on 7 June 2006 in respect of the engagement by the Group of CSCEC Group as construction contractor for the Group in PRC



Connected, Continuing Connected and Related Party Transactions *(continued)*

“CSCIHL”	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
“CSCIHL Engagement Agreement”	the engagement agreement entered into between the Company and CSCIHL on 22 November 2005 in respect of the engagement by the Group of CSCIHL Group as construction contractor for the Group in Hong Kong
“CSCIHL Group”	CSCIHL and its subsidiaries
“Directors”	the directors of the Company
“East Asia”	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
“Ever Power”	Ever Power Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CSCIHL
“Golden Queen”	Golden Queen International Limited, a wholly-owned subsidiary of BEA
“Goldmond”	Goldmond Company Limited, a connected person of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
“Goodrich”	Goodrich Company Limited, a company incorporated in Macau, the employer of the proposed residential development at Lot R+R1, rua Central de areaia Preta, Macau and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries (as defined under the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Shareholders”	the shareholders of the Company, other than CSCEC, COHL, CSCIHL and their respective associates
“KYCL”	Kee Yet Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	the Macao Special Administrative Region of PRC
“Macfull”	Macfull Limited, a company owned as to 60% by COPL
“Macwan”	Macwan Limited, a company owned as to 70% by COPL
“Main Board”	the Main Board of the Stock Exchange
“Mainland China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Master Security Services Agreement”	the agreement dated 15 May 2006 entered into between COS, an indirect wholly-owned subsidiary of COLI, and CSCIHL in relation to the provision of security services by COS to the worksites of CSCIHL and/or its subsidiaries
“Master Tenancy Agreement”	the agreement dated 15 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COHK, an indirect wholly-owned subsidiary of CSCIHL, in relation to the leasing of certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries
“Maxjet”	Maxjet Company Limited, a company incorporated in Hong Kong and a company owned as to 90% indirectly by the Company and 10% by Goldmond
“On Success”	On Success Development Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of COLI
“PRC”	the People’s Republic of China
“Primrose Project”	the property development project for residential use known as Primrose Villa Phase I located at Kangle Road, Longgang District, Shenzhen, PRC
“Rich Tower”	Rich Tower Properties Limited, a wholly-owned subsidiary of BOCGIL
“RMB”	Renminbi, the lawful currency of PRC
“SCO”	深圳市中海投資管理有限公司 (Shenzhen China Overseas Investment Management Co., Ltd.), a company established in PRC, as at the date of the announcement being a direct subsidiary owned by CSCEC
“SCOCE”	深圳市中海建築工程公司 (transliterated into English as Shenzhen China Overseas Construction Engineering Company) now known as 深圳中海建築有限公司 (transliterated in English as Shenzhen China Overseas Construction Limited), being a direct wholly-owned subsidiary of CSCEC at the date of the announcement



Connected, Continuing Connected and Related Party Transactions *(continued)*

“SCOCE Engagement Agreement”	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the Group of SCOCE as construction contractor for the Group in PRC
“SCOP”	深圳中海地產有限公司 (Shenzhen China Overseas Property Company Limited), a company established in PRC, the registered capital of which is owned as to 75% by COP and 25% by COZG immediately before the completion of the relevant agreement; and is a wholly-owned subsidiary of COP after the completion of the relevant agreement
“Shareholders”	the shareholders of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Brain”	Top Brain Development Limited, a wholly-owned subsidiary of BOCGIL
“Value Idea”	Value Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CORB at the date of the announcement
“%”	per cent.

Part A: During the year under review, the Group entered into the following connected transactions which are of a regular and continuing nature under the then Listing Rules:

- ** (1) In the ordinary course of business, CSCEC, the Company's ultimate controlling shareholder, acted as the guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year. At 31 December 2008, CSCEC was not a guarantor for any banking facilities granted to the Group.
- (2) On 29 August 1995, the Group entered into an agreement with certain parties relating to the establishment of Macwan to undertake a property development project. Macwan is owned as to 70% by COPL, a wholly-owned subsidiary of the Company, as to 20% by Rich Tower, and as to 10% by Golden Queen. Pursuant to the agreement, the shareholders of Macwan have agreed to provide loans to Macwan in accordance with their respective equity proportions. At 31 December 2008, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK\$64 million, HK\$19 million and HK\$9 million respectively. The shareholders of Macwan and the lenders agreed that such loans are interest free. Golden Queen and East Asia are wholly-owned subsidiaries of BEA of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.

- (3) On 25 March 1997, a consortium led by the Company acquired a site situated in Homantin North at a public auction. Maxjet was established to undertake the property development project. Maxjet is owned as to 70% by COPL, as to 20% by KYCL, and as to 10% by Goldmond. The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. At 31 December 2008, the amounts due by Maxjet to the Group and Goldmond were approximately HK\$720 million and HK\$80 million respectively. Such loans are interest free. Goldmond is a wholly-owned subsidiary of BEA.
- (4) On 14 October 1997, a consortium led by the Company acquired a site situated in Tuen Mun at a public auction. On 17 November 1997, members of the consortium entered into an agreement relating to the establishment of Macfull to undertake the development of the property. Macfull is owned as to 60% by COPL, as to 10% by Top Brain and as to 30% by independent third parties. At 31 December 2008, the amounts due by Macfull to the Group and Top Brain were approximately HK\$1,056 million and HK\$176 million respectively. Such loans have been interest free since 1 January 1998.

The Directors consider that the Company is connected to Rich Tower and Top Brain by virtue of their equity interests in Macwan and Macfull respectively. The Directors also consider that the Company is connected to BEA by virtue of its equity interest in Macwan and Maxjet.

- ** (5) Pursuant to an agreement entered into in 2003 between SCOP (a subsidiary of the Company), and SCOCE (a subsidiary of CSCEC), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185,000,000 which was determined based on the cost of construction materials plus a margin. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK\$23.3 million (2007: HK\$16 million) in respect of the year.
- ** (6) Pursuant to an agreement entered into in 2004 between SCOP (an indirect non-wholly owned subsidiary of the Company at that date), and CODS (an indirect non-wholly owned subsidiary of CSCEC), whereby CODS agreed to provide certain project supervision service in respect of the Primrose Project. The supervision fees payable by SCOP to CODS amounts to RMB3,200,000 (approximately HK\$3,019,000). SCOP has the land use right in respect of the Primrose Project forming the subject matter of the Primrose Agreement.

At 31 December 2008, SCOP is a wholly-owned subsidiary of the Company and CODS is an indirect wholly-owned subsidiary of CSCIHL, and continues to be a connected person of the Company.

The aggregate contract sum paid or payable by SCOP under the agreement is HK\$0 (2007: HK\$10 million) in respect of the year.

- ** (7) On 1 August 2005, Goodrich, a wholly-owned subsidiary of the Company, entered into a construction management contract with CCEMacau, a wholly-owned subsidiary of COHL at that date, appointing CCEMacau as construction manager of Goodrich.

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006.

Management fees and bonus paid by Goodrich to CCEMacau under the contract amounted to HK\$2 million (2007: HK\$50 million) and HK\$11.7 million (2007: HK\$7 million) respectively in respect of the year.



**** Part B: During the year under review, the Group entered into the following continuing connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules:**

- (8) On 15 May 2006, On Success, an indirect wholly-owned subsidiary of COLI, entered into the Master Tenancy Agreement with COHK, an indirect wholly-owned subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries.

Particulars of the tenancy:

Properties	Location	Commencement date of Tenancy	Expiry date of Tenancy	Rent payable by COHK
A	Units A, B, C and D, 26th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK\$111,972 per month (with 3 months rent free period)
B	27th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK\$168,273 per month (with 2 months rent free period)
C	28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 January 2007	30 June 2009	HK\$168,273 per month (with 2 months rent free period)
D	29th Floor and 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	1 July 2006	30 June 2009	HK\$336,546 per month (with 3 months rent free period)

The rent payable for the above properties were determined by reference to a valuation report dated 11 May 2006 by DTZ Debenham Tie Leung Limited, an independent valuer, on the prevailing market conditions and the rental level of similar properties in the vicinity of the above properties.

As at the date of entering into the agreement, COHL is interested as to approximately 64.3% of the issued share capital of CSCIHL and as to approximately 50.7% of the issued share capital of COLI. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute continuing connected transactions for each of COLI and CSCIHL.

The offices of CSCIHL and its subsidiaries were previously located in the upper and lower floors of China Overseas Building. The Master Tenancy Agreement enables CSCIHL and its subsidiaries to consolidate their operations from the 26th to the 30th floors of China Overseas Building and provide a more efficient working environment for CSCIHL and its subsidiaries.

Pursuant to the Master Tenancy Agreement, the rent payable by COHK will be HK\$6,616,428, HK\$8,635,704 and HK\$8,972,250 for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

As the annual rent payable under the Master Tenancy Agreement is less than 2.5% of each of the applicable percentage ratios (other than the profit ratio) of COLI and CSCIHL, the Master Tenancy Agreement is exempted from the approval of independent shareholders of COLI and CSCIHL.

During the period from 1 January 2008 to 30 June 2008 and the period from 1 July 2008 to 31 December 2008, the rent payable by COHK for the aforementioned agreement were HK\$4,373,838 (1 January 2007 to 30 June 2007: HK\$4,373,838) and HK\$4,261,866 (1 July 2007 to 31 December 2007: HK\$4,261,866) respectively. The total rental received for the period 1 July 2007 to 30 June 2008 did not exceed the annual cap of HK\$8,635,704 for the year ended 30 June 2008 and the total rental received for the period 1 July 2008 to 31 December 2008 did not exceed the annual cap of HK\$8,972,250 for the year ending 30 June 2009.

- (9) On 15 May 2006, COS (an indirect wholly-owned subsidiary of COLI) and CSCIHL entered into the Master Security Services Agreement pursuant to which COS will provide security services to the worksites of CSCIHL and/or its subsidiaries. The consideration for the provision of the security services will be determined in accordance with the number of security guards provided and by reference to market rates or comparable prices that CSCIHL may obtain from independent service providers. It is expected that the annual cap amount for the provision of the security services under the Master Security Services Agreement for each of the three financial years ending 31 December 2008 will not exceed HK\$30 million per year.

As at the date of entering into the agreement, COHL is interested as to approximately 64.3% of the issued share capital of CSCIHL and as to approximately 50.7% of the issued share capital of COLI. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute continuing connected transactions for each of COLI and CSCIHL.

As the annual cap amount of the Master Security Services Agreement is less than 2.5% of each of the applicable percentage ratios (other than the profit ratio) of COLI and CSCIHL, the Master Security Services Agreement is exempted from the approval of independent shareholders of COLI and CSCIHL.

During the year, the total contract sum entered by CSCIHL under the Master Security Services Agreement is HK\$11.4 million (2007: HK\$11.3 million) which did not exceed the annual cap of HK\$30 million for the financial year ended 31 December 2008.

**** Part C: During the year under review, the Group entered into the following connected transactions which are exempted from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules:**

- (10) On 6 October 2008, Ever Power, an indirect wholly-owned subsidiary of CSCIHL, has entered into an agreement with CORB, an indirect wholly-owned subsidiary of the Company, whereby CORB shall sell and Ever Power shall acquire the entire interest in Value Idea, being 100% of the issued share capital of Value Idea and the shareholders loan, which is unsecured, non-interest bearing, repayable on demand owing by Value Idea to CORB as at completion in the amount of HK\$111,447,904 for a cash consideration of HK\$220 million ("Disposal").



Value Idea, through its subsidiary, is principally engaged in the operation of Nan Chang Bridge (南昌大橋) located at Nan Chang city in Jiangxi province of the PRC. Value Idea has approximately 55.2% interest in a PRC joint venture which owns the management and toll-collection rights for the Nan Chang Bridge up to 30 June 2025 (“the PRC Joint Venture”) whereby Value Idea is entitled to the income derived from the toll-collection rights up to 31 December 2022. The remaining 44.8% interest in the PRC Joint Venture is owned by 南昌市南昌大橋有限責任公司 (Nan Chang City Nan Chang Bridge Company Limited*). Under the terms of the PRC Joint Venture, if there is substantial policy changes in the PRC relating to tolls for bridges, or if the monthly income received by the PRC Joint Venture is below certain pre-determined level, then Value Idea will have the right to require its joint venture partner to purchase Value Idea’s equity rights in the PRC Joint Venture at the carrying value (including the prescribed rate of return) of Value Idea’s investment in the PRC Joint Venture.

Ever Power shall pay to CORB the consideration in the amount of HK\$220 million on completion of the agreement which is within 14 days upon the fulfillment or waiver of all conditions. The consideration was determined based on arm’s length negotiation between the parties with reference to the estimated maximum revenue that Value Idea is entitled to under the contract for the PRC Joint Venture for the remaining concession period and the amount of the shareholders loan on a dollar for dollar basis.

Since 2006, the Company has made clear its future business strategy to focus on property development and will gradually dispose of all its infrastructure businesses at suitable times. The Disposal is in line with such business strategy and the sales proceed will be used for investment of other property development projects. The Company has no intention to dispose of its other core business operations but would continue to seek opportunities to dispose of other infrastructure businesses. Following completion of the Disposal, Value Idea will cease to be an indirect wholly-owned subsidiary of the Company.

Estimating with reference to the difference between the consideration for the Disposal and the unaudited carrying value of the Company’s investment in Value Idea of approximately HK\$210.6 million as at 30 June 2008, the gain, net of expenses, to be derived from the Disposal is approximately HK\$9.4 million. The actual amount of gain, however, will only be determined with reference to the carrying value as of completion of the Disposal and will be subject to audit.

COHL is interested in approximately 51.7% of the issued share capital of the Company and approximately 62.2% of CSCIHL, and Ever Power is an indirect wholly-owned subsidiary of CSCIHL. Accordingly, COHL, CSCIHL and Ever Power are connected persons of the Company, and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules calculated with reference to the agreement is less than 2.5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The relevant transaction was completed on 12 December 2008 and Value Idea ceased to be an indirect wholly-owned subsidiary of the Company after completion.

* *For identification purpose only*

- (11) On 21 October 2008, COI, an indirect wholly-owned subsidiary of the Company, entered into an agreement with COHL, whereby COI shall dispose of its entire interest in COPIC, being 100% of the issued share capital of COPIC and the shareholders loan, which is unsecured, non-interest bearing, repayable on demand, owing by COPIC to COI as at completion in the amount of approximately HK\$480 million, to COHL for a cash consideration of HK\$1,328 million ("Disposal").

The consideration was determined based on arm's length negotiation between the parties with reference to the amount of the shareholders loan on a dollar for dollar basis, and the unaudited consolidated net asset value of COPIC as at 30 June 2008 (adjusted to reflect a subsequent capitalisation of COPIC) in the amount of approximately HK\$821 million.

Payment Terms:

(a)	Deposit paid on the signing of the agreement	:	HK\$200 million
(b)	Second instalment to be paid upon completion (i.e. on or before 31 October 2008)	:	HK\$300 million
(c)	Third instalment to be paid on or before 30 June 2009	:	HK\$400 million
(d)	Last instalment to be paid on or before 31 October 2009	:	balance of the consideration (i.e. HK\$428 million)

The cash received will be firstly applied to settle the consideration in relation to the assignment of the shareholders loan, then the consideration for the transfer of 100% of the issued share capital of COP. COHL would charge its entire equity interest in COP in favour of COI upon completion of the Disposal to secure the payment of the third instalment and the last instalment.

Since 2006, the Company has made clear its future business strategy to focus on property development and will gradually dispose of all its infrastructure businesses at suitable times. On 20 October 2008, the Company announced that its discussion of a possible disposal of the Company's certain non-core assets to a connected person, i.e. the Disposal, was at the final stage. The Disposal is in line with such business strategy and the sales proceed will be used for investment of other property development projects. The Company has no intention to dispose of its other core business operations but would continue to seek opportunities to dispose of other infrastructure businesses. Following completion of the Disposal, COPIC will cease to be a wholly-owned subsidiary of the Company.

Estimating with reference to the difference between the consideration and the unaudited carrying value of the Group's investment in the COPIC Group of approximately HK\$1,301 million at 30 June 2008, the gain, net of expenses, to be derived from the Disposal is approximately HK\$27 million. The actual amount of gain, however, will only be determined with reference to the carrying value as of completion and will be subject to audit.

As COHL is interested in approximately 51.7% of the issued share capital of the Company, COHL is a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules. Since each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is less than 2.5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.



The relevant transaction was completed on 31 October 2008 and COPIC ceased to be an indirect wholly-owned subsidiary of the Company after completion. The deposit and second instalment of the consideration in the amount of HK\$500 million, have been received on schedule. It is expected that the third instalment and last instalment of the consideration will be received on schedule too.

**** Part D: During the year under review, the Group entered into the following non-exempt connected transactions or continuing connected transactions under Rule 14A.16(5) of the Listing Rules which have been approved by independent shareholders in pursuance of Rule 14A.17, Rule 14A.35 or Rule 14A.43 of the Listing Rules:**

- (12) On 22 November 2005, the Directors announced that the Company entered into various agreements as below:
- (a) for Mainland China market — the SCOCE Engagement Agreement with SCOCE, whereby the Group may continue to engage SCOCE as construction contractor in Mainland China upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$1,600 million per annum (the “SCOCE Cap”).
 - (b) for Hong Kong market — the CSCIHL Engagement Agreement with CSCIHL, whereby the Group may continue to engage CSCIHL Group as construction contractor in Hong Kong upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$900 million per annum (the “CSCIHL Cap”).
 - (c) for Macau market — the CCEMacau Engagement Agreement with CCEMacau, whereby the Group may continue to engage CCEMacau as construction contractor in Macau upon successful tender for each of the following three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$200 million per annum (the “CCEMacau Cap”).

CSCEC is the immediate holding company of SCOCE and, through COHL, the ultimate holding company of both the Company and CSCIHL. CCEMacau is a wholly-owned subsidiary of COHL at the date of the announcement, which in turn is 100% owned by CSCEC. Accordingly, SCOCE, CSCIHL and CCEMacau are connected persons of the Company, and the Company is a connected person of CSCIHL.

The engagement by the Group of SCOCE, CSCIHL Group and CCEMacau as construction contractors for its construction works under the SCOCE Engagement Agreement, the CSCIHL Engagement Agreement and the CCEMacau Engagement Agreement constitutes non-exempt continuing connected transactions of the Company.

Each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Company in respect of the total contract sum that may be awarded under these agreements, i.e. the SCOCE Cap, the CSCIHL Cap and the CCEMacau Cap, exceed 2.5%. As such, the Company is required to comply with the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Directors consider that engaging SCOCE, CSCIHL Group and CCEMacau as construction contractors upon successful tender allows the Company to secure a more diverse base of contractors to participate in the construction of its property management projects in Mainland China, Hong Kong and Macau respectively.

Further details of the COLI Continuing Connected Transactions were given in a circular to Shareholders dated 12 December 2005.

The COLI Continuing Connected Transactions were duly approved by Independent Shareholders at an extraordinary general meeting held on 29 December 2005.

During the year, the total contract sum awarded under the SCOCE Engagement Agreement to SCOCE for the year under review is HK\$76.1 million (2007: Nil) which did not exceed the annual cap of HK\$1,600 million for the financial year ended 31 December 2008.

During the year, the total contract sum awarded under the CSCIHL Engagement Agreement to CSCIHL Group for the year under review is HK\$139.7 million (2007: Nil) which did not exceed the annual cap of HK\$900 million for the financial year ended 31 December 2008.

During the year, the total contract sum awarded under the CCEMacau Engagement Agreement to CCEMacau for the year under review is none (2007: Nil) which did not exceed the annual cap of HK\$200 million for the financial year ended 31 December 2008.

CCEMacau became an indirect wholly-owned subsidiary of CSCIHL from 29 June 2006, and continues to be a connected person of the Company.

SCOCE became an indirect wholly-owned subsidiary of CSCIHL from 27 September 2007, and continues to be a connected person of the Company.

- (13) On 7 June 2006, the Directors announced that the Company entered into a CSCEC Group Engagement Agreement with CSCEC, whereby the Group may engage CSCEC Group as construction contractor in Mainland China upon successful tender for each of the three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK\$1,600 million per annum (the "Cap").

CSCEC is the ultimate holding company of the Company. Accordingly, members of CSCEC Group are connected persons of the Company. The engagement by the Group of CSCEC Group as construction contractor for its construction works under the CSCEC Group Engagement Agreement constitutes non-exempt continuing connected transaction of the Company ("Continuing Connected Transaction").

Each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules calculated for the Company in respect of the total contract sum that may be awarded under this agreement, i.e. the Cap, exceed 2.5%. As such, the Company is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors consider that engaging CSCEC Group as construction contractors upon successful tender allows the Company to secure a more diverse base of contractors to participate in the construction of its property management projects in Mainland China.



CSCEC is a PRC state-owned enterprise, and has a vast network of construction subsidiaries in Mainland China. The CSCEC Group Engagement Agreement may, in addition to the SCOCE Engagement Agreement, the CCEMacau Engagement Agreement and the CSCIHL Engagement Agreement, provides the Company with the option to engage CSCEC Group (subject to successful tender) as construction contractor in the construction of its property development projects in Mainland China.

Further details of the Continuing Connected Transaction were given in a circular to Shareholders dated 22 June 2006.

The CSCEC Group Engagement Agreement, the Cap and the continuing connected transaction contemplated thereunder were duly approved by Independent Shareholders at an extraordinary general meeting held on 12 July 2006.

During the year, the total contract sum awarded to CSCEC Group under the CSCEC Group Engagement Agreement is RMB1,505 million (equivalent to approximately HK\$1,461 million[#]) (2007: HK\$1,373 million) which did not exceed the Cap.

[#] The auditor has stated in their Report of Factual Findings that the aggregate amount of the transactions as translated at average exchange rate for 2008, being HK\$1,691 million, exceeded the Cap, while the aggregate amount of the transactions as translated at the exchange rate at the date of the approval of the CSCEC Group Engagement Agreement, being approximately HK\$1,461 million, did not exceed the Cap.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the board of directors.

The auditor of the Company has provided letters to the Board of Directors of the Company confirming that the continuing connected transactions contemplated under this section (i) have received the approval of the Board of Directors; (ii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and (iii) have not exceed the annual cap disclosed in the relevant announcements/circulars of the Company.

Having reviewed the connected transactions or continuing connected transactions contemplated above, the directors (including the independent non-executive directors), opined that the connected transactions or continuing connected transactions contemplated above were carried out (i) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; (ii) in the ordinary and usual course of business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board also confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

*** These connected transactions or continuing connected transactions also constitute related party transactions under the applicable Statement of Standard Accounting Practice.*



TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Land & Investment Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 206 which comprise the Group's and the Company's 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 consolidated 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 Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the consolidated 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
23 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Turnover	7	18,892,373	16,632,553
Cost of sales		(10,158,765)	(8,226,249)
Direct operating expenses		(562,909)	(667,833)
		8,170,699	7,738,471
Gain arising from changes in fair value of investment properties	16	1,666,701	443,262
Loss on disposal of investments in syndicated property project companies		—	(214,514)
Gain (loss) on disposal of subsidiaries		276,350	(201,449)
(Loss) gain arising from changes in fair value of investments held-for-trading		(24,049)	72,918
Other income	9	525,875	411,607
Selling and distribution costs		(677,754)	(463,281)
Administrative expenses		(897,010)	(685,381)
Operating profit		9,040,812	7,101,633
Share of (losses) profits of Associates		(10,982)	(27,911)
Jointly controlled entities		(26,848)	386,276
Finance costs	10	(417,682)	(500,911)
Profit before tax		8,585,300	6,959,087
Income tax expense	11	(3,513,018)	(2,741,936)
Profit for the year	12	5,072,282	4,217,151
Attributable to:			
Equity holders of the Company		5,048,637	4,179,579
Minority interests		23,645	37,572
		5,072,282	4,217,151
		HK cents	<i>HK cents</i>
Earnings per share	15		
Basic		64.8	56.9
Diluted		64.6	56.1

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current Assets			
Investment properties	16	6,428,067	2,634,750
Property, plant and equipment	17	275,520	2,232,366
Prepaid lease payments for land	18	63,465	95,736
Interests in associates	20	164,581	56,907
Interests in jointly controlled entities	21	1,947,655	2,588,406
Investments in syndicated property project companies	22	18,654	15,274
Amounts due from associates	23	90,108	271,697
Amounts due from jointly controlled entities	23	4,071,170	2,612,797
Amounts due from syndicated property project companies	23	1,056	1,873
Other financial assets	25	42,443	95,781
Goodwill	43	109,021	109,021
Deferred tax assets	40	485,090	—
		13,696,830	10,714,608
Current Assets			
Inventories	26	2,999	7,636
Stock of properties	27	53,978,804	38,869,806
Investments held-for-trading	28	9,506	73,340
Prepaid lease payments for land	18	3,846	3,713
Trade and other receivables	29	1,044,655	1,454,511
Deposits and prepayments		2,920,074	3,506,912
Amount due from immediate holding company	30	618,249	—
Amount due from an associate	30	613,246	827,958
Amounts due from jointly controlled entities	30	3,312,030	425,638
Amounts due from minority shareholders	30	138,647	119,808
Tax prepaid		231,407	39,082
Bank balances and cash	31	9,006,148	8,478,160
		71,879,611	53,806,564



Consolidated Balance Sheet *(continued)*

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Current Liabilities			
Trade and other payables	32	7,824,472	7,201,887
Deposits for proposed open offer	50	1,214,275	—
Pre-sales deposits		11,846,616	8,982,528
Rental and other deposits		434,248	251,877
Amount due to a fellow subsidiary	33	174,934	—
Amounts due to associates	33	181,905	162,651
Amounts due to jointly controlled entities	33	483,658	1,358,497
Tax liabilities		3,829,624	2,789,968
Bank loans — due within one year	37	3,946,026	2,884,996
		29,935,758	23,632,404
Net Current Assets		41,943,853	30,174,160
		55,640,683	40,888,768
Capital and Reserves			
Share capital	35	785,070	774,371
Share premium and reserves		32,434,712	25,507,669
Equity attributable to equity holders of the Company		33,219,782	26,282,040
Minority interests		(335,394)	(491,938)
Total Equity		32,884,388	25,790,102
Non-current Liabilities			
Bank loans — due after one year	37	18,320,005	11,289,021
Guaranteed notes payable	38	2,329,431	2,326,435
Amount due to a fellow subsidiary	33	—	135,864
Amounts due to minority shareholders	39	850,983	873,557
Deferred tax liabilities	40	1,255,876	473,789
		22,756,295	15,098,666
		55,640,683	40,888,768

The consolidated financial statements on pages 114 to 206 were approved and authorised for issue by the Board of Directors on 23 March 2009 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Wu Jianbin
DIRECTOR

Company Balance Sheet

At 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-current Assets			
Property, plant and equipment	17	5,649	10,793
Prepaid lease payments for land	18	185	248
Investments in subsidiaries	19	1,304,616	1,447,087
Amounts due from subsidiaries	24	7,280,615	6,640,518
		8,591,065	8,098,646
Current Assets			
Stock of properties	27	1,775	1,798
Prepaid lease payments for land	18	62	62
Trade and other receivables	29	29,446	21,396
Deposits and prepayments		7,131	7,106
Amounts due from subsidiaries	24	24,466,212	17,379,302
Tax prepaid		118	118
Bank balances and cash	31	1,985,424	1,195,417
		26,490,168	18,605,199
Current Liabilities			
Trade and other payables	32	111,243	61,031
Deposits for proposed open offer	50	1,214,275	—
Other deposits		148	150
Amounts due to subsidiaries	34	1,763,590	1,468,387
Bank loans — due within one year	37	—	1,611
Other financial liabilities	25	11,986	6,532
		3,101,242	1,537,711
Net Current Assets			
		23,388,926	17,067,488
		31,979,991	25,166,134
Capital and Reserves			
Share capital	35	785,070	774,371
Share premium and reserves	36	17,753,955	15,892,318
Total Equity			
		18,539,025	16,666,689
Non-current Liabilities			
Bank loans — due after one year	37	11,038,000	6,100,000
Amounts due to subsidiaries	34	2,377,168	2,377,538
Other financial liabilities	25	25,798	21,907
		13,440,966	8,499,445
		31,979,991	25,166,134

Kong Qingping
DIRECTOR

Wu Jianbin
DIRECTOR



Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note a)	PRC statutory reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	700,606	9,066,154	18,798	4,984	22,950	30,255	581,108	(190,686)	283,000	4,932,276	15,449,445	(560,036)	14,889,409
Net exchange differences on translation of foreign operations	—	—	—	—	—	—	1,088,921	—	—	—	1,088,921	1,642	1,090,563
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	—	—	—	(1,601)	—	—	—	(1,601)	1,601	—
Share of associates' reserve movements	—	—	—	—	—	—	21,673	—	—	—	21,673	—	21,673
Share of jointly controlled entities' reserve movements	—	—	—	—	—	—	248,231	—	—	—	248,231	—	248,231
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	(82,899)	—	—	—	—	(82,899)	—	(82,899)
Net income and expense recognised directly in equity	—	—	—	—	—	(82,899)	1,357,224	—	—	—	1,274,325	3,243	1,277,568
Profit for the year	—	—	—	—	—	—	—	—	—	4,179,579	4,179,579	37,572	4,217,151
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	(68,158)	—	—	—	(68,158)	—	(68,158)
Release upon disposal of investments in syndicated property project companies	—	—	—	—	—	67,874	—	—	—	—	67,874	—	67,874
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	47,911	—	—	47,911	—	47,911
Total recognised income and expense for the year	—	—	—	—	—	(15,025)	1,289,066	47,911	—	4,179,579	5,501,531	40,815	5,542,346
2006 final dividend paid	—	—	—	—	—	—	—	—	—	(436,490)	(436,490)	—	(436,490)
Issue of shares upon exercise of share options	3,795	96,194	—	(3,008)	—	—	—	—	—	96,981	96,981	—	96,981
Share issue expenses — share options	—	(95)	—	—	—	—	—	—	—	(95)	(95)	—	(95)
Issue of shares upon exercise of warrants	69,970	5,986,700	—	—	—	—	—	—	—	6,056,670	6,056,670	—	6,056,670
Share issue expenses — warrants	—	(436)	—	—	—	—	—	—	—	(436)	(436)	—	(436)
Recognition of share-based payments	—	—	—	1,404	—	—	—	—	—	1,404	1,404	—	1,404
Capital contributions from equity participants	—	—	—	—	—	—	—	—	—	—	—	66,458	66,458
2007 interim dividend paid	—	—	—	—	—	—	—	—	—	(386,970)	(386,970)	—	(386,970)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(39,175)	(39,175)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	67,384	(67,384)	—	—	—
At 31 December 2007	774,371	15,148,517	18,798	3,380	22,950	15,230	1,870,174	(142,775)	350,384	8,221,011	26,282,040	(491,938)	25,790,102
Net exchange differences on translation of foreign operations	—	—	—	—	—	—	1,487,075	—	—	—	1,487,075	—	1,487,075
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	—	—	—	(67,332)	—	—	—	(67,332)	67,332	—
Share of associates' reserve movements	—	—	—	—	—	—	13,101	—	—	—	13,101	—	13,101
Share of jointly controlled entities' reserve movements	—	—	—	—	—	—	311,675	—	—	—	311,675	—	311,675
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	3,380	—	—	—	—	3,380	—	3,380
Net income and expense recognised directly in equity	—	—	—	—	—	3,380	1,744,519	—	—	—	1,747,899	67,332	1,815,231
Profit for the year	—	—	—	—	—	—	—	—	—	5,048,637	5,048,637	23,645	5,072,282
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	(114,361)	—	—	—	(114,361)	—	(114,361)
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	72,945	—	—	72,945	—	72,945
Total recognised income and expense for the year	—	—	—	—	—	3,380	1,630,158	72,945	—	5,048,637	6,755,120	90,977	6,846,097
2007 final dividend paid	—	—	—	—	—	—	—	—	—	(543,799)	(543,799)	—	(543,799)
Issue of shares upon exercise of share options	1,236	14,986	—	(2,287)	—	—	—	—	—	13,935	13,935	—	13,935
Share issue expenses — share options	—	(12)	—	—	—	—	—	—	—	(12)	(12)	—	(12)
Issue of shares upon exercise of warrants	9,463	1,173,434	—	—	—	—	—	—	—	1,182,897	1,182,897	—	1,182,897
Share issue expenses — warrants	—	(129)	—	—	—	—	—	—	—	(129)	(129)	—	(129)
Recognition of share-based payments	—	—	—	725	—	—	—	—	—	725	725	—	725
Capital contributions from equity participants	—	—	—	—	—	—	—	—	—	—	—	65,567	65,567
2008 interim dividend paid	—	—	—	—	—	—	—	—	—	(470,995)	(470,995)	—	(470,995)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	151,579	(151,579)	—	—	—
At 31 December 2008	785,070	16,336,796	18,798	1,818	22,950	18,610	3,500,332	(69,830)	501,963	12,103,275	33,219,782	(335,394)	32,884,388

Note a: Other reserve arose from the acquisition of additional interest in subsidiaries from minority shareholders through the acquisition of subsidiaries in 2006. The amount represents the difference between the consideration paid and the carrying value of the net assets attributable to the additional interest acquired, net of amount released upon realisation of the underlying assets of the subsidiaries after the acquisition.

Note b: PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which were established in accordance with the relevant People's Republic of China ("the PRC") regulations.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2008

NOTES	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	8,585,300	6,959,087
Adjustments for:		
Share of losses of associates	10,982	27,911
Share of losses (profits) of jointly controlled entities	26,848	(386,276)
Finance costs	417,682	500,911
Depreciation and amortisation	73,643	130,843
Interest income	(231,292)	(197,440)
Dividend income	—	(502)
Share-based payment expense	725	1,404
Gain arising from changes in fair value of investment properties	(1,666,701)	(443,262)
Gain on changes in value of interest rate swap	—	(918)
Gain on disposal of investments in infrastructure projects	—	(15,476)
(Gain) loss on disposal of subsidiaries	(276,350)	201,449
Gain on disposal of associates	—	(2,347)
Loss on disposal of a jointly controlled entity	—	1,961
Gain on disposal of property, plant and equipment	(4,316)	(81)
Loss (gain) arising from changes in fair value of investments held-for-trading	24,049	(72,918)
Loss on disposal of investments in syndicated property project companies	—	214,514
Operating cash flows before movements in working capital	6,960,570	6,918,860
Decrease in instalments receivable	3,641	2,534
Decrease in inventories	1,176	8,144
Increase in stock of properties	(11,955,784)	(15,329,204)
Decrease in investments held-for-trading	39,785	362,141
Decrease (increase) in trade and other receivables, deposits and prepayments	1,034,877	(2,622,187)
Decrease (increase) in restricted bank balances	88,613	(394,609)
Increase in trade and other payables, pre-sales deposits, and rental and other deposits	3,530,106	5,990,677
Cash used in operations	(297,016)	(5,063,644)
Income taxes paid	(2,580,372)	(1,128,718)
Income taxes refunded	24,885	7,307
NET CASH USED IN OPERATING ACTIVITIES	(2,852,503)	(6,185,055)



Consolidated Cash Flow Statement *(continued)*

For the Year Ended 31 December 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Interest received		155,457	126,037
Dividends from jointly controlled entities received		12,455	57,704
Dividends from associates received		125	—
Dividends from syndicated property project companies received		—	502
Decrease (increase) in pledged bank deposits		49,697	(64,595)
Purchase of property, plant and equipment		(1,441,281)	(632,402)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41(a) & (b)	—	(648,671)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42(a), (b), (d) & (e)	456,072	219,799
Consideration received	42(c)	—	522,600
Repayment from associates		329,896	37,446
Investments in jointly controlled entities		—	(117,111)
Advances to jointly controlled entities		(4,892,792)	(2,518,640)
Repayment of capital from jointly controlled entities		23,868	26,038
Repayment of capital from infrastructure investments		—	11,301
Repayment from infrastructure project companies		—	20,240
Repayment from syndicated property project companies		817	23,494
Advances to minority shareholders of subsidiaries		—	(119,808)
Net proceeds on sales of investment properties		—	4,500
Net proceeds on sales of property, plant and equipment		9,334	20,313
Net proceeds on disposal of jointly controlled entities		—	1,361
Net proceeds on disposal of associates		—	4,317
Net proceeds on disposal of syndicated property project companies		—	405,305
Net proceeds on disposal of infrastructure projects		—	151,603
NET CASH USED IN INVESTING ACTIVITIES		(5,296,352)	(2,468,667)
FINANCING ACTIVITIES			
Interest paid		(1,213,295)	(567,253)
Other finance costs paid		(62,909)	(23,913)
Cash dividends paid		(1,014,794)	(823,460)
Dividends paid to minority shareholders		—	(39,175)
Net proceeds from issue of shares		1,196,691	6,156,128
New bank loans raised		11,923,393	10,482,120
Repayment of bank loans		(3,990,376)	(3,404,776)
Receipt from underwriter on open offer of the Company	50	1,214,275	—
Advances from associates		—	8,295
Advance from immediate holding company		209,751	—
Advance from a fellow subsidiary		39,070	135,864
Advances from jointly controlled entities		—	627,297
Contributions from minority shareholders of subsidiaries		16,844	66,458
(Repayment to) advances from minority shareholders of subsidiaries		(54,603)	92,537
NET CASH FROM FINANCING ACTIVITIES		8,264,047	12,710,122
NET INCREASE IN CASH AND CASH EQUIVALENTS		115,192	4,056,400
CASH AND CASH EQUIVALENTS AT 1 JANUARY		7,886,655	3,589,051
Effect of foreign exchange rate changes		501,409	241,204
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	44	8,503,256	7,886,655

Notes to the Financial Statements

For the year ended 31 December 2008

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company's parent company is China Overseas Holdings Ltd. ("COHL"), a company incorporated in Hong Kong, and its ultimate holding company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC. The registered office and principal place of business of the Company is situated at 10th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The Group's business activities are principally carried out in Hong Kong, Macau, Guangzhou, Shanghai, Hangzhou, Beijing, Chengdu, Nanjing, Suzhou and other regions in the PRC.

In prior years, the Company's functional currency was Hong Kong dollars ("HKD"). Due to the continuing expansion of the Group's business operations in the PRC, the directors have determined that the functional currency of the Company be changed from HKD to Renminbi ("RMB") during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group.

The consolidated financial information are presented in HKD as the directors consider that HKD is the appropriate presentation currency as the management of the Company control and monitor the performance and financial position of the Group by using HKD.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, real estate agency and management, and treasury operations.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors have made an assessment on the impact of the new HKFRSs, especially the HK(IFRIC)-Int 12. Upon the adoption of HK(IFRIC)-Int 12, the service concession rights held by the Group's jointly controlled entities are no longer recognised as property, plant and equipment and are recorded as intangible assets. There is no change in the method of amortisation of concession intangible assets before and after the adoption of HK(IFRIC)-Int 12. The directors concluded that the adoption of these new HKFRSs had no material effects on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.



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2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) *(continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRS ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending on or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The application of the amendment to HKAS 40 Investment Property arising from improvements to HKFRSs may affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 Property, Plant and Equipment. The amendment is to be applied prospectively and is effective for the Group's financial year beginning 1 January 2009.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.



3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on Acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on Acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies *(continued)*

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to reserve. The minority interest will be reduced by the book value of the net assets. If any, goodwill or discount arising on purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest based on the fair value of all identifiable assets and liabilities of the subsidiary. The reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of the losses is recognised.

Interests in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of the changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net interests in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.



3. Significant Accounting Policies *(continued)*

Interests in Jointly Controlled Entities *(continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the investment property is derecognised.

Property, Plant and Equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment *(continued)*

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is decreased as a result of a revaluation at the date of transfer, any resulting decrease in the carrying amount of the property is recognised in profit or loss. If the carrying amount is increased, to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to other property revaluation reserve. On subsequent disposal of the investment property, the other property revaluation reserve included in equity are transferred to retained earnings. The transfer from other property revaluation to retained earnings is not made through profit or loss.

Property under development for investment property

Property that is being constructed or developed for future use as an investment property is classified as property under development and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property carried at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Impairment losses on assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Prepaid Lease Payments for Land

Prepaid lease payments for land are amortised over the lease term on a straight-line basis. For lease payments that cannot be allocated reliably between the land and buildings elements, the entire lease is generally treated as a finance lease. When property interest held under an operating lease is classified as an investment property, such property interest is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.



3. Significant Accounting Policies *(continued)*

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from immediate holding company, an associate, jointly controlled entities and minority shareholders, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets (comprising investments in syndicated property project companies) are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.



For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables and deteriorated value in collateral assets.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from associate/jointly controlled entities, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amounts due from associate/jointly controlled entities are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities (including trade and other payables, rental and other deposits, amounts due to associates and jointly controlled entities, bank loans, guaranteed notes payable, amounts due to minority shareholders and a fellow subsidiary) are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derivatives that do not Qualify for Hedge Accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held-for-trading or financial liabilities held-for-trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



3. Significant Accounting Policies *(continued)*

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Stock of Properties

Completed Properties and Properties Under Development

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Transfer from completed properties to investment properties will be made when there is a change in intention from held for sales to held for earning rentals and/or for capital appreciation, evidenced by the commencement of leasing activities. For a transfer from completed properties carried at lower of cost and net realisable value to investment properties, any difference between the fair value of the property at the time of reclassification and its previous carrying amount is recognised in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement.

Operating Leases

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement Benefit Costs

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.



For the year ended 31 December 2008

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share Options Granted to Employees

For share options granted after 7 November 2002 and had not yet vested on 1 January 2005 and all share options granted on or after 1 January 2005, the fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In relation to share options granted before 1 January 2005, the Group chose not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005 and accordingly, the consolidated financial statements did not recognise the financial effect of these share options until they were exercised.

3. Significant Accounting Policies *(continued)*

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of Properties

Revenue from sale of properties in the ordinary course of business is recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later. Deposits received from sales of properties are carried in the consolidated balance sheet under current liabilities.

Property Rentals

Rental income from properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Supply of Heat and Electricity

Revenue from supply of heat and electricity is recognised when heat and electricity are delivered.

Infrastructure Project Investments

Revenue from infrastructure project investments, where the Group is entitled to a fixed guaranteed return over the contract period, is recognised on an accrual basis so as to produce a constant periodic rate of return on the net investment.

Real Estate Agency and Management Services

Revenue from the provision of real estate agency and management services is recognised when services are provided.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.



4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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) Fair Value of Investment Properties

Investment properties are carried in the balance sheet at 31 December 2008 at their fair value of HK\$6,428 million. The fair values was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

(b) Impairment of Interests in Jointly Controlled Entities

Management assessed the recoverability of the Group's interests in jointly controlled entities undertaking toll bridge and property development projects in the PRC with an aggregate carrying amount of HK\$1,384 million and HK\$564 million, respectively, included in the consolidated balance sheet at 31 December 2008.

(i) Toll bridge projects investments

The assessment was based on the projected revenue to be derived by these entities from the operation of toll bridges over the remaining joint venture periods discounted by a suitable rate ranging from 10% to 14% (2007: 8% to 12%) per annum to arrive at their present value. Should the actual toll revenue be less than that projected as a result of a reduction of road usage and/or toll fees, an impairment loss may arise.

(ii) Property development projects investment

The assessment was based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

4. Key Sources of Estimation Uncertainty *(continued)*

(c) Impairment of Stock of Properties and Amounts due from Associates, Immediate Holding Company and Jointly Controlled Entities

Included in the consolidated balance sheet at 31 December 2008 are stock of properties with an aggregate carrying amount of HK\$53,979 million, amount due from immediate holding company of HK\$618 million, amounts due from jointly controlled entities and associates engaging principally in property development activities of HK\$7,383 million and HK\$703 million, respectively. Management assessed the recoverability of these amounts based on an estimation set out in note 6(b)(ii).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which principally includes bank loans and guaranteed notes payable disclosed in notes 37 and 38, respectively, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

6a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Financial assets				
Investments held-for-trading	9,506	73,340	—	—
Loans and receivables at amortised cost (including cash and cash equivalents)	18,937,752	14,288,223	33,761,697	25,236,633
Available-for-sale financial assets (investments in syndicated property project companies)	18,654	15,274	—	—
Financial liabilities				
Liabilities at amortised cost	34,111,414	26,232,908	15,290,001	10,008,567
Financial guarantee contracts	—	—	37,784	28,439



For the year ended 31 December 2008

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, trade and other receivables, trade and other payables, amounts due from/to affiliated companies and bank balances. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk, price risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, changes in equity price and changes in foreign exchange rate.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans and amounts due from jointly controlled entities amounting to HK\$11,038 million (2007: HK\$6,102 million) and HK\$980 million (2007: HK\$662 million) respectively. The variable-rate bank loans with original maturities ranging from one to five years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Company's cash flow interest rate risk relates primarily to its variable-rate bank loans, short-term bank balances and amounts due from subsidiaries.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate restricted bank deposits, fixed-rate bank loans and the guaranteed notes payable, amounting to HK\$503 million (2007: HK\$592 million), HK\$11,228 million (2007: HK\$8,072 million) and HK\$2,329 million (2007: HK\$2,326 million), respectively. Management will consider hedging significant interest rate exposure should the need arise.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by HK\$100,582,000 (2007: decrease/increase by HK\$54,395,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and amounts due from jointly controlled entities.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

The Company

If interest rates had been 100 basis point higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2008 would decrease/increase by HK\$64,427,000 (2007: decrease/increase by HK\$13,259,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans and amounts due from subsidiaries.

Price risk

The Group is exposed to equity price risk through its investments in listed equity securities and syndicated property project companies. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in real estate industry sector. In addition, the Group has appointed a specific management team to monitor the price risk and will consider hedging the risk exposure should the need arise.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower:

- profit for the year ended 31 December 2008 would increase/decrease by HK\$951,000 (2007: increase/decrease by HK\$7,334,000) as a result of the changes in fair value of investments held-for-trading; and
- investment valuation reserve would increase/decrease by HK\$1,865,000 (2007: increase/decrease by HK\$1,527,000) for the Group as a result of the changes in fair value of investments in syndicated property project companies.

The Group's sensitivity to investments in syndicated property project companies and held-for-trading investments has not changed significantly from the prior year.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by closely watching the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Assets				
HKD	3,326,552	680,434	33,261,899	—
United States dollars ("USD")	6,505,192	2,509,575	499,798	162,495
Macao Pataca ("MOP")	10,581	8,882	—	—
Liabilities				
HKD	11,191,310	21,096	15,290,001	—
USD	2,392,835	2,477,013	21,907	28,108
MOP	—	73,031	—	—

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk sensitivity analysis

The Group mainly exposes to the currency of USD, HKD and MOP. The following table details the Group's sensitivity to a 10% increase and decrease in the RMB against USD, HKD and MOP, respectively. 10% is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive number below indicates an increase in profit where RMB strengthens against USD, HKD or MOP. For a 10% weakening of RMB against the USD, HKD or MOP, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2008 HK\$'000	2007 HK\$'000
THE GROUP		
RMB against HKD		
Profit for the year	786,476	(65,934)
RMB against USD		
Profit for the year	(411,236)	(3,256)
RMB against MOP		
Profit for the year	(1,058)	6,415

Note: This is mainly attributable to the net exposure to outstanding receivables and payables in respective USD, HKD or MOP at year end.

	2008 HK\$'000
THE COMPANY	
RMB against HKD	
Profit for the year	(1,797,190)
RMB against USD	
Profit for the year	(47,789)



6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(i) Market risk *(continued)*

Currency risk sensitivity analysis *(continued)*

The Company's foreign currency sensitivity analysis is not provided in the financial statements for the year ended 31 December 2007 as the Company only exposed to exchange rate fluctuation between HKD and USD which was considered minimal as HKD is pegged to USD and management considers that exposure to exchange fluctuation in respect of USD is limited.

The Group's and the Company's sensitivity to foreign currency has increased during the year ended 31 December 2008 mainly attributable to the larger outstanding foreign currency balance exposure and change in functional currency from HKD to RMB during the year.

(ii) Credit risk

As at 31 December 2008, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company balance sheet; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in note 47.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds as well as amounts due from associates, jointly controlled entities, syndicated property project companies, immediate holding company and minority shareholders, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of the associates, jointly controlled entities, syndicated property project companies, immediate holding company and minority shareholders. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is mitigated.

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(ii) Credit risk *(continued)*

Trade receivables consist of a large number of customers, spread across diverse geographical areas.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by the properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2008, the Group has available unutilised loan facilities of approximately HK\$4,452 million (2007: HK\$5,438 million) as disclosed in note 37.

The following table details the Group and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interests payments are computed using contractual rates or, if floating, based on the prevailing market rate at the balance sheet date.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

6b. Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk *(continued)*

Liquidity and interest risk tables

The Group

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2008 HK\$'000
2008								
Trade and other payables	—	6,230,524	423,287	665,357	489,385	15,919	7,824,472	7,824,472
Amounts due to associates	—	181,905	—	—	—	—	181,905	181,905
Amounts due to jointly controlled entities	—	483,658	—	—	—	—	483,658	483,658
Amount due to a fellow subsidiary	—	174,934	—	—	—	—	174,934	174,934
Amounts due to minority shareholders	6.00	—	—	—	899,707	—	899,707	850,983
Bank loans — variable rate	2.06	56,613	56,613	114,470	11,646,407	—	11,874,103	11,038,000
Bank loans — fixed rate	7.03	587,381	970,818	2,856,026	7,883,917	—	12,298,142	11,228,031
Guaranteed notes payable	5.75	3,871	—	67,275	2,743,650	—	2,814,796	2,329,431
		7,718,886	1,450,718	3,703,128	23,663,066	15,919	36,551,717	34,111,414
	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2007 HK\$'000
2007								
Trade and other payables	—	4,606,976	727,327	1,613,823	241,404	12,357	7,201,887	7,201,887
Amounts due to associates	—	162,651	—	—	—	—	162,651	162,651
Amounts due to jointly controlled entities	—	1,358,497	—	—	—	—	1,358,497	1,358,497
Amount due to a fellow subsidiary	4.50	1,528	1,528	3,057	135,864	—	141,977	135,864
Amounts due to minority shareholders	7.75	—	—	—	935,470	—	935,470	873,557
Bank loans — variable rate	3.80	61,602	57,885	115,770	6,853,933	—	7,089,190	6,101,611
Bank loans — fixed rate	6.17	784,346	748,918	1,785,163	5,520,731	—	8,839,158	8,072,406
Guaranteed notes payable	5.75	4,034	—	67,275	2,878,200	—	2,949,509	2,326,435
		6,979,634	1,535,658	3,585,088	16,565,602	12,357	28,678,339	26,232,908

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Liquidity and interest risk tables (continued)

The Company

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2008 HK\$'000
2008								
Trade and other payables	—	89,342	—	21,901	—	—	111,243	111,243
Amounts due to subsidiaries (current)	—	1,763,590	—	—	—	—	1,763,590	1,763,590
Amounts due to subsidiaries (non-current)	5.75	—	—	136,687	2,650,542	—	2,787,229	2,377,168
Bank loans — variable rate	2.06	56,613	56,613	114,470	11,646,407	—	11,874,103	11,038,000
Financial guarantee contracts	—	2,997	2,997	5,992	25,798	—	37,784	37,784
		1,912,542	59,610	279,050	14,322,747	—	16,573,949	15,327,785

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2007 HK\$'000
2007								
Trade and other payables	—	35,690	—	25,341	—	—	61,031	61,031
Amounts due to subsidiaries (current)	—	1,468,387	—	—	—	—	1,468,387	1,468,387
Amounts due to subsidiaries (non-current)	5.75	—	—	136,708	2,787,662	—	2,924,370	2,377,538
Bank loans — variable rate	3.80	61,602	57,885	115,770	6,853,933	—	7,089,190	6,101,611
Financial guarantee contracts	—	1,748	1,603	3,181	21,907	—	28,439	28,439
		1,567,427	59,488	281,000	9,663,502	—	11,571,417	10,037,006



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

6. Financial Instruments *(continued)*

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Other than the guaranteed notes payable that is disclosed in note 38, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

7. Turnover

Turnover represents proceeds from sales of properties, property rentals, revenue from supply of heat and electricity, revenue from infrastructure project investments, real estate agency and management service fees and other operations. An analysis of the Group's turnover for the year is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Proceeds from sales of properties	17,891,210	15,438,311
Property rentals	201,792	123,616
Revenue from infrastructure project investments	—	12,004
Revenue from real estate agency and management services	448,263	358,611
Revenue from supply of heat and electricity	—	336,145
Other income (Note)	351,108	363,866
	18,892,373	16,632,553

Note: Other income mainly comprises of revenue from the provision of logistics operations, and building design consultancy services.

8. Business and Geographical Segments

Business Segment

The businesses based upon which the Group reports its primary segment information are as follows:

- Property development — development and sales of properties
- Property investment — property letting
- Infrastructure — investments in entities undertaking toll highways
- Other operations — property management, property agency, logistics operations, building design consultancy services, supply of heat and electricity and securities trading.

Segment information about these businesses is presented below.

REVENUE AND RESULTS

Year ended 31 December 2008

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Intragroup eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External	17,891,210	201,792	799,371	—	18,892,373
Inter-segment	—	2,191	57,416	(59,607)	—
Total turnover	17,891,210	203,983	856,787	(59,607)	18,892,373

Inter-segment revenue was charged at prices determined by management with reference to market prices.

RESULTS					
Segment results	6,730,746	1,842,145	172,985	(36,559)	8,709,317
Gain on disposal of subsidiaries					276,350
Interest income					231,292
Unallocated corporate expenses					(176,147)
Operating profit					9,040,812
Share of losses of Associates					(10,982)
Jointly controlled entities					(26,848)
Finance costs					(417,682)
Profit before tax					8,585,300
Income tax expense					(3,513,018)
Profit for the year					5,072,282



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

8. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

ASSETS AND LIABILITIES

At 31 December 2008

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	58,029,354	6,523,010	381,157	64,933,521
Interests in associates				867,935
Interests in jointly controlled entities				9,330,855
Unallocated corporate assets				10,444,130
Consolidated total assets				85,576,441
LIABILITIES				
Segment liabilities	(21,235,634)	(25,152)	(342,173)	(21,602,959)
Tax liabilities	(3,762,244)	—	(67,380)	(3,829,624)
Unallocated corporate liabilities				(27,259,470)
Consolidated total liabilities				(52,692,053)

OTHER INFORMATION

Year ended 31 December 2008

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to property, plant and equipment, prepaid lease payments for land and investment properties	40,594	1,178,985	221,702	1,441,281
Depreciation and amortisation	22,054	6,153	45,436	73,643

8. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

REVENUE AND RESULTS

Year ended 31 December 2007

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Infrastructure <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Intragroup eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER						
External	15,438,311	123,616	12,004	1,058,622	—	16,632,553
Inter-segment	—	1,888	—	102,136	(104,024)	—
Total turnover	15,438,311	125,504	12,004	1,160,758	(104,024)	16,632,553

Inter-segment revenue was charged at prices determined by management with reference to market prices.

RESULTS

Segment results	6,528,048	550,215	18,637	421,163	(52,779)	7,465,284
Loss on disposal of investments in syndicated property project companies						(214,514)
Loss on disposal of subsidiaries						(201,449)
Interest income						197,440
Unallocated corporate expenses						(145,128)
Operating profit						7,101,633
Share of (losses) profits of Associates						(27,911)
Jointly controlled entities						386,276
Finance costs						(500,911)
Profit before tax						6,959,087
Income tax expense						(2,741,936)
Profit for the year						4,217,151



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

8. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

ASSETS AND LIABILITIES

At 31 December 2007

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	44,222,846	2,849,866	1,517,283	48,589,995
Interests in associates				1,156,562
Interests in jointly controlled entities				5,626,841
Unallocated corporate assets				9,147,774
Consolidated total assets				64,521,172
LIABILITIES				
Segment liabilities	(17,434,657)	(26,295)	(508,961)	(17,969,913)
Tax liabilities	(2,719,003)	—	(70,965)	(2,789,968)
Unallocated corporate liabilities				(17,971,189)
Consolidated total liabilities				(38,731,070)

OTHER INFORMATION

Year ended 31 December 2007

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to property, plant and equipment, prepaid lease payments for land and investment properties	27,009	560,738	474,765	1,062,512
Depreciation and amortisation	16,577	2,097	112,169	130,843

8. Business and Geographical Segments *(continued)*

Geographical Segment

The Group's property development, property investment and other activities are carried out in Hong Kong, Macau and regions in the PRC other than Hong Kong and Macau. All infrastructure project investments are located in the PRC. The following table provides an analysis of the Group's turnover by geographical market based on the location of customers:

	Turnover by geographical market	
	2008 HK\$'000	2007 HK\$'000
Hong Kong	760,752	344,186
Macau	208,112	3,034,224
Regions in the PRC other than Hong Kong and Macau	17,923,509	13,254,143
	18,892,373	16,632,553

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment, prepaid lease payments for land and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment, prepaid lease payments for land and investment properties	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	4,018,835	4,025,743	6,398	367,059
Macau	217,884	656,659	7	70
Regions in the PRC other than Hong Kong and Macau	60,696,802	43,907,593	1,434,876	695,383
	64,933,521	48,589,995	1,441,281	1,062,512



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

9. Other Income

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Other income includes:		
Interest on bank deposits	154,779	138,400
Imputed interest income on amounts due from		
— associates	15,675	17,535
— jointly controlled entities	60,160	—
— syndicated property project companies	—	40,636
Other interest income	678	869
Total interest income	231,292	197,440
Net foreign exchange gains	168,473	27,481
Gain on disposal of associates	—	2,347
Gain on disposal of investments in infrastructure projects	—	15,476
Gain on disposal of property, plant and equipment	4,316	81
Gain on changes in value of interest rate swap	—	918
Dividend income from syndicated property project companies	—	502

10. Finance Costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,078,745	452,946
Interest on guaranteed notes not wholly repayable within five years	134,550	134,550
Imputed interest expense on amounts due to minority shareholders	61,913	70,650
Other finance costs	62,909	23,913
Total finance costs	1,338,117	682,059
Less: Amount capitalised in properties under development	(920,435)	(181,148)
	417,682	500,911

The finance costs for both years presented were incurred on financial liabilities that are not carried at fair value through profit or loss. Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 3.84% (2007: 1.68%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2008	2007
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	36,888	44,355
Macau income tax	20,196	194,461
PRC Enterprise income tax ("EIT")	1,661,884	1,190,231
PRC Land appreciation tax ("LAT")	1,464,857	1,188,673
	3,183,825	2,617,720
Under(over)provision in prior years:		
Hong Kong Profits Tax	3,179	(6)
Macau income tax	7,861	—
LAT	360	—
EIT	17,295	16,901
	28,695	16,895
Deferred tax (note 40):		
Current year	324,723	131,436
Attributable to a change in tax rate	(24,225)	(24,115)
	300,498	107,321
Total	3,513,018	2,741,936

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Macau income tax is calculated at the rate prevailing in Macau.

PRC enterprise income tax is calculated at the prevailing PRC tax rates on the estimated assessable profits for the year.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was generally reduced from 33% to 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the new tax rate was progressively increasing to 25% over five years as grandfathering provision.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

11. Income Tax Expense *(continued)*

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax liability of HK\$217,688,000 (2007: nil) on the undistributed earnings of subsidiaries has been charged to the consolidated income statement for the year.

Details of deferred taxation are set out in note 40.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before tax	8,585,300	6,959,087
Tax at the applicable tax rate of 25% (2007: 33%)	2,146,325	2,296,499
LAT	1,464,857	1,188,673
Tax effect of LAT	(366,214)	(392,262)
Tax effect of expenses not deductible for tax purpose	99,555	239,098
Tax effect of income not taxable for tax purpose	(123,069)	(79,785)
Underprovision in prior years	28,695	16,895
Tax effect of tax losses not recognised	201,374	69,755
Utilisation of tax losses previously not recognised	(25,481)	(8,619)
Tax effect of share of results of associates and jointly controlled entities	9,458	(118,260)
Deferred tax on undistributed earnings of PRC subsidiaries	217,688	—
Effect of different tax rates applicable to subsidiaries operating in		
Hong Kong and Macau	(20,838)	(445,943)
Tax effect of change in tax rate	(24,225)	(24,115)
Others	(95,107)	—
Income tax expense for the year	3,513,018	2,741,936

12. Profit for the Year

	2008 HK\$'000	2007 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	7,143	7,621
Depreciation of property, plant and equipment	69,797	127,677
Amortisation of prepaid lease payments for land (included in administrative expenses)	3,846	3,166
Staff costs including directors' emoluments (Note)	542,845	359,142
Rental expenses in respect of land and buildings under operating leases	24,083	24,195
Loss on disposal of a jointly controlled entity	—	1,961
Share of tax of		
Associates	2,667	71
Jointly controlled entities	53,970	160,947
Cost of stock of properties recognised as expenses	10,136,752	8,146,111
Cost of inventories recognised as expenses	13,254	229,225
Rental income in respect of investment properties under operating leases, net of outgoings of HK\$16,640,000 (2007: HK\$12,011,000)	(185,152)	(111,605)

Note: The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost charged to income statement of HK\$30 million (2007: HK\$16 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

13. Directors' Emoluments

The emoluments paid or payable to the directors of the Company are as follows:

	Year ended 31 December 2008				
	Directors' fees	Basic salaries, allowances and benefits- in-kind	Performance related bonus	Contributions to provident fund schemes	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Kong Qingping	—	730	—	10	740
Hao Jian Min	—	3,253	3,847	12	7,112
Xiao Xiao	—	3,000	3,500	12	6,512
Wu Jianbin	—	3,032	3,500	12	6,544
Chen Bin	—	1,699	3,168	12	4,879
Zhu Yijian	—	1,881	3,095	12	4,988
Luo Liang	—	1,117	3,596	—	4,713
Wang Man Kwan, Paul	—	2,099	315	12	2,426
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	250	—	—	—	250
	860	16,811	21,021	82	38,774

13. Directors' Emoluments *(continued)*

	Year ended 31 December 2007				
	Directors' fees <i>HK\$'000</i>	Basic salaries, allowances and benefits- in-kind <i>HK\$'000</i>	Performance related bonus <i>HK\$'000</i>	Contributions to provident fund schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
Kong Qingping	—	4,621	3,500	12	8,133
Hao Jian Min	—	2,810	3,600	12	6,422
Xiao Xiao	—	2,580	3,550	12	6,142
Wu Jianbin	—	2,702	3,600	12	6,314
Chen Bin	—	1,380	2,796	12	4,188
Zhu Yijian	—	1,078	2,655	9	3,742
(appointed on 22 March 2007)					
Luo Liang	—	705	2,603	—	3,308
(appointed on 22 March 2007)					
Wang Man Kwan, Paul	—	2,008	470	12	2,490
Cui Duosheng	—	907	723	3	1,633
(resigned on 22 March 2007)					
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	250	—	—	—	250
	860	18,791	23,497	84	43,232

All the five highest paid individuals in the Group for both years presented are directors of the Company whose emoluments are included above.

No directors waived any emoluments in both years ended 31 December 2008 and 31 December 2007.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

14. Dividends

	The Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividends recognised as distributions during the year:		
Interim dividend paid in respect of 2008 of HK6 cents (2007: HK5 cents) per share	470,995	386,970
Final dividend paid in respect of 2007 of HK7 cents (2007: HK6 cents for 2006) per share	543,799	436,490
	1,014,794	823,460

The final dividend of HK7 cents (2007: HK7 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the financial statements.

15. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	5,048,637	4,179,579
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,791,807	7,343,858
Effect of dilutive potential ordinary shares in respect of		
— share options outstanding	14,625	30,481
— bonus warrants outstanding	6,489	81,021
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,812,921	7,455,360

16. Investment Properties

	The Group HK\$'000
FAIR VALUE	
At 1 January 2007	1,638,580
Acquisition of assets through acquisition of subsidiaries	357,408
Transferred from completed properties (Note b)	200,000
Disposals	(4,500)
Gain arising from changes in fair value of investment properties	443,262
At 31 December 2007	2,634,750
Transferred from property, plant and equipment (Note a)	2,182,224
Transferred from completed properties (Note b)	43,812
Disposals of assets through disposal of subsidiaries (note 42b)	(99,420)
Gain on change in fair value upon completion of the development of investment properties (Note a)	1,595,876
Gain arising from changes in fair value of investment properties	70,825
At 31 December 2008	6,428,067

Notes (a): During the year, properties under development for investment properties with a fair value of approximately HK\$3.78 billion were reclassified from property, plant and equipment upon the completion of development. The difference between the fair value of the property and its carrying value at the date of transfer amounting to HK\$1.6 billion has been recognised in the consolidated income statement for the year.

Notes (b): They have been reclassified from completed properties due to the change in use of the properties evidenced by the commencement of operating leases.

An analysis of the investment properties of the Group at the balance sheet date is as follows:

	The Group	
	2008 HK\$'000	2007 HK\$'000
Investment properties:		
In Hong Kong		
On long leases	326,200	330,200
On medium-term leases	1,590,900	1,603,900
In Macau		
On medium-term leases	124,000	—
In the PRC other than in Hong Kong and Macau		
On medium-term leases	4,386,967	700,650
	6,428,067	2,634,750



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

16. Investment Properties *(continued)*

The fair value of the Group's investment properties, including both land and building elements, at 31 December 2008 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors ("HKIS"). The valuation was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are classified as investment properties and are accounted for using the fair value model.

17. Property, Plant and Equipment

	Properties under development for investment properties HK\$'000 (Note 1)	Leasehold land and buildings HK\$'000	Heat and electricity supply facilities HK\$'000	Plant, machinery and equipment HK\$'000	Furniture, fixtures, office equipment and motor vehicles HK\$'000	Construction in progress HK\$'000 (Note 2)	Total HK\$'000
THE GROUP							
COST							
At 1 January 2007	764,993	360,769	624,850	267,366	186,476	454,861	2,659,315
Exchange adjustments	51,958	18,816	15,627	41,676	8,215	18,766	155,058
Acquisition of subsidiaries	—	34,989	—	284	2,409	—	37,682
Additions	203,330	7,645	—	66,038	45,110	310,279	632,402
Disposal of subsidiaries	—	(180,238)	(665,012)	—	(21,695)	(112,629)	(979,574)
Other disposals	—	(6,099)	(15,563)	(1,718)	(13,515)	—	(36,895)
Transfers between categories	—	41,723	40,098	449,719	—	(531,540)	—
At 31 December 2007	1,020,281	277,605	—	823,365	207,000	139,737	2,467,988
Exchange adjustments	63,052	15,938	—	57,249	20,971	13,266	170,476
Additions	1,098,891	4,799	—	44,368	51,927	241,296	1,441,281
Disposal of subsidiaries	—	(93,280)	—	(887,681)	(48,015)	(394,299)	(1,423,275)
Other disposals	—	(200)	—	(504)	(16,982)	—	(17,686)
Transfer to investment properties	(2,182,224)	—	—	—	—	—	(2,182,224)
At 31 December 2008	—	204,862	—	36,797	214,901	—	456,560
DEPRECIATION							
At 1 January 2007	—	32,790	184,334	81,838	91,029	—	389,991
Exchange adjustments	—	4,858	5,699	4,884	3,002	—	18,443
Provided for the year	—	21,861	62,171	14,756	28,889	—	127,677
Eliminated on disposal of subsidiaries	—	(26,901)	(250,418)	—	(6,507)	—	(283,826)
Eliminated on other disposals	—	(1,168)	(1,786)	(832)	(12,877)	—	(16,663)
At 31 December 2007	—	31,440	—	100,646	103,536	—	235,622
Exchange adjustments	—	4,777	—	5,017	15,606	—	25,400
Provided for the year	—	10,634	—	21,849	37,314	—	69,797
Eliminated on disposal of subsidiaries	—	(20,833)	—	(91,068)	(25,210)	—	(137,111)
Eliminated on other disposals	—	(55)	—	(292)	(12,321)	—	(12,668)
At 31 December 2008	—	25,963	—	36,152	118,925	—	181,040
CARRYING VALUES							
At 31 December 2008	—	178,899	—	645	95,976	—	275,520
At 31 December 2007	1,020,281	246,165	—	722,719	103,464	139,737	2,232,366

Note 1: The properties under development for investment properties situated in PRC under medium term lease, were previously included in stock of properties. They have been reclassified retrospectively to property, plant and equipment in current year. Following the completion of development, they were reclassified to investment properties during the year.

Note 2: At 31 December 2007, the cost of construction in progress on which the government grants applied was HK\$115 million.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

17. Property, Plant and Equipment *(continued)*

	Buildings <i>HK\$'000</i>	Furniture, fixtures, office equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1 January 2007	950	30,197	31,147
Additions	—	429	429
Disposals	—	(3,319)	(3,319)
At 31 December 2007	950	27,307	28,257
Additions	—	138	138
Disposals	—	(2,271)	(2,271)
At 31 December 2008	950	25,174	26,124
DEPRECIATION			
At 1 January 2007	579	15,195	15,774
Provided for the year	62	4,940	5,002
Eliminated on disposals	—	(3,312)	(3,312)
At 31 December 2007	641	16,823	17,464
Provided for the year	62	4,826	4,888
Eliminated on disposals	—	(1,877)	(1,877)
At 31 December 2008	703	19,772	20,475
CARRYING VALUES			
At 31 December 2008	247	5,402	5,649
At 31 December 2007	309	10,484	10,793

17. Property, Plant and Equipment *(continued)*

An analysis of the carrying values of properties under development for investment properties and leasehold land and buildings are as follows:

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
In Hong Kong				
On long leases	303	362	—	—
On medium-term leases	81,426	85,173	—	—
In the PRC other than in Hong Kong				
On medium-term leases	97,170	1,180,911	247	309
	178,899	1,266,446	247	309

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Heat and electricity supply facilities	8 to 12 years
Plant, machinery and equipment	3 to 10 years
Other assets	3 to 8 years

18. Prepaid Lease Payments for Land

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Prepaid lease payments for land comprise:				
Leasehold land in Hong Kong				
Long lease	1,039	1,042	—	—
Medium-term lease	4,408	4,529	—	—
Leasehold land outside Hong Kong				
Medium-term lease	61,864	93,878	247	310
	67,311	99,449	247	310
Analysed for reporting purposes as				
Non-current asset	63,465	95,736	185	248
Current asset	3,846	3,713	62	62
	67,311	99,449	247	310



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

19. Investments in Subsidiaries

	THE COMPANY	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of investments, unlisted	1,304,616	1,447,087

Particulars of the principal subsidiaries are set out in note 51.

20. Interests in Associates

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of investments, unlisted	60,315	46,479
Share of post-acquisition profits less losses, and reserves net of dividends received	104,266	10,428
	164,581	56,907

20. Interests in Associates *(continued)*

Set out below are the particulars of the principal associates at 31 December 2008 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

Name of entity	Place of incorporation and operations	Proportion of nominal value of issued ordinary share/ registered capital indirectly held %	Principal activities
Chest Gain Development Limited ("Chest Gain") (Note)	Hong Kong	30	Property development
Guangzhou Xin Yue Real Estate Development Co., Ltd.	PRC	40	Property development and trading

Note: In 2007 the Group entered into a shareholders' agreement for dividing the units of properties for sales held by Chest Gain among the shareholders for the purpose of facilitating the respective shareholders to utilise the allocated units at their discretion, in order to recover their loans made to Chest Gain. Pursuant to the shareholders' agreement, all future sale proceeds or rental income generated from the allocated property units would be applied to repay the respective shareholder's loan only. The balance of the shareholder's loan attributable to the Group represents the recoverable amount of the amount due from the associate as disclosed in note 30.

The summarised financial information in respect of the Group's associates is set out below:

	2008 HK\$'000	2007 HK\$'000
Total assets	3,758,100	4,093,064
Total liabilities	(7,530,349)	(8,264,530)
Net liabilities	(3,772,249)	(4,171,466)
Group's share of net assets of the associates	164,581	56,907
Revenue	1,070,373	552,648
Profit (loss) for the year	118,197	(299,596)
Group's share of loss of the associates for the year	(10,982)	(27,911)



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

20. Interests in Associates *(continued)*

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Unrecognised share of (profit) loss of associates for the year	(35,393)	69,164
Accumulated unrecognised share of losses of associates	1,256,986	1,292,379

As the accumulated unrecognised share of losses of those associates still exceeds the Group's interests in those associates, no share of profits had been recognised in the Group's consolidated income statement for current year.

The unrecognised share of loss of associates for the year and the accumulated unrecognised share of losses of associates include an associate's interest expenses amounting to HK\$60 million (2007: HK\$97 million) and HK\$957 million (2007: HK\$897 million), respectively, arising from the amount due to the Group. The Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account an accumulated balance of impairment losses of HK\$421 million (2007: HK\$421 million) in determining the carrying amount of the amount due from the associate. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount of the asset.

21. Interests in Jointly Controlled Entities

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Cost of investments, unlisted	1,390,213	1,478,252
Share of post-acquisition profits less losses, and reserves net of dividends received	557,442	1,110,154
	1,947,655	2,588,406

Set out below are the particulars of the principal jointly controlled entities at 31 December 2008, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC, unless otherwise indicated.

21. Interests in Jointly Controlled Entities *(continued)*

Name of entity	Proportion of nominal value of ordinary share/registered capital held by the Group %	Operation period	Principal activities
南京長江第二大橋有限責任公司	65	10 February 1999 to 25 March 2031	Operation and management of a toll bridge
深圳中海信和地產開發有限公司	50	28 April 2004 to 27 April 2014	Property development
Big Profit Enterprises Limited**	50 [#]	N/A	Investment holding
上海中海海軒房地產有限公司	50 [#]	25 December 2006 to 24 December 2056	Property development
Elite Mind International Limited*	60	N/A	Investment holding
重慶嘉江房地產開發有限公司	60	16 July 2007 to 16 July 2009***	Property development
Speedy Champ Investments Limited*	45	N/A	Investment holding
重慶豐盈房地產開發有限公司	45	11 September 2007 to 10 September 2009***	Property development
寧波中海和協置業發展有限公司	50	21 March 2007 to 20 March 2027	Property development
杭州中海雅戈爾房地產有限公司	50	8 November 2007 to 7 November 2027	Property development
Kingtron Enterprises Limited*	50	N/A	Investment holding
海墅房地產開發(杭州)有限公司	50	25 September 2007 to 24 September 2027	Property development
Fast Right Investments Limited*	50	N/A	Investment holding
杭州世茂世盈房地產開發有限公司	50	24 January 2008 to 25 March 2009***	Property development

[#] Details are set out in note 42(c)

* Incorporated in Hong Kong

** Incorporated in the British Virgin Islands

*** The business licence of these companies can be renewed at the nominal amount periodically without breaching the relevant clauses of the business licence



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

21. Interests in Jointly Controlled Entities *(continued)*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current assets	8,592,544	4,737,381
Non-current assets	2,921,583	3,113,089
Current liabilities	4,111,263	765,084
Non-current liabilities	5,492,868	4,517,909
Income	529,203	1,222,494
Expenses	572,781	857,147

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of these jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unrecognised share of loss of jointly controlled entities for the year	16,730	20,929
Accumulated unrecognised share of losses of jointly controlled entities	37,659	20,929

22. Investments in Syndicated Property Project Companies

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unlisted Available-for-sale equity investments, at fair value	18,654	15,274

The investments represent the Group's interests in the following syndicated property project companies which are carried at fair value at balance sheet date as estimated by the directors by reference to the fair value of the properties held by these companies.

22. Investments in Syndicated Property Project Companies *(continued)*

The syndicated property project companies are incorporated and operating in Hong Kong unless otherwise indicated.

Name of entity	Attributable equity interests held by the Group %	Principal activities
Direct Profit Development Limited	8	Property development
Dramstar Company Limited	12	Property development
Moricrown Ltd.*	7	Property development
Victory World Limited	10	Property development

* Incorporated in the British Virgin Islands

23. Amounts Due from Associates/Jointly Controlled Entities/ Syndicated Property Project Companies THE GROUP

	2008			2007		
	Interest free HK\$'000	Interest bearing HK\$'000	Total HK\$'000	Interest free HK\$'000	Interest bearing HK\$'000	Total HK\$'000
Amounts due from						
— associates	87,263	2,845	90,108	261,994	9,703	271,697
— jointly controlled entities	3,091,321	979,849	4,071,170	1,950,674	662,123	2,612,797
— syndicated property project companies	1,056	—	1,056	1,873	—	1,873

The interest bearing amounts due from associates and jointly controlled entities carry interest rates ranging from 6% to 10.81% per annum (2007: 7.75% to 10.83% per annum) are not due within one year after the balance sheet date. Except for those amounts due from associates and jointly controlled entities which bear interest at prevailing market rate, all the amounts due are carried at amortised cost at effective interest rate of the prevailing prime rate plus 1% and not expected to be repaid within one year after the balance sheet date.

All the amounts due from associates, jointly controlled entities and syndicated property project companies are unsecured.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

24. Amounts Due from Subsidiaries

THE COMPANY

	2008			2007		
	Interest free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>	Interest free <i>HK\$'000</i>	Interest bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>
The amounts comprise:						
Unsecured and not expected to be repaid within one year after the balance sheet date, included in non-current assets	2,731,106	4,549,509	7,280,615	1,864,791	4,775,727	6,640,518
Unsecured and repayable on demand included in current assets	24,420,426	45,786	24,466,212	17,379,302	—	17,379,302

The interest bearing amounts due from subsidiaries carry interest rates ranging from 3.5% to 6.5% per annum (2007: 3.5% to 6.5% per annum). Except for those amounts due from subsidiaries which bear interest at prevailing market rate, all the amounts due are carried at amortised cost at effective interest rate of the prevailing prime rate.

Included in the balance are amounts due from subsidiaries of HK\$7,280,615,000 (2007: HK\$6,640,518,000) expected not to be realised within twelve months from the balance sheet date and are classified as non-current assets.

25. Other Financial Assets and Liabilities

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Other Financial Assets				
Instalments receivable (Note a)	763	4,404	—	—
Pledged bank deposits (Note b)	41,680	91,377	—	—
Included in non-current assets	42,443	95,781	—	—
Other Financial Liabilities				
Financial guarantee contracts due				
— within one year	—	—	11,986	6,532
— more than one year, but not exceeding two years	—	—	11,986	6,201
— more than two years, but not exceeding five years	—	—	13,812	15,706
	—	—	37,784	28,439
Less: Amounts due within one year included in current liabilities	—	—	(11,986)	(6,532)
	—	—	25,798	21,907

Notes:

- (a) The instalments receivable are unsecured, carry interest at prime rate plus a specified margin and are not wholly repayable within five years.
- (b) The pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The deposits, which carry variable interest rate, ranging from 0.5% to 3.91% (2007: 0.25% to 5.80%) per annum will be released upon the settlement of the relevant bank loans.

26. Inventories

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Raw materials and consumables, at cost	2,999	7,636



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

27. Stock of Properties

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Completed properties	7,717,512	4,070,480	1,775	1,798
Properties under development (Note)	46,261,292	34,799,326	—	—
	53,978,804	38,869,806	1,775	1,798

Note: Included in the amount are properties under development for sale of HK\$29,032,504,000 (2007: HK\$23,191,862,000) expected not to be realised within twelve months from the balance sheet date.

28. Investments Held-For-Trading

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Equity securities listed in Hong Kong	9,506	73,340

The amount is stated at fair value based on quoted market prices.

29. Trade and Other Receivables

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 120 days as specified in the sales and purchase agreements.

Except for the proceeds receivable from sales of properties, rental income from lease of properties and income from investments in infrastructure projects which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

29. Trade and Other Receivables *(continued)*

The following is an analysis of trade and other receivables at the balance sheet date:

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade receivable, aged				
0-30 days	465,073	687,582	—	—
31-90 days	208,288	123,268	—	—
Over 90 days	239,959	308,320	—	—
	913,320	1,119,170	—	—
Other receivables	131,335	335,341	29,446	21,396
	1,044,655	1,454,511	29,446	21,396

Before accepting any customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

The Group has insignificant trade receivable balances which are past due at the reporting date.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no credit provision required as at balance sheet date.

30. Amounts Due from Immediate Holding Company/An Associate/Jointly Controlled Entities/Minority Shareholders

The amount due from immediate holding company is unsecured, interest free and repayable not later than 31 October 2009.

The amounts due from jointly controlled entities and minority shareholders are unsecured, interest free and repayable on demand.

The amount due from associate is secured by the associate's completed properties allocated to the Group, interest free and realisable upon sales of those completed properties. Such amount due is classified as current asset as the management expected that those completed properties will be realised within one year from the balance sheet date.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

31. Bank Balances and Cash

Included in bank balances and cash in the consolidated balance sheet are restricted bank deposits of HK\$502,892,000 (2007: HK\$591,505,000) which can be solely applied in the designated property development projects.

The Company has no restricted bank deposits at both year end.

All bank deposits carry interest at market rates which range from 0.01% to 4.83% (2007: 0.25% to 5.80%) per annum.

As at balance sheet date, the Group and the Company have the following bank balances and cash denominated in foreign currencies:

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Bank balances and cash denominated in:				
HKD	2,668,566	678,408	1,485,626	—
USD	1,360,168	835,657	499,798	162,495
MOP	10,581	8,574	—	—

32. Trade and Other Payables

The following is an analysis of trade and other payables at the balance sheet date:

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade payables, aged				
0-30 days	4,076,519	2,792,731	—	—
31-90 days	401,001	83,110	—	—
Over 90 days	1,415,166	1,940,770	—	—
	5,892,686	4,816,611	—	—
Other payables	960,452	1,770,851	111,243	61,031
Retentions payable	971,334	614,425	—	—
	7,824,472	7,201,887	111,243	61,031

Of the retentions payable, an amount of HK\$505 million (2007: HK\$254 million) is due beyond twelve months.

33. Amounts Due to a Fellow Subsidiary/Associates/Jointly Controlled Entities

The Group

At 31 December 2007, the balance of amount due to a fellow subsidiary, amounted to HK\$135,864,000, was unsecured, repayable more than one year from the balance sheet date and carried interest rate at 4.5% per annum. The amount has been fully settled during the year.

Except for this amount, other amounts due to a fellow subsidiary, associates and jointly controlled entities are unsecured, interest free and repayable on demand.

34. Amounts Due to Subsidiaries

	THE COMPANY	
	2008 HK\$'000	2007 HK\$'000
The amounts comprise:		
Interest bearing at 5.75% (2007: 5.75%) per annum, unsecured and due one year after the balance sheet date included in non-current liabilities	2,377,168	2,377,538
Non-interest bearing, unsecured and repayable on demand included in current liabilities	1,763,590	1,468,387

35. Share Capital

	THE COMPANY			
	2008		2007	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each Authorised	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	7,743,706	774,371	7,006,056	700,606
Issue of shares upon exercise of share options	12,362	1,236	37,950	3,795
Issue of shares upon exercise of warrants	94,631	9,463	699,700	69,970
At end of the year	7,850,699	785,070	7,743,706	774,371

All the new shares issued during the year rank pari passu in all respects with the existing shares.



For the year ended 31 December 2008

35. Share Capital *(continued)*

Issue of shares

During the year, the Company issued a total of 106,993,000 shares, in which 12,362,000 shares were issued at prices ranging from HK\$0.58 to HK\$1.13 per share to employees upon the exercise of the share options granted, giving a total cash consideration of HK\$13,935,000 and 94,631,000 shares were issued at HK\$12.50 per share to shareholders upon exercise of warrants, giving a total cash consideration of HK\$1,182,897,000.

During the year ended 31 December 2007, the Company issued a total of 737,650,000 shares, in which 37,950,000 shares were issued at prices ranging from HK\$0.52 to HK\$4.06 per share to employees upon the exercise of the share options granted, giving a total cash consideration of HK\$96,981,000 and 699,700,000 shares were issued at HK\$4.50 or HK\$12.50 per share to shareholders upon exercise of warrants, giving a total cash consideration of HK\$6,056,670,000.

Share option scheme

The Company's share option scheme ("the Scheme") was adopted pursuant to an ordinary resolution passed on 18 July 2002. The Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees to contribute further to the Company. The Board is authorised to grant options under the Scheme to any full-time employee, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares that can be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each participant must not, within any 12-month period, exceed 1% of the shares of the Company in issue. Any further grant of the options in excess of this 1% limit is subject to shareholders' approval. Each grant of options to any director or a substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates in the 12-month period, would result in the shares issued and to be issued upon exercise of all options representing over 0.1% of the Company's share capital in issue or having an aggregate value in excess of HK\$5 million, such further grant of options must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK\$1 per each grant of option payable as consideration on acceptance, which is recognised in the income statement when received. An option may be exercised at any time during a period of 9 years commencing on the expiry of one year after the offer date. The subscription price per share is determined by the Board and shall be at least the higher of (i) the closing price of the Company's shares on the date of offer; (ii) the average closing price of the shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares.

The fair value of share options granted is charged to the income statement on a straight-line basis over the vesting period in accordance with HKFRS 2 *Share-based Payment*.

35. Share Capital *(continued)*

Share option scheme *(continued)*

The following table discloses details of the Company's share options held by employees and movements in such holdings:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares under options granted				Closing price of shares at date of exercise HK\$	
			Outstanding at 1 January 2008	Movements during the year Exercised	Cancelled	At 31 December 2008 Outstanding	Exercisable	
17 July 1997	17 July 1998 – 16 July 2007	4.06	—	—	—	—	—	N/A
14 February 1998	14 February 1999 – 13 February 2008	1.08	1,370,000	(450,000)	(920,000)	—	—	13.60 to 14.70
30 September 1998	30 September 1999 – 29 September 2008	0.52	—	—	—	—	—	N/A
4 January 2000	4 January 2001 – 3 January 2010	0.58	20,000	(20,000)	—	—	—	13.34
18 June 2004	18 June 2005 – 17 June 2014	1.13	22,380,000	(11,892,000)	—	10,488,000	1,388,000	6.70 to 15.56
			23,770,000	(12,362,000)	(920,000)	10,488,000	1,388,000	
Weighted average exercise price			HK\$1.13	HK\$1.13	HK\$1.08	HK\$1.13	HK\$1.13	



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

35. Share Capital *(continued)* Share option scheme *(continued)*

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares under options granted				Closing price of shares at date of exercise HK\$	
			Outstanding at 1 January 2007	Movements during the year Exercised	Cancelled	At 31 December 2007 Outstanding		Exercisable
17 July 1997	17 July 1998 – 16 July 2007	4.06	18,840,000	(18,840,000)	—	—	—	7.95 to 12.74
14 February 1998	14 February 1999 – 13 February 2008	1.08	3,050,000	(1,680,000)	—	1,370,000	1,370,000	7.98 to 15.72
30 September 1998	30 September 1999 – 29 September 2008	0.52	330,000	(330,000)	—	—	—	8.91 to 9.85
4 January 2000	4 January 2001 – 3 January 2010	0.58	1,480,000	(1,460,000)	—	20,000	20,000	7.98 to 12.34
18 June 2004	18 June 2005 – 17 June 2014	1.13	38,020,000	(15,640,000)	—	22,380,000	1,876,000	7.30 to 16.98
			61,720,000	(37,950,000)	—	23,770,000	3,266,000	
Weighted average exercise price			HK\$2.01	HK\$2.56	—	HK\$1.13	HK\$1.11	

Details of the share options held by the directors included in the above table are as follows:

	Number of shares under options granted			Outstanding at 31 December
	Outstanding at 1 January	Movements during the year Exercised	Reclassified (Note)	
2008	5,864,000	(2,260,000)	—	3,604,000
2007	17,022,000	(6,714,000)	(4,444,000)	5,864,000

Note: No reclassification of share options has been made during 2008, while in 2007, the 4,444,000 share options reclassified represented the net balance of 5,608,000 share options held by the directors who had resigned/ceased to act during the year and 1,164,000 share options held by certain directors who were appointed during the year.

The Group recognised the total expense of HK\$725,000 for the year ended 31 December 2008 (2007: HK\$1,404,000) in relation to share options granted by the Company.

Save as disclosed above, no options were granted, exercised, cancelled, forfeited or lapsed during the year.

35. Share Capital *(continued)*

Share option scheme *(continued)*

During the year ended 31 December 2004, 65,140,000 options were granted on 18 June 2004 by the Company at the exercise price of HK\$1.13 per share. The vesting and exercisable periods regarding these options are as follows:

Number of options granted	Vesting period	Exercisable period
13,028,000	18 June 2004 to 17 June 2005	18 June 2005 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2006	18 June 2006 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2007	18 June 2007 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2008	18 June 2008 to 17 June 2014
13,028,000	18 June 2004 to 17 June 2009	18 June 2009 to 17 June 2014

Warrants

2007 Warrants

On 18 July 2007, the Company proposed a bonus issue of warrants ("2007 Warrants") to be made in the proportion of 1 warrant for every 12 ordinary shares held by shareholders of the Company whose names appeared on the register of members of the Company on 22 August 2007.

Pursuant to an ordinary resolution passed on 7 August 2007, 615,016,923 units of 2007 Warrants exercisable from 28 August 2007 to 27 August 2008 (both days inclusive) were issued to the shareholders of the Company on 24 August 2007. 2007 Warrants will entitle the registered holder to subscribe in cash for 615,016,923 new shares of HK\$0.10 each of the Company at an initial subscription price of HK\$12.50 per share.

2006 Warrants

On 25 May 2006, the Company proposed a bonus issue of warrants ("2006 Warrants") to be made in the proportion of 1 warrant for every 8 ordinary shares held by shareholders of the Company whose names appeared on the register of members of the Company on 12 July 2006.

Pursuant to an ordinary resolution passed on 12 July 2006, 811,198,451 units of 2006 Warrants exercisable from 18 July 2006 to 17 July 2007 (both days inclusive) were issued to the shareholders of the Company on 14 July 2006. 2006 Warrants will entitle the registered holder to subscribe in cash for 811,198,451 new shares of HK\$0.10 each of the Company at an initial subscription price of HK\$4.50 per share.

During the year ended 31 December 2008, 94,631,819 shares (2007: 699,700,111 shares) of HK\$0.10 each of the Company were issued upon exercise of 94,631,819 units of 2007 Warrants (2007: 363,502,312 units of 2007 Warrants and 336,197,799 units of 2006 Warrants), the subscription money of HK\$1,182,897,000 for 2007 Warrants (2007: HK\$6,056,670,000 for 2007 Warrants and 2006 Warrants in total) has been received in full upon exercise.

As at 31 December 2008, no unit (2007: 251,514,611 units) of 2007 Warrants was outstanding as they were expired during the year.

During the year, 94,631,819 units of 2007 Warrants were exercised and 156,882,792 units were lapsed.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

36. Share Premium and Reserves

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY						
At 1 January 2007	9,066,154	18,798	4,984	—	763,813	9,853,749
Profit for the year and total recognised income for the year	—	—	—	—	781,270	781,270
2006 final dividend paid	—	—	—	—	(436,490)	(436,490)
Issue of shares	6,082,894	—	(3,008)	—	—	6,079,886
Share issue expenses	(531)	—	—	—	—	(531)
Recognition of share- based payments	—	—	1,404	—	—	1,404
2007 interim dividend paid	—	—	—	—	(386,970)	(386,970)
At 31 December 2007	15,148,517	18,798	3,380	—	721,623	15,892,318
Exchange difference arising on translation of the Company's financial statements from functional currency to presentation currency recognised directly in equity	—	—	—	(42,841)	—	(42,841)
Profit for the year	—	—	—	—	1,732,555	1,732,555
Total recognised income and expenses for the year	—	—	—	(42,841)	1,732,555	1,689,714
2007 final dividend paid	—	—	—	—	(543,799)	(543,799)
Issue of shares	1,188,420	—	(2,287)	—	—	1,186,133
Share issue expenses	(141)	—	—	—	—	(141)
Recognition of share- based payments	—	—	725	—	—	725
2008 interim dividend paid	—	—	—	—	(470,995)	(470,995)
At 31 December 2008	16,336,796	18,798	1,818	(42,841)	1,439,384	17,753,955

The Company's reserves available for distribution to shareholders at 31 December 2008 represented the retained profits of HK\$1,439 million (2007: HK\$722 million).

37. Bank Loans

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Secured	—	313,969	—	—
Unsecured	22,266,031	13,860,048	11,038,000	6,101,611
	22,266,031	14,174,017	11,038,000	6,101,611
The bank loans are repayable as follows:				
Within one year	3,946,026	2,884,996	—	1,611
More than one year, but not exceeding two years	5,517,565	3,086,287	390,000	—
More than two years, but not exceeding five years	12,802,440	8,202,734	10,648,000	6,100,000
	22,266,031	14,174,017	11,038,000	6,101,611
Less: Amounts due within one year included in current liabilities	(3,946,026)	(2,884,996)	—	(1,611)
	18,320,005	11,289,021	11,038,000	6,100,000

Bank loans with carrying amount of HK\$11,228,031,000 (2007: HK\$8,072,406,000) bear interest at a fixed rate of 5.18% to 7.56% (2007: 5.02% to 7.47%) per annum and are denominated in Renminbi. The effective interest rate on the remaining bank loans amounting to HK\$11,038,000,000 (2007: HK\$6,101,611,000), which is denominated in Hong Kong dollars, is based on HIBOR plus a specified margin.

Including in the outstanding bank loans at 31 December 2008 are the following principal bank loans:

- (a) a loan of HK\$2,600 million granted on 29 September 2006, repayment of which will commence on 29 September 2010 until 29 September 2011. The loan is unsecured and carries interest at HIBOR plus 0.38%.
- (b) a loan of HK\$3,500 million granted on 23 August 2007, repayment of which will commence on 23 August 2011 until 23 August 2012. The loan is unsecured and carries interest at HIBOR plus 0.32%.
- (c) a loan of HK\$3,438 million granted on 28 May 2008, repayment of which will commence on 28 May 2012 until 28 May 2013. The loan is unsecured and carries interest at HIBOR plus 0.90%.

These principal bank loans shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the loan agreements which include, inter alia, the compliance of certain undertakings given by the Company.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

37. Bank Loans *(continued)*

As at the balance sheet date, the Group had the following bank loans denominated in foreign currencies:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
HKD	11,038,000	—

At 31 December 2008, the Group had available HK\$4,452 million (2007: HK\$5,438 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

38. Guaranteed Notes Payable

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Guaranteed notes payable, listed in Hong Kong	2,329,431	2,326,435

During the year ended 31 December 2005, a subsidiary of the Company issued guaranteed notes with an aggregate principal amount of US\$300,000,000 ("the Notes") at the issue price of 99.404%. The Notes, which bear interest at the rate of 5.75% per annum payable semi-annually, are unconditionally and irrevocably guaranteed by the Company. The Notes shall become immediately due and payable in the event of the failure to perform or observe certain conditions set out in the Trust Deed which includes, inter alia, the negative pledge given by the Company and the said subsidiary. The Notes will mature on 13 July 2012 at the principal amount.

The fair value of the notes payable at 31 December 2008 was estimated at HK\$2,113 million (2007: HK\$2,394 million), which was determined based on the closing market price of the notes at that date.

39. Amounts Due to Minority Shareholders

The minority shareholders of certain subsidiaries have provided advances to those subsidiaries which are unsecured and interest free. Such advances have no fixed repayment terms but repayment will not be demanded within one year from the balance sheet date. The amounts are carried at amortised cost at average effective interest rate of 6% (2007: 7.75%) per annum.

40. Deferred Taxation

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Undistributed earnings of PRC subsidiaries <i>HK\$'000</i>	Provision for LAT <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1 January 2007	(6,673)	298,443	—	—	119,417	411,187
Exchange realignment	(2,113)	—	—	—	5,761	3,648
Charge to consolidated income statement	160	89,056	—	—	42,220	131,436
Disposal of subsidiaries (note 42(d))	33,555	—	—	—	(81,922)	(48,367)
Effect of change in tax rate	8,053	—	—	—	(32,168)	(24,115)
At 31 December 2007	32,982	387,499	—	—	53,308	473,789
Charge (credit) to consolidated income statement	1,463	594,099	217,688	(485,090)	(3,437)	324,723
Disposal of subsidiaries (note 42(b))	(1,580)	(1,921)	—	—	—	(3,501)
Effect of change in tax rate	(441)	(13,753)	—	—	(10,031)	(24,225)
At 31 December 2008	32,424	965,924	217,688	(485,090)	39,840	770,786

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Deferred tax assets	485,090	—
Deferred tax liabilities	(1,255,876)	(473,789)
	(770,786)	(473,789)

At the balance sheet date, the Group had unused tax losses of HK\$6,956 million (2007: HK\$6,277 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of HK\$400 million (2007: HK\$272 million) that will expire within five years. Other losses may be carried forward indefinitely.



For the year ended 31 December 2008

41. Acquisition of Subsidiaries

- (a) On 22 December 2006, the Group had entered into a sale and purchase agreement with CSCEC, to acquire the entire interest of China Overseas Property Management Co., Ltd. ("COPM") for a cash consideration of RMB128,000,000 (equivalent to HK\$129,706,000). COPM is principally engaged in property management. This acquisition was completed on 3 March 2007 and had been accounted for using the purchase method. The directors of the Company determined that the fair value of the assets and liabilities approximate to their carrying amounts before combination, accordingly no fair value adjustments have been put through. The amount of goodwill arising as a result of the acquisition was HK\$44,496,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	37,682
Prepaid lease payments for land	35,020
Inventories	4,759
Trade and other receivables	71,269
Bank balances and cash	71,576
Trade and other payables	(123,303)
Tax liabilities	(4,222)
Bank loans	(7,571)
	85,210
Goodwill on acquisition	44,496
Total consideration satisfied by cash	129,706
Net cash outflow arising on acquisition:	
Cash consideration paid	(129,706)
Bank balances and cash acquired	71,576
	(58,130)

COPM had contributed HK\$30 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total group revenue for the period would have been HK\$16,939 million, and profit for the period would have been HK\$4,252 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

41. Acquisition of Subsidiaries *(continued)*

- (b) In 2007, the Group had acquired and assumed the following assets and liabilities, respectively, through acquisition of subsidiaries:

	Treasure Trinity Limited ("TTL") <i>HK\$'000</i> (Note 1)	中怡華海 房地產開發 (珠海)有限公司 ("中怡華海") <i>HK\$'000</i> (Note 2)	上海錦港 房地產開發 有限公司 ("上海錦港") <i>HK\$'000</i> (Note 2)	Total <i>HK\$'000</i>
Net assets acquired:				
Investment properties	357,408	—	—	357,408
Properties under development	—	454,427	196,955	651,382
Other receivables	—	—	1,275	1,275
Bank balances and cash	6,925	—	—	6,925
Trade and other payables	(4,755)	(237,158)	(177,611)	(419,524)
Total consideration, satisfied by cash	359,578	217,269	20,619	597,466
Net cash outflow arising on acquisition:				
Cash paid				(597,466)
Bank balances and cash acquired				6,925
				(590,541)

Notes:

- (1) On 29 March 2007, the Group had acquired several investment properties in Hong Kong and their related asset and liability by way of acquisition of the entire issued share capital of TTL from COHL.
- (2) On 12 April 2007 and 8 August 2007, the Group had acquired several properties under development in the PRC and their related assets and liabilities by way of acquisition of the entire issued share capital of 中怡華海 and 上海錦港 from independent third parties respectively.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

42. Disposal of Subsidiaries

- (a) On 6 October 2008, the Group had entered into a sale and purchase agreement with China State Construction International Holdings Limited ("CSC"), a fellow subsidiary of the Group, to dispose of the Group's entire equity interest in Value Idea Investments Limited ("Value Idea") for a cash consideration of HK\$200 million. The disposal was completed on 28 November 2008. Value Idea, through its infrastructure joint venture, is principally engaged in the operation of Nanchang Bridge located at Nanchang City in Jiangxi province of the PRC.

	2008 HK\$'000
Net assets disposed of	
Interest in a jointly controlled entity	196,420
Translation reserve realised	(31,343)
Gain on disposal	34,925
Total consideration	200,002
Satisfied by:	
Cash consideration	200,002
Cash inflow arising on disposal:	
Cash consideration	200,002

During the year, the disposed subsidiaries contributed to the Group's investing cash inflow of HK\$36 million. The profit of the disposed subsidiaries included in the Group's financial statements amounted to HK\$12 million.

42. Disposal of Subsidiaries *(continued)*

- (b) On 21 October 2008, the Group had entered into a sale and purchase agreement with COHL to dispose of the Group's entire equity interest in China Overseas Ports Investment Company Limited ("COP") to COHL for a cash consideration of HK\$1,328 million. The disposal was completed on 31 October 2008. The COP group is principally engaged in port operations in the PRC and the provision of logistics services in Shenzhen of the PRC.

	2008 HK\$'000
Net assets disposed of	
Investment properties	99,420
Property, plant and equipment	1,286,164
Prepaid lease payments for land	30,604
Inventories	3,461
Trade and other receivables	153,662
Deposits and prepayments	84,102
Bank balances and cash	243,930
Trade and other payables	(209,380)
Tax liabilities	(4,643)
Bank loans	(369,652)
Deferred tax liabilities	(3,501)
	1,314,167
Translation reserve realised	(83,018)
Gain on disposal	96,851
Total consideration	1,328,000
Satisfied by:	
Cash	500,000
Deferred consideration	828,000
	1,328,000
Net cash inflow arising on disposal:	
Cash consideration received	500,000
Bank balances and cash disposed of	(243,930)
	256,070

During the year, the disposed subsidiaries contributed to the Group's operating cash inflow of HK\$366 million, investing cash outflow of HK\$300 million and financing cash outflow of HK\$34 million. The profit of the disposed subsidiaries included in the Group's financial statements amounted to HK\$45 million.

The deferred consideration will be settled in cash by COHL on or before 31 October 2009.



For the year ended 31 December 2008

42. Disposal of Subsidiaries *(continued)*

- (c) On 3 May 2007, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("S&P agreement") with an independent third party (the "Purchaser") in respect of the sale by COZG to the Purchaser of 50% equity interest in and shareholders' loans to Big Profit Enterprises Limited ("Big Profit"), a wholly-owned subsidiary of COZG, for a consideration of US\$67 million (equivalent to HK\$523 million). Big Profit is an investment holding company which holds entire interest in 上海中海海軒房地產有限公司 ("中海海軒"), a wholly foreign-owned enterprise established in the PRC owning the land use rights in respect of a piece of land located in Luwan District, Shanghai, PRC. Pursuant to the shareholders' agreement which was signed among COZG, the Purchaser and Big Profit on the same date of the S&P agreement, COZG and the Purchaser have joint control over Big Profit and the Purchaser is given a right to return of all of its capital contribution and other indebtedness owed to it without interest in 3 months after the expiry of certain relocation thresholds, provided that if such relocation thresholds could not be met within the respective deadlines in 2008 specified by the shareholders' agreement. The relocation thresholds represent relocation of existing residential units and factories in the lands owned by 中海海軒 within pre-determined timeframes specified in the shareholders' agreement.

In last year, as the directors were uncertain if these relocation thresholds could be met or not based on existing relocation progress, they considered that the disposal of 50% equity interest in Big Profit (the "Disposal") and the corresponding gain on disposal should not be recognised on the basis of this put option written to the Purchaser. The Disposal would be recognised only upon the expiry of the specific relocation thresholds or when management consider that it is highly probable that they could meet the relocation thresholds before the expiry of the terms. Big Profit and 中海海軒 were therefore derecognised as the wholly-own subsidiaries and accounted for as 100% owned jointly controlled entities using equity method as at 31 December 2007. The consideration received of HK\$523 million was recorded in other payable. Accordingly, the Group derecognised 中海海軒's properties under development of HK\$653 million and recognised as advances to jointly controlled entities at the same amount, which was regarded as a major non-cash transaction during the year ended 31 December 2007.

On 1 December 2008, COZG had obtained waiver from the Purchaser on the put option and accordingly, the Disposal has been completed. The relevant gain on disposal amounting to HK\$145 million has been recognised in the consolidated income statement for the year ended 31 December 2008, which is determined as follows:

	2008 HK\$'000
Net assets disposed of:	
Interest in a jointly controlled entity	—
Amount due from a jointly controlled entity	378,026
	378,026
Gain on disposal	144,574
Sales consideration, satisfied by cash and recognised in the year 2007	522,600

42. Disposal of Subsidiaries *(continued)*

- (d) In 2007, the Group had disposed of its entire issued share capital of and shareholders' loan to China Overseas Public Utility Investment Limited ("COPUI") to China State Construction International Holdings Limited ("CSCIHL"), a fellow subsidiary of the Company, at a cash consideration of HK\$400,000,000. COPUI was principally engaged in production and supply of heat, electricity and steam and provision of installing services heat distribution network in Shenyang, PRC.

	2007 HK\$'000
Net assets disposed of	
Property, plant and equipment	695,748
Prepaid lease payments for land	37,096
Inventories	22,521
Trade and other receivables	27,946
Deposits and prepayments	50,453
Bank balances and cash	180,201
Tax liabilities	(9,807)
Deferred tax liabilities	(48,367)
Trade and other payables	(154,803)
Other deposits	(131,381)
	669,607
Translation reserve realised	(68,158)
	601,449
Loss on disposal	(201,449)
Sales consideration, satisfied by cash	400,000
Cash consideration received	400,000
Bank balances and cash disposed of	(180,201)
	219,799

COPUI disposed of in prior year had contributed to the Group's cash flows of HK\$107 million and turnover of HK\$336 million. The profit of this subsidiary included in the Group's financial statements amounted to HK\$91 million.

- (e) On 7 November 2007, the Company, CSCIHL and Proud Sea International Limited ("Proud Sea"), a wholly-owned subsidiary of the Company had entered into a shareholders' agreement of which the Company disposed of its 10% issued share capital of and corresponding 10% shareholder's loan to Proud Sea to CSCIHL at aggregate cash consideration of US\$1 (equivalent to HK\$8). Proud Sea is an investment holding company which owns certain operating companies established in PRC property development projects in Zhuhai and Chongqing, PRC. The transaction was completed in December 2007 and accordingly, Proud Sea became a 90%-owned subsidiary of the Company. The disposal of the partial interest in Proud Sea had no significant impact to the Group's income statement for the year ended 31 December 2007.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

43. Goodwill

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
COST		
At 1 January	109,021	64,525
Arising on acquisition of a subsidiary (note 41(a))	—	44,496
At 31 December	109,021	109,021
CARRYING AMOUNT		
At 31 December	109,021	109,021

As at 31 December 2008 and 2007, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in COPM Subgroup of HK\$44,496,000 and Hua Yi Subgroup of HK\$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM Subgroup is principally engaged in property management and investment holding while Hua Yi Subgroup is principally engaged in the provision of building design consultancy services and investment holding. As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations segment only.

As at 31 December 2008, management determines that there is no impairment of goodwill based on the estimated recoverable amount of each of these two cash generating units to which the goodwill relates. The recoverable amount of the units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. The 10-year cash flows beyond the 5-year period are projected using a zero growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

44. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in cash flow statement can be reconciled to the related items in the consolidated balance sheet as follows:

	THE GROUP	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank balances and cash	9,006,148	8,478,160
Less: restricted bank deposits (note 31)	(502,892)	(591,505)
	8,503,256	7,886,655

45. Operating Lease Commitments

The Group as lessor

At the balance sheet date, investment properties and other properties included in leasehold land and buildings with carrying amounts of HK\$6,628 million (2007: HK\$2,635 million) and HK\$87 million (2007: HK\$91 million), respectively, were let out under operating leases.

Property rental income earned during the year is HK\$202 million (2007: HK\$124 million), of which HK\$187 million (2007: HK\$71 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants in fixed rental for the next one to five years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Within one year	168,650	149,522
In the second to fifth year inclusive	193,530	231,042
After five years	65,169	47,292
	427,349	427,856

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Within one year	29,287	22,598
In the second to fifth year inclusive	11,456	30,131
	40,743	52,729

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to five years.



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

45. Operating Lease Commitments *(continued)*

The Company as lessee

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE COMPANY	
	2008 HK\$'000	2007 HK\$'000
Within one year	22,598	22,598
In the second to fifth year inclusive	7,533	30,131
	30,131	52,729

46. Project and Other Commitments

At the balance sheet date, the Group had the following commitments not provided for in the financial statements:

(a) Expenditure on Property Development Projects

(i) Commitments in respect of land use rights in the PRC under operating leases payable:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Within one year	3,226,529	5,776,256
In the second to fifth year inclusive	29,740	45,674
	3,256,269	5,821,930

(ii) Other development expenditure

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
— Authorised but not contracted	28,750,113	33,139,110
— Contracted but not provided for	10,393,790	7,810,041
	39,143,903	40,949,151
	42,400,172	46,771,081

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
(b) Acquisitions contracted but not provided for		
— Property, plant and equipment	—	86,278

The Company had no significant project and other commitments at the balance sheet date.

47. Contingent Liabilities

At the balance sheet date, there were contingent liabilities as follows:

- (a) Guarantees given by the Group and the Company in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Subsidiaries	—	—	2,499,796	994,148
Associates	—	7,000	—	7,000
	—	7,000	2,499,796	1,001,148

- (b) At 31 December 2008, the Group had outstanding counter indemnities amounted to HK\$54 million (2007: HK\$63 million) for surety bonds issued in respect of property management contracts undertaken by the Group.
- (c) The Group provided repurchase guarantees amounted to HK\$5,217 million (2007: HK\$5,363 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.
- (d) As disclosed in note 38, the Company also provided guarantee amounted to HK\$2,329,431,000 (2007: HK\$2,326,435,000) in respect of the guarantee note issued by a subsidiary of the Company.

Other than the guarantee provided by the Company as mentioned in items (a) and (d), the directors considered that the fair values of these financial guarantee contracts at their initial recognition and balance sheet date are insignificant on the basis of short maturity periods and low applicable default rates. The financial guarantee contracts of the Company have been recognised in the Company's financial statements.

48. Pledge of Assets

At the balance sheet date, the Group's bank deposits of HK\$42 million (2007: bank deposits and other assets of HK\$322.8 million) were pledged to secure the banking facilities granted to the Group.



For the year ended 31 December 2008

49. Related Party Transactions

Other than the acquisition and disposal of subsidiaries from/to related parties as disclosed in notes 41 and 42, the Group had the following transactions with related parties:

- (a) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185 million. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK\$23.3 million (2007: HK\$16 million) in respect of the year.
- (b) Certain subsidiaries of the Company had appointed SCOCE as the main contractor for the construction of the property development projects undertaken by them, at an aggregate contract price of RMB68 million. Construction fees paid or payable by the said subsidiaries to SCOCE under the contracts amounted to HK\$43.9 million (2007: HK\$2.3 million) in respect of the year.
- (c) In April 2005, Goodrich Company Limited ("Goodrich"), a subsidiary of the Company, awarded the piling installation works of the Group's property development project in Macau to China Construction Engineering (Macau) Company Limited ("CCE Macau"), a subsidiary of COHL which is itself a subsidiary of CSCEC, at the contract sum of HK\$56 million.

In August 2005, a construction management contract was entered into between Goodrich and CCE Macau, under which CCE Macau was appointed as the construction manager of Goodrich for the aforementioned property project in Macau at a management fee of HK\$20 million plus a bonus payment for a maximum amount of HK\$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

The contract sums and fees paid or payable by the Group under the aforementioned contracts amounted to a total of HK\$18.3 million (2007: HK\$57 million) in respect of the year.

- (d) In November 2005, Guangzhou China Overseas Property Company Limited ("GCOP"), a subsidiary of the Company, entered into an Acquisition Agreement with Shenzhen China Overseas Investment Management Co., Ltd., a subsidiary of CSCECs whereby GCOP agreed to acquire 11% of the existing registered capital of China Overseas Property Group Co., Ltd. ("COPG") for a consideration of RMB320 million (approximately HK\$308 million).

Upon completion of the Acquisition Agreement in January 2007, the Group has 90% equity interest in COPG.

49. Related Party Transactions *(continued)*

- (e) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited ("CSCIHL"), SCOCE and CCE Macau individually whereby the Group may continue to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau, respectively, upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK\$900 million, HK\$1,600 million and HK\$200 million, respectively.

During the year, the total contract sum granted by the Group to each of them amounted to HK\$139.7 million (2007: Nil), HK\$76.1 million (2007: Nil) and none (2007: Nil), respectively.

- (f) In May 2006, On Success Development Limited ("On Success"), a subsidiary of the Group entered into Master Tenancy Agreement with China Overseas (Hong Kong) Limited ("COHK"), as a subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties as offices of CSCIHL and its subsidiaries. The rent receivable by On Success will be HK\$6.6 million, HK\$8.6 million and HK\$9.0 million for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

During the year, the rent received or receivable by On Success amounted to HK\$9.3 million (2007: 9.3 million).

- (g) In May 2006, China Overseas Security Services Ltd ("COS"), a subsidiary of the Company and CSCIHL entered into Master Security Agreement pursuant to which COS will provide security service to the worksites of CSCIHL and/or its subsidiaries. The security services fee for each of the three financial years ended 31 December 2008 will not exceed HK\$30 million per year.

During the year, the total contract sum granted by the Group to COS amounted to HK\$11.4 million (2007: HK\$11.3 million) and the security service fee received or receivable by COS amounted to HK\$9.7 million (2007: HK\$6.9 million).

- (h) In June 2006, the Company entered into a CSCEC Group Engagement agreement with CSCEC whereby the Group may continue to engage CSCEC and its subsidiaries ("CSCEC Group") as construction contractor in the PRC upon successful tender for each of the three financial years ended 31 December 2008. If any contract is granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group shall not exceed HK\$1,600 million.

During the year, the total contract sum granted by the Group to CSCEC Group amounted to HK\$1,691 million (2007: HK\$1,373 million) and the construction cost paid or payable to CSCEC Group amounted to HK\$1,092 million (2007: HK\$1,146 million).

- (i) The Group had taken out insurance policies with China Overseas Insurance Limited ("COIL"), a subsidiary of CSCEC. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to HK\$0.9 million (2007: HK\$1.5 million).



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

49. Related Party Transactions *(continued)*

- (j) In the ordinary course of business, CSCEC acted as guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year (2007: Nil).
- (k) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Short-term benefits	63,224	64,595
Share-based payments	70	198
Mandatory Provident fund contribution	82	84
	63,376	64,877

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

- (l) In 2008, the Group received interest income of HK\$15.6 million (2007: HK\$17.5 million) and HK\$60.2 million (2007: nil) from its associates and jointly controlled entities, respectively.
- (m) In 2007, COHL granted several short-term loans totally amounted to HK\$3,970 million to the Company and certain subsidiaries of the Company. The loans were interest bearing at 4% per annum and fully repaid as at 31 December 2007. The interest expenses paid or payable to COHL amounted to HK\$45.8 million.
- (n) During the year, project management fee paid or payable to subsidiaries of SCOCE by certain subsidiaries of the Company amounted to HK\$23 million (2007: HK\$9.5 million).
- (o) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled entities"). The directors consider those State-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with their property development activities, the Group awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities. These contracts with an aggregate contract sum of HK\$6,752 million (2007: HK\$22,118 million) remained outstanding as at year end, of which approximately HK\$2,432 million (2007: HK\$16,678 million) was paid or payable in respect of the year.

49. Related Party Transactions *(continued)*

(o) Transactions with other state-controlled entities in the PRC *(continued)*

The Group has also entered into various transactions with government departments or agencies which include the acquisition of land mainly through tendering and the operation and management of toll to those government departments or agencies.

In addition, in the normal course of business, the Group has maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

The Group is active in sales and lease of properties, operation and management of toll bridges, the provision of real estate agency and management services, logistic and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled entities. However, the directors are of the opinion that the transactions with State-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated balance sheet and notes 23, 30 and 33. The details of the Company's amounts due from and to related parties are disclosed in the Company's balance sheet and notes 24 and 34.



For the year ended 31 December 2008

50. Post Balance Sheet Event

On 10 December 2008, the Company announced an open offer proposal to raise not less than HK\$2,512,100,000, before expenses, by issuing not less than 314,012,448 new shares and not more than 314,083,488 new shares by way of open offer at a price of HK\$8 each in the proportion of 1 offer share for every 25 shares held on 31 December 2008 (the "Offer Shares"). The net proceeds will be used to strengthen the Company's capital base and to enhance its financial position and net assets base. The details of the open offer are set out in a prospectus to shareholders dated 6 January 2009. The open offer is under written by China Overseas Finance Investment Limited, a wholly owned subsidiary of the Company's immediate holding company, COHL.

An aggregate sum of HK\$1,214,275,000 has been received by the Company from China Overseas Finance Investment Limited for the underwriting, which remains as deposits on the consolidated and the Company's balance sheet at 31 December 2008.

Valid applications had been received for assured allotments of 294,355,721 Offer Shares up to 21 January 2009, the latest time for acceptance of and payment for Offer Shares, representing approximately 93.74% of the total number of 314,027,968 Offer Shares offered under the open offer. There were 19,672,247 Offer Shares available for excess application and the Directors have resolved to allot all the 19,672,247 Offer Shares available for excess application on a pro-rata basis to such excess Offer Shares applied for by the qualifying shareholders at a flat rate of approximately 6.012%.

Share certificates for the Offer Shares were posted to successful applicants on 3 February 2009 and the Group has received approximately HK\$2,500 million from the issue of the Offer Shares.

Following the issue of the Offer Shares on 3 February 2009, the exercise price of the outstanding Options granted under the Company's Share Option Scheme has been adjusted from HK\$1.13 per Share to HK\$1.118 per Share, and the number of Shares to be issued upon full exercise of the outstanding Options has been adjusted from 10,488,000 Shares to 10,607,657 Shares.

51. Particulars of Principal Subsidiaries

The following are the particulars of the subsidiaries at 31 December 2008 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
Advocate Properties Limited	100,000 shares of HK\$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK\$1 each	—	100	Property investment
Arch Regent Investments Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
北京中海豪庭房地產開發有限公司 ^(iv)	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司 ^(iv)	RMB50,000,000	—	100	Property development
北京中海地產有限公司 ^(iv)	RMB50,000,000	—	100	Property development
北京中海天成房地產開發有限公司 ^(iv)	US\$12,000,000	—	100	Property development
北京嘉益德房地產開發有限公司 ^(v)	RMB10,000,000	—	100	Property development
北京中海廣場置業有限公司 (formerly known as 北京國潤房 地產開發經營有限公司) ^(v)	RMB30,000,000	—	100	Property development
Beijing Yorkley Real Estate Development Co., Ltd. ^(iv)	US\$12,000,000	—	100	Property development
Beijing Zhong Hai Xing Ye Real Estate Development Co., Ltd. ^(iv)	US\$8,624,000	—	100	Property development
Beijing Zhonghai Seagarden Real Estate Development Co., Ltd. ^(iv)	US\$11,920,000	—	72	Property development
北京勝古房地產開發有限責任公司 ^(v)	RMB16,000,000	—	93.75	Property development
北京中海物業管理有限公司 ^(v)	RMB5,000,000	—	100	Real estate management
北京中海置業有限公司 ^(v)	RMB29,000,000	—	100	Property development
Changchun China Overseas Property Co., Ltd. ^(iv)	RMB10,000,000	—	100	Property development
China Overseas Building Management Limited	100 shares of HK\$1 each	—	100	Real estate management
China Overseas Finance (Cayman) I Limited ^(vii)	1 share of US\$1	100	—	Issuance of guaranteed notes



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
China Overseas Industrial Holdings Limited	2 shares of HK\$1 each	100	—	Investment holding
China Overseas Infrastructure Limited	2 shares of HK\$1 each	—	100	Investment holding
China Overseas Infrastructure Holdings Limited ^(vii)	1 share of HK\$0.10	—	100	Investment holding
China Overseas Material Technology Company Limited	100 shares of HK\$1 each	—	100	Investment holding
China Overseas Property Agency Limited	2 shares of HK\$1 each	—	100	Real estate agency
China Overseas Property Group Co., Ltd. ⁽ⁱⁱⁱ⁾	RMB2,610,200,000	—	100	Property development, trading and investment and investment holding
China Overseas Property Limited	100 shares of HK\$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK\$1 each	—	100	Investment holding
China Overseas Property Services Limited	10 shares of HK\$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited ⁽ⁱ⁾	1 share of US\$1	100	—	Investment holding
China Overseas Road & Bridge Holdings Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
China Overseas Security Services Limited	2 shares of HK\$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK\$10 each	—	100	Investment holding
Chinatone Industrial Limited	1 share of HK\$1	—	100	Property development
Chung Hoi Finance Limited	500,000 shares of HK\$10 each	100	—	Loan financing, investment holding and security investments

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
Goodrich Company Limited ^(viii)	MOP25,000	—	100	Property development
Classic China Products Limited	10,000 shares of HK\$100 each	—	100	Investment holding
中海寶松物業發展（深圳） 有限公司 ⁽ⁱⁱ⁾	HK\$262,500,000	—	100	Property development
COB Development (Shanghai) Co., Ltd. ⁽ⁱⁱ⁾	US\$17,000,000	—	100	Property development and trading
中海興業（成都）發展有限公司 ⁽ⁱⁱ⁾	US\$20,000,000	—	100	Property development
中海信和（成都）物業發展 有限公司 ⁽ⁱⁱ⁾	HK\$420,000,000	—	80	Property development
中海振興（成都）物業發展 有限公司 ^(v)	RMB68,289,000	—	100	Property development
中海地產重慶有限公司 ^(v)	RMB20,000,000	—	100	Property development
中海興業（寧波）有限公司 ⁽ⁱⁱ⁾	US\$33,000,000	—	100	Property development
中海發展（廣州）有限公司 ⁽ⁱⁱ⁾	US\$21,000,000	—	100	Investment holding, property development, building construction and project management
中海發展（西安）有限公司 ⁽ⁱⁱ⁾	US\$13,250,000	—	100	Property development
中海興業（西安）有限公司 ⁽ⁱⁱ⁾	US\$30,000,000	—	100	Property development
中海發展（蘇州）有限公司 ⁽ⁱⁱ⁾	US\$62,500,000	—	100	Property development
中海地產諮詢（上海）有限公司 ⁽ⁱⁱ⁾	US\$500,000	—	100	Real estate agency
中海物業管理廣州有限公司 ^(v)	RMB15,800,000	—	100	Real estate management
中海地產（蘇州）有限公司 ^(v)	RMB379,740,000	—	100	Property development
中海發展（杭州）有限公司 ^(v)	RMB368,623,780	100	—	Property development
中海地產（杭州）有限公司 ^(v)	RMB347,075,800	—	100	Property development
中海英奧置業（蘇州）有限公司 ⁽ⁱⁱ⁾	RMB136,620,000	—	100	Property development
中海地產（青島）投資開發 有限公司 ^(v)	RMB1,496,781,720	—	100	Property development
中海地產（佛山）有限公司 ^(v)	RMB1,100,000,000	—	100	Property development
Dong Kong Holdings Limited	5,000,000 shares of HK\$1 each	—	100	Investment holding
Entrepot Limited	100 shares of HK\$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK\$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK\$1	100	—	Investment holding



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
Gain Direct Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Goldwell Development Limited	100 shares of HK\$1 each	—	100	Property development, trading and investment
Great Trend Investment Limited	10,000 shares of HK\$1 each	—	100	Investment holding
Guangzhou Haijin Real Estate Development Co., Ltd. ^(v)	RMB80,000,000	—	100	Property development
廣州海粵房地產發展有限公司 ^(w)	RMB138,000,000	—	100	Property trading and investment
廣州中海地產有限公司 ^(v)	RMB100,000,000	—	100	Property development
廣州江東房地產開發有限公司 ^(w)	RMB99,800,000	—	100	Property development
廣州藍灣房地產開發有限公司 ^(v)	RMB15,000,000	—	100	Property development
廣州中海名都房地產發展有限公司 ^(w)	RMB400,000,000	—	100	Property development
Hainan Ruler Limited ⁽ⁱ⁾	1 share of US\$1	100	—	Investment holding
Hua Yi Designing Consultants Limited	1,000,000 shares of HK\$1 each	100	—	Design consultancy services and investment holding
香港華藝設計顧問（深圳） 有限公司 ⁽ⁱ⁾	RMB12,000,000	—	100	Design consultancy services
Kee Yet Company Limited	2 shares of HK\$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK\$1 each	—	100	Investment holding
Macfull Limited	1,000 shares of HK\$1 each	—	60	Property development
Macwan Limited	10 shares of HK\$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK\$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK\$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK\$1 each	—	90	Property development
Mepork Services Limited	100 shares of HK\$1 each	—	100	Provision of building cleaning, maintenance and security services

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
南京中海地產有限公司 ^(v)	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司 ⁽ⁱⁱ⁾	US\$50,000,000	—	100	Property development
Ocean Group Limited	2 shares of HK\$1 each	—	100	Property investment
On Success Development Limited	10,000 shares of HK\$1 each	—	100	Property investment
Prosper Sea Developments Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Rise Stand Developments Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Safe Future Investments Limited ^{(i) & (vi)}	1 share of US\$1	—	100	Investment holding
Shanghai Hai Xing Realty Co., Ltd. ^(iv)	US\$15,000,000	—	51	Property trading and investment
上海海創房地產有限公司 ^(v)	RMB10,000,000	—	100	Property development
上海萬和房地產有限公司 ^(v)	US\$43,340,000	—	95	Property development
上海新海匯房產有限公司 ^(v)	US\$40,000,000	—	99.5	Property development
上海中海房地產有限公司 ^(v)	RMB10,000,000	—	100	Property development
上海中海海華房地產有限公司 ^(v)	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司 ^(v)	RMB10,000,000	—	98	Property development
上海中海海怡房地產有限公司 ^(v)	RMB20,000,000	—	100	Property development
Shenzhen China Overseas Property Co., Ltd. ^(iv)	HK\$50,000,000	—	100	Property development
深圳市中海投資有限公司 ^(v)	RMB500,000,000	—	100	Investment holding
深圳市中海深圳灣房地產開發 有限公司 ^(v)	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展 有限公司 ^(v)	RMB41,791,000	—	100	Property development
深圳市志趣諮詢服務有限公司 ⁽ⁱⁱ⁾	RMB5,000,000	—	100	Investment holding
深圳永福通實業有限公司 ⁽ⁱⁱ⁾	RMB5,000,000	—	100	Investment holding
深圳市喜逢春諮詢服務有限公司 ⁽ⁱⁱ⁾	RMB8,600,000	—	100	Investment holding
深圳市凱創置業顧問有限公司 ^(v)	RMB1,000,000	—	100	Real estate agency
深圳市中海龍城房地產開發 有限公司 ^(v)	RMB150,000,000	—	100	Property development
深圳市中海電梯工程有限公司 ^(v)	RMB5,000,000	—	100	Real estate management
深圳市中海樓宇科技有限公司 ^(v)	RMB5,000,000	—	100	Real estate management



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
深圳市中海社區環境工程有限公司 ^(v)	RMB2,000,000	—	100	Real estate management
深圳中海地產有限公司 ^(v)	RMB53,452,000	—	100	Property development
中海月朗苑物業發展（深圳） 有限公司 ⁽ⁱⁱ⁾	HK\$10,000,000	—	100	Property development
Silver Yield Development Limited	100 shares of HK\$1 each	—	100	Property trading
Splendid Return Limited ⁽ⁱ⁾	50,000 shares of US\$1 each	—	100	Investment holding
Techflex Limited ^{(i) & (vi)}	1 share of US\$1	—	100	Investment holding
Total Wonder Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Wealth Faith Developments Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Widenews Company Limited ("Widenews")	2 shares of HK\$1 each ^(ix)	—	100	Property development and investment holding
Wing Sea Group Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK\$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK\$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK\$1 each	—	100	Investment holding
Zhonghai Property Management (Shanghai) Co., Ltd. ⁽ⁱⁱ⁾	US\$610,000	—	100	Real estate management
中山市中海房地產開發有限公司 ^(v)	RMB10,000,000	—	100	Property development
China Super Group Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Peak Top Enterprises Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Proud Sea International Limited ⁽ⁱ⁾	10 shares of US\$1 each	90	—	Investment holding
Seawave Company Ltd ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
Trade Brilliant Development Limited	10,000 shares of HK\$1 each	—	100	Property investment
Treasure Trinity Limited ⁽ⁱ⁾	1 share of US\$1	—	100	Investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited ^(viii)	MOP1,000,000	—	100	Property development

51. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
天津中海嘉業投資有限公司 ^(v)	RMB10,000,000	—	100	Property development
天津中海興業房地產開發有限公司 ^(v)	RMB20,000,000	—	100	Property development
青島中海興業房地產有限公司 ^(v)	RMB10,000,000	—	100	Property development
青島中海鼎業房地產有限公司 ^(v)	RMB10,000,000	—	100	Property development
大連中海地產有限公司 ^(v)	RMB20,000,000	—	100	Property development
長春中海物業管理有限公司 ^(v)	RMB1,000,000	—	100	Real estate management
長春海華房地產開發有限公司 ^(v)	RMB68,064,000	—	100	Property development
成都中海物業管理有限公司 ^(v)	RMB3,000,000	—	100	Real estate management
杭州中海房地產有限公司 (前稱“中海發展(杭州) 有限公司”) ^(v)	RMB738,114,785	100	—	Property development
佛山市中海興業房地產開發 有限公司 ^(v)	RMB388,200,000	—	100	Property development
上海錦港房地產發展有限公司 ^(v)	RMB20,000,000	—	100	Property development
中怡華海房地產開發(珠海) 有限公司 ^(v)	RMB105,720,000	—	100	Property development
珠海市志趣諮詢服務有限公司 ^(v)	RMB100,000	—	100	Property development
珠海市永福通諮詢服務有限公司 ^(v)	RMB100,000	—	100	Property development
珠海市中勝海逸諮詢服務有限公司 ^(v)	RMB116,304	—	100	Property development
珠海市雄晉諮詢服務有限公司 ^(v)	RMB100,000	—	100	Property development
廣逸房地產開發(珠海)有限公司 (前稱“珠海市廣逸諮詢服務 有限公司”) ^(v)	RMB809,066,788	—	100	Property development
珠海市啟光諮詢服務有限公司 ^(v)	RMB100,000	—	100	Property development
珠海市海利達諮詢服務有限公司 ^(v)	RMB100,000	—	100	Property development
濟南中海地產有限公司 ^(v)	RMB397,073,400	—	100	Property development
上海中海物業管理有限公司 ^(v)	RMB5,050,000	—	100	Real estate management
中海地產(瀋陽)有限公司 ^(v)	RMB1,289,618,012	—	100	Property development



Notes to the Financial Statements *(continued)*

For the year ended 31 December 2008

51. Particulars of Principal Subsidiaries *(continued)*

- (i) Incorporated in the British Virgin Islands
- (ii) Foreign investment enterprise registered in the PRC
- (iii) Joint stock limited company established in the PRC
- (iv) Sino-foreign joint venture registered in the PRC
- (v) Limited liability company registered in the PRC
- (vi) Operating principally in the PRC
- (vii) Incorporated in the Cayman Islands
- (viii) Incorporated in Macau
- (ix) Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK\$1 to Proud Sea International Limited which is 90% indirectly held by the Company.

None of the subsidiaries had any debt securities in issue at the end of the year or at any time during the year, except for China Overseas Finance (Cayman) I Limited which has issued US\$300,000,000 guaranteed notes (see note 38), none of which was held by the Group.

Five Year Financial Summary

(A) Consolidated Results

	For the year ended 31 December				
	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	8,624,475	7,930,763	10,910,234	16,632,553	18,892,373
Operating profit	1,410,865	2,055,547	3,059,313	6,600,722	8,623,130
Share of (losses) profits of					
Associates	(17,694)	(4,358)	(6,933)	(27,911)	(10,982)
Jointly controlled entities	17,026	44,537	433,649	386,276	(26,848)
Profit before tax	1,410,197	2,095,726	3,486,029	6,959,087	8,585,300
Income tax expense	(258,698)	(422,368)	(1,174,070)	(2,741,936)	(3,513,018)
Profit for the year	1,151,499	1,673,358	2,311,959	4,217,151	5,072,282
Attributable to:					
Equity holders of the Company	1,073,559	1,534,684	2,370,750	4,179,579	5,048,637
Minority interests	77,940	138,674	(58,791)	37,572	23,645
	1,151,499	1,673,358	2,311,959	4,217,151	5,072,282



(B) Consolidated Net Assets

	At 31 December				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	
NON-CURRENT ASSETS					
Investment properties	1,833,200	1,571,560	1,638,580	2,634,750	6,428,067
Property, plant and equipment	1,197,475	1,213,615	1,504,331	2,232,366	275,520
Prepaid lease payments for land	179,073	199,801	76,861	95,736	63,465
Interests in associates	233,457	126,670	141,288	56,907	164,581
Interests in jointly controlled entities	1,207,331	1,289,062	1,753,783	2,588,406	1,947,655
Investments in syndicated property project companies	46	153,637	143,895	15,274	18,654
Investments in infrastructure projects	165,550	148,131	127,891	—	—
Amounts due from associates	1,064,176	98,727	187,227	271,697	90,108
Amounts due from jointly controlled entities	458,333	400,938	439	2,612,797	4,071,170
Amounts due from syndicated property project companies	593,991	542,364	490,954	1,873	1,056
Instalments receivable	32,123	9,022	6,938	4,404	763
Pledged bank deposits	89,822	27,611	26,782	91,377	41,680
Goodwill	—	64,525	64,525	109,021	109,021
Negative goodwill	(111,338)	—	—	—	—
Deferred tax assets	—	—	—	—	485,090
	6,943,239	5,845,663	6,163,494	10,714,608	13,696,830
CURRENT ASSETS	14,466,116	19,296,277	29,690,127	53,806,564	71,879,611
TOTAL ASSETS	21,409,355	25,141,940	35,853,621	64,521,172	85,576,441
NON-CURRENT LIABILITIES					
Bank loans—due after one year	(3,058,783)	(3,279,230)	(6,047,000)	(11,289,021)	(18,320,005)
Guaranteed notes payable	—	(2,320,445)	(2,323,440)	(2,326,435)	(2,329,431)
Amount due to a fellow subsidiary	—	—	—	(135,864)	—
Amounts due to minority shareholders	(1,182,735)	(915,963)	(781,020)	(873,557)	(850,983)
Consideration for acquisition of subsidiaries payable	(45,419)	—	—	—	—
Deferred tax liabilities	(232,071)	(278,023)	(411,187)	(473,789)	(1,255,876)
	(4,519,008)	(6,793,661)	(9,562,647)	(15,098,666)	(22,756,295)
CURRENT LIABILITIES	(7,317,954)	(7,568,033)	(11,401,565)	(23,632,404)	(29,935,758)
TOTAL LIABILITIES	(11,836,962)	(14,361,694)	(20,964,212)	(38,731,070)	(52,692,053)
NET ASSETS	9,572,393	10,780,246	14,889,409	25,790,102	32,884,388
EQUITY ATTRIBUTABLE TO:					
Equity holders of the Company	10,070,606	11,082,625	15,449,445	26,282,040	33,219,782
Minority interests	(498,213)	(302,379)	(560,036)	(491,938)	(335,394)
	9,572,393	10,780,246	14,889,409	25,790,102	32,884,388

Major Properties and Property Interests

1. Particulars of The Group's Interests in Major Properties Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area (excluding car parks) sq m	Group's interest %
(a)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, Office floors 4th to 30th Floors (excluding units D, E and F on 6th Floor and units A to F on 19th Floor) and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial and car parks	Medium-term lease	19,108	100
(b)	Warehouse Tower and Office Tower, Hai Fu Warehouse, Junction of 5 Weiwu Road and 6 Jingliu Road, Futian Free Trade Zone, Shenzhen, PRC	Godown and commercial	50 years from 2 September 1993	26,487	100
(c)	Levels 6, 12, 17, and portion of Levels 7 and 16, Dongshan Plaza, 45-77 Xianlie Central Road, Dongshan District, Guangzhou, PRC	Commercial	50 years from 2 June 1995	11,927	100
(d)	Beijing China Overseas Property Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	Commercial and car parks	50 years expiring on 10 June 2051	24,668	100
(e)	Portion of shops on the first and ground floor all that the basement comprising 100 car parking spaces namely Car Parking Space Nos. 1-69, Vehicle Car Parking Spaces Nos. L1-L8, L17-L21 and L22-L39 on the basement, Union Plaza, 9 Wo Muk Road, Fanling, New Territories	Commercial and car parks	Medium-term lease	6,167	100
(f)	Tower 5, Hoover Tower, 8 St. Francis Yard, Wanchai, Hong Kong	Commercial	Long-term lease	3,864	100
(g)	China Overseas Plaza, Jianguomenwai Avenue Chaoyang District, Beijing, PRC	Commercial and car parks	50 years expiring on 2 April 2053	19,184	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

2. Particulars of The Group's Interests in Major Properties Held under Development

	Name of property and location	Intended use	Stage of completion at 31 December 2008	Expected year of completion	Approximate site area <i>sq m</i>	Approximate gross floor area <i>sq m</i>	Group's interest %
(a)	International community, Xi'an No. 99 Fu'rong East Road, Xian, PRC	Residential	Construction in progress	2013	640,056	1,716,973	100
(b)	Olympic City (Aotixincheng Project) Longxing Road, Longgang District, Shenzhen, PRC	Residential	Construction in progress	2011	118,799	485,200	100
(c)	International Community, Suzhou Industrial Park, Suzhou, PRC	Residential	Construction in progress	2013	633,011	1,183,270	100
(d)	COPIC International Community 1 Changbai Island, Heping District, Shenyang, PRC	Residential	Construction in progress	2011	192,590	463,797	100
(e)	One City South No.199 Jincheng Road, Gaoxin District, Chengdu, PRC	Residential	Construction in progress	2012	151,332	413,603	100
(f)	The Silvercarse No. 7 Yinchuanxi Road, Shinan District, Qingdao, PRC	Residential	Construction in progress	2009	58,134	188,750	100
(g)	Windsor Pavilion (Zhonghai Tiandi) Chongwen District, Beijing, PRC	Residential	Construction in progress	2011	82,898	395,600	100
(h)	Orchid Garden No. 333, Shengbang Street, Hi-Tech Zone, Chengdu, PRC	Residential	Construction in progress	2009	73,401	363,026	100
(i)	Banyan Coast No. 8, Taihe Erjie Street, Hi-Tech Zone, Chengdu, PRC	Residential	Construction in progress	2009	63,784	293,083	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

3. Particulars of The Group's Interests in Major Properties Held for Sale

	Name of property and location	Use	Approximate gross floor area (excluding carparks) sq m	Group's interest %
(a)	The Wesley Northern Zone Shajiang Road, Songgang Street, Bao An District, Shenzhen, PRC	Residential	296,726	100
(b)	The Wesley Southern Zone Shajiang Road, Songgang Street, Bao An District, Shenzhen, PRC	Residential	130,075	100
(c)	Der Rhein Phase 3 74-77 Linhe Street, Changchun, PRC	Residential	142,839	100
(d)	Mount Canyon Yantian District, Shenzhen, PRC	Residential	97,100	60
(e)	International Community Phase One, Linhe Street, Changchun, PRC	Residential	535,466	100
(f)	Royal Lakefront Phase Two Jichang Road, Suzhou Industrial Park, Suzhou, PRC	Residential	42,008	100
(g)	One South Lake No. 3777 Gongnong Road, Changchun, PRC	Residential	88,814	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

4. Particulars of The Group's Interests in Major Properties Held for Future Development

	Name of property and location	Intended use	Approximate site area <i>sq m</i>	Approximate gross floor area <i>sq m</i>	Group's interest %
(a)	Shandong Road Project No. 250 Wujia Country, Shibei District, Qingdao, PRC	Residential	43,172	193,688	100
(b)	The Phoenix West Fenghuang Road, Nanjing, PRC	Residential	169,561	740,309	100
(c)	The Wisteria Sandun Zheng, Xihu District, Hangzhou, PRC	Residential	153,826	123,216	100
(d)	Ivy League Jingyang Road with Puyang Street Interchange Chungchun, PRC	Residential	78,800	352,000	100
(e)	Royal Dynasty The Crossing of Aoti Road and Garden Road Jinan, PRC	Residential	172,856	348,158	100
(f)	International Community No. 8 Shuxi Road, Chengdu, PRC	Residential	70,165	218,948	100
(g)	6 Stanley beach Road 6 Stanley beach Road HK	Residential	3,766	3,530	100
(h)	COPIC International Community 2 Changbai Island, Heping District, Shenyang, PRC	Residential	16,353	64,647	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

China Overseas Land & Investment Ltd.

10/F, Three Pacific Place,
1 Queen's Road East, Hong Kong
Tel: 2823 7888 Fax: 2865 5939

Website: www.coli.com.hk

