首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code:2868

2007

Annual Report

Contents

Corporate Information

Directors

Executive Directors
Mr. Liu Xiaoguang (Chairman)
Mr. Tang Jun (President)
Mr. He Guang (Vice-President)

Non-Executive Directors
Mr. Feng Chunqin
Mr. Wang Zhengbin
Ms. Zhu Min
Mr. Muk Kin Yau

Independent Non-Executive Directors
Mr. Kwong Kai Sing, Benny *
Mr. Ke Jianmin
Mr. Yu Xingbao *
Mr. Li Zhaojie *

* *Members of the Audit Committee*

Supervisors

Mr. Wang Qi
Mr. Yu Changjian
Mr. Wei Jianping

Independent Supervisor

Mr. Xu Jianhong
(resigned on 27th September 2007)

Secretary of the Board of Directors

Mr. Hu Weimen

Company Secretary

Ms. Lau Kam Yi, Rosary

Qualified Accountant

Ms. Lau Kam Yi, Rosary

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Authorised Representatives

Mr. He Guang
Ms. Lau Kam Yi, Rosary

Registered Office

Room 501, No.1,
Yingbinzhong Road,
Huairou District,
Beijing, PRC

Beijing Headquarters

F17, Red Goldage,
No. 2, Guang Ning Bo Street,
Beijing, PRC

Hong Kong Office

Room 4207, Two Exchange Square,
Central, Hong Kong

Website

http://www.bjcapitalland.com

Auditors

PricewaterhouseCoopers

Legal Advisers

As to Hong Kong law:
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

Principal Bankers

China Development Bank
China Construction Bank
China Merchants Bank
DBS Bank
Bank of China

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創造價值

Listing Information

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Stock Code for H Share

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

Board Lot Size

H Share	2,000

H Share Registrar

Computershare Hong Kong Investor Services Limited
Room 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2529 6087

Investor Relations Contact

Email address: pr@bjcapitalland.com.cn

H Share Information

	Year 2007			Year 2006		
	Price		Total	Price		Total
	High (HK$)	Low (HK$)	Trading Volume (No. of Shares)	High (HK$)	Low (HK$)	Trading Volume (No. of Shares)
First Quarter	4.450	2.680	609,774,900	3.950	2.225	406,706,000
Second Quarter	4.940	3.150	604,690,822	4.225	1.960	374,653,171
Third Quarter	7.500	4.040	760,545,906	3.210	2.500	212,209,706
Fourth Quarter	7.800	4.500	396,240,300	4.040	2.810	681,717,135

Listed on the Hong Kong Stock Exchange on 19th June 2003.

Closing share price as at 31st December 2004: HK$2.275. Closing share price as at 30th December 2005: HK$2.275.

Closing share price as at 29th December 2006: HK$3.980. Closing share price as at 31st December 2007: HK$4.740.

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Financial Summary *
(in RMB '000 unless otherwise stated)

Year ended 31st December	2007	2006	2005	2004	2003
Revenue	4,870,929	2,039,352	1,134,769	1,629,332	1,874,169
Profit before income tax	1,319,768	357,371	230,559	391,776	404,029
Income tax expenses	(592,9018)	(121,012)	(38,242)	(97,500)	(139,948)
Profit for the year	726,867	236,359	192,317	294,276	264,081
Attributable to:					
Equity holders of the Company	526,009	266,009	211,505	260,082	195,263
Minority interests	200,858	(29,650)	(19,188)	34,194	68,818
	726,867	236,359	192,317	294,276	264,081
As at 31st December	2007	2006	2005	2004	2003
Total assets	19,803,326	15,386,861	10,058,779	8,772,438	8,013,951
Total liabilities	14,045,002	10,720,930	6,873,312	5,969,496	5,264,127

* *Note:* The above table summarises the results, assets and liabilities of the Group.

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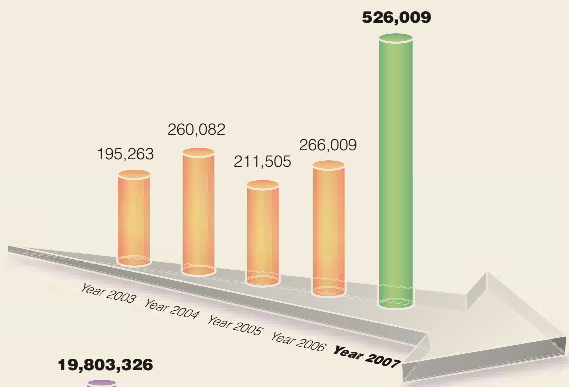
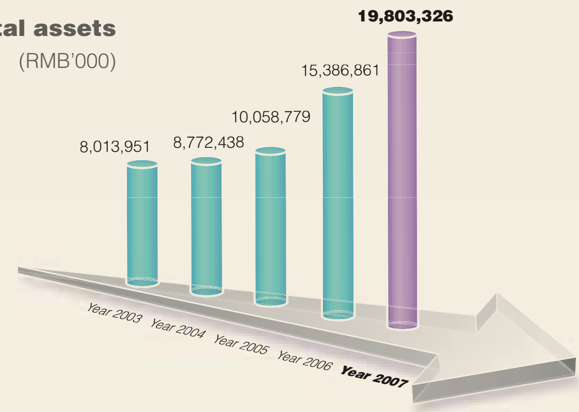
Profit Attributable to Equity Holders of the Company
(RMB'000)



Total assets
(RMB'000)



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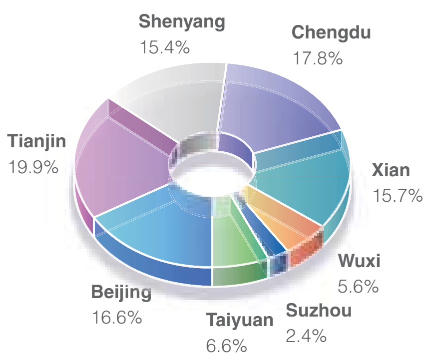
Property Portfolio



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Hotel Property - Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m)	Approximate GFA (sq.m)
1	Holiday Inn Central Plaza	Xuanwu District, Beijing	Hotel	100%	20,100	50,700
2	Inter Continental Financial Street Beijing	Xuanwu District, Beijing	Hotel	34%	12,900	42,900

Investment Property - Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m)	Approximate GFA (sq.m)	Lease Term
3	Sunshine Building	Xicheng District, Beijing	Office/Commercial	35%	9,400	51,700	Medium

Development Property - Under Development

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m)	Approximate GFA to be carried forward or under development (sq.m)	Expected Completion
4	Vancouver Forest	Changping District, Beijing	Villa/Commercial	70%	549,100	12,800	2006
5	The Reflections	Haidian District, Beijing	Residential/Commercial	55%	17,900	150,200	2008
6	Upper East Side	Chaoyang District, Beijing	Residential/Commercial/ Hotel	25%	190,500	277,300	
6.1						41,000	2005
6.2						21,400	2006
6.3						69,900	2007
6.4						73,100	2008
6.5						72,100	2008
7	Urban Town	Chaoyang District, Beijing	Residential/Commercial	50%	100,000	231,700	
7.1						24,600	2007
7.2						132,200	2008
7.3						74,900	2010
8	Beijing A-Z Town	Chaoyang District, Beijing	Residential/Commercial	55%	126,200	306,500	
8.1						86,000	2007
8.2						220,500	2008
9	BeijIng World Centre	Chaoyang District, Beijing	Office/Residential/ Commercial	100%	86,300	219,400	
9.1						32,500	2007
9.2						142,400	2009
9.3						44,500	2010
10	The Interwest	Haidian District, Beijing	Residential/Commercial/ Office/Service Apartment	50%	98,500	136,400	2008
11	North Ring Centre	Xicheng District, Beijing	Residential/Commercial	100%	28,000	134,300	
11.1						8,100	2006
11.2						126,200	2009
12	Tianjin Butchart Garden	Beichen District, Tianjin	Residential/Commercial	55%	331,000	330,700	
12.1						26,900	2007
12.2						208,500	2008
12.3						95,300	2009
13	Tianjin First City	Tanggu District, Tianjin	Residential/Commercial	100%	233,336	579,900	
13.1						198,400	2009
13.2						213,400	2010
13.3						168,100	2011
14	Tianjin Xiqing Project	Xiqing District, Tianjin	Residential/Commercial	100%	151,600	171,900	
14.1						100,400	2009
14.2						71,500	2009
15	Tianjin Shuangang 121 Project	Jinnan District, Tianjin	Residential/Commercial	100%	255,000	317,500	
15.1						85,800	2009
15.2						119,500	2010
15.3						112,300	2011
16	Tianjin Shuangang 122 Project	Jinnan District, Tianjin	Residential/Commercial	100%	183,500	240,000	
16.1						40,400	2009
16.2						116,200	2009
16.3						83,500	2011

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq.m)	Approximate GFA to be carried forward or under development (sq.m)	Expected Completion
17	Tianjin Huaming Project	Dongli District, Tianjin	Residential/Commercial	100%	271,800	308,400	
17.1						57,000	2008
17.2						67,300	2009
17.3						74,200	2010
17.4						109,900	2011
18	Chengdu A-Z Town	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	55%	68,300	369,400	
18.1						163,400	2008
18.2						67,600	2008
18.3						52,200	2009
18.4						64,100	2009
18.5						22,100	2009
19	Chengdu First City	Chenghua District, Chengdu, Sichuan Province	Residential/Commercial	100%	78,171	433,700	
19.1						85,100	2009
19.2						177,200	2010
19.3						171,200	2010
20	Chengdu SCE Project	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial	55%	106,800	540,900	
20.1						107,700	2010
20.2						144,300	2011
20.3						153,300	2012
20.4						135,500	2013
21	Chengdu Beiquan Road Project	Longquanyi District, Chengdu, Sichuan Province	Residential/Commercial	55%	75,000	392,400	
21.1						121,600	2009
21.2						118,600	2010
21.3						152,300	2011
22	Shenyang Yinhe Wan Project	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/Commercial	50%	471,350	893,900	
22.1						59,600	2008
22.2						67,800	2009
22.3						150,000	2010
22.4						110,500	2011
22.5						283,500	2012
22.6						222,500	2013
23	Shenyang First City	Hannan New District, Shenyang, Liaoning Province	Residential/Commercial	30%	175,300	610,700	
23.1						154,900	2009
23.2						227,500	2010
23.3						228,300	2011
24	Wuxi Gentle House	Xishan District, Wuxi, Jiangsu Province	Residential/Commercial	60%	163,000	317,400	
24.1						96,000	2008
24.2						122,400	2009
24.3						98,900	2010
25	Wuxi Jichang Road Project	Wuxi New District, Jiangsu Province	Residential/Commercial	100%	96,600	233,300	2010
26	Suzhou Yangchenghu Project	Suzhou Industrial Park District, Jiangsu Province	Residential/Commercial	50%	126,200	232,200	2010
27	Xian Fengcheng road Project	Xian Economic and Technology Development Zone, Shaanxi Province	Residential/Commercial/ Office/Service Apartment	38%	355,400	1,537,800	
27.1						310,700	2009
27.2						367,400	2011
27.3						314,100	2012
27.4						247,700	2013
27.5						297,900	2014
28	Taiyuan Chengfeng Project	Chengfeng District, Taiyuan, Shanxi Province	Residential/Commercial	100%	200,000	644,300	
28.1						44,900	2009
28.2						255,800	2010
28.3						183,700	2011
28.4						159,900	2012
	TOTAL					**9,768,300**	

Note:
1. Information stated in table updated as at 29th February 2008
2. Approximate site area according to the newly obtained land use right certificates or land transfer agreements for all projects
3. Approximate GFA according to the actual measurement upon completion of construction of the completed properties
4. Approximate GFA to be carried forward accordingly to the actual measurement upon completion of construction of the completed projects
5. Approximate GFA under development according to the newly obtained planning documents and the latest corporate planning for properties under development

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In February 2007, the Group further extended its presence in Tianjin through acquisition of a site in Binhai New District as its second project in Tianjin, adding the Group's land bank by approximately 580,000 sq. m..

In May 2007, the Group launched its first product replication project outside Beijing: the Chengdu A-Z Town which recorded contracted sales rate of 53% in the first month of launch with total contracted sale revenue of approximately RMB360 million.

In May 2007, the Group acquired its second project in Chengdu, of a site in the Chenghua District, East Third Ring, Chengdu, increasing the Group's land bank by approximately 430,000 sq. m..

In June 2007, the Group co-hosted with MIT Property Research Centre to launch "The Property Perspective Amid Globalization" Conference, where experts held in-depth discussions on "the globalized capital integration for real estate" and "the value of standardized operation for large-scale property developers".

In July 2007, the Group acquired its second project in Shenyang – the Shenying Road Residential Project, increasing the Group's land bank by approximately 610,000 sq. m..

In August 2007, the Group made an important breakthrough in its drive to tap into the Chengdu property market by acquiring two projects: Beiquan Road Project and Sichuan College of Education ("SCE") Project, in Longquanyi District. These sites added approximately 930,000 sq. m. to its land bank, bringing the Group's total land reserve in Chengdu to over 1.70 million sq. m..

In September 2007, the Company's proposal of issue of A shares in the PRC was approved by shareholders' in general meeting. If the issuance of A shares is successful, the Group will have access to two capital platforms at home and in Hong Kong.

In September 2007, the Group made a breakthrough in its drive to expand its presence in Tianjin by acquiring three projects, namely, Xiqing-, Shuanggang- and Huaming- "Xin Jia Yuan" Projects. These sites added approximately 1.04 million sq. m. to its land bank, bringing the Group's total land bank in Tianjin to over 1.90 million sq. m..

In November 2007, the Group made its first foray into Xian by acquiring a new site in the Xian Economic and Technology Development Zone. The project involves an estimated gross floor area ("GFA") of approximately 1.54 million sq. m., the largest of all the Group's current projects.

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Major Awards of the Year at a Glance

Award-winning Unit	Award	Judge and Organizer	Date
Beijing Capital Land	Property Brand	Beijing Youth Daily, Beijing Media	February 2007
Beijing Capital Land	2007 PRC Real Estate Golden Award – The Listed Property Company with The Highest Investment Value	21 Century Business Herald	September 2007
Beijing Capital Land	Blue-chip PRC Property Developer for four consecutive years	The Economic Observer	September 2007
Beijing Capital Land	Top 10 Brand Names of State-owned Real Estate Enterprises in the PRC	Corporate Research Institute, the Development Research Institute of the State Council Real Estate Research Institute, Tsing Hua University China Index Research Institute	September 2007
A-Z TOWN	2007 PRC Real Estate Brand Enterprise's Model Project	Corporate Research Institute, the Development Research Institute of the State Council Real Estate Research Institute, Tsing Hua University China Index Research Institute	September 2007
Beijing Capital Land	One of the Most Valuable Listed Property Companies on The Hong Kong Stock Exchange	First Financial Daily	November 2007

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Chairman's Statement

Liu Xiaoguang, *Chairman*

Dear Shareholders,

On behalf of the Board of Directors ("Board of Directors") of Beijing Capital Land Ltd. ("BCL" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31st December 2007.

In the year of 2007, the Company saw much success to its full steam development efforts, recording remarkable achievements not only of steady growth in contracted sales revenue and contracted sales area but also obtaining satisfactory results in developments outside Beijing. The Group has started to reap the fruits of its actions. Following the buoyant development trend enjoyed in 2006, during the year under review, the Group continued to leverage on its competitive advantages by actively expediting its nationwide strategy of expanding into other major cities. The Group has devoted significant efforts and resources in making successful bids for the acquisitions of a number of residential projects in Tianjin, Chengdu, Shenyang, Wuxi and Suzhou. This has increased not only the Group's land bank but also the sales contributions from development projects outside Beijing. All this has enabled the Group to achieve important breakthrough in its business development. On the other hand, in face of strengthening macro economic measures implemented by the Central Government, the Group has taken a prudent approach and followed the changing market by adjusting its business strategies in a timely manner to speed up construction of properties and accelerate the pace of its nationwide expansion. The rapid development in the Group's scale of operations and the substantial growth of its operational results reflect that business has resumed upward trend and headed towards rapid growth phase.

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The overall economy in China continued to enjoy robust and steady growth in 2007 with acceleration of urbanization, better social structure, higher per capita income and improvement in people's livelihood. During the year under review, China's GDP increased by 11.4%. Benefiting from such a favorable economic environment, the property market was vibrant with growing user demand and active transactions in the residential property sector.

Nevertheless, in order to maintain sustainable, healthy and stable growth for the property sector, the Central Government implemented a series of austerity measures. These include enforcement of tax collection, restriction of the inflow of hot money from foreign investment, tightening standards of property lending and control of loan scale, and encouragement of mid to low-end residential projects of smaller unit areas. All measures aimed at cooling down the overheated property sector and over investment.

Thanks to our unique operating model, acute market insight and energetic spirit, the Group was able to seize every opportunity to implement its strategy of replication of standardized products and launched a number of mid to high-end residential projects of high quality and excellent community planning in each of the Group's major presence in China with overwhelming market response, which made remarkable contribution to the sales performance of the Group. The Group focuses on development of mid to high-end residential properties for home buyers; as such feels minimal impact of the macro economic measures which were aimed at cooling down overheated property investment and speculation. In the long run, integration in the China property market will provide favourable rapid growth opportunities for big-scale, competent integrated property developers like BCL.

For the year under review, the Group launched a total number of 11 projects. The Group's revenue and profit attributable to shareholders for the year achieved record high of RMB4,870,929,000 and RMB526,009,000 and a year-on-year growth of 139% and 98% respectively. Contracted sales area amounted to 720,000 sq. m., posting a year-on-year growth of 6.4%, while contracted sales revenue reached RMB8,000,000,000, a decrease of 6.8% year-on-year. Of which, the proportion of contracted sales revenue from residential properties increased to 79% from 61% of last year, and that of commercial and office properties decreased from 39% of 2006 to 19%.

To thank you for your continuous support, the Board has recommended a final dividend of RMB0.12 per share for the year ended 31st December 2007, a dividend payout ratio of 58%.

To sustain long term growth, the Group always emphasizes development in its three strategic regions, namely, the Bohai Rim, central and southwest China, and the Yangtze River Delta Region. During the year under review, the Group continued to actively implement its strategy of expanding into markets outside Beijing by acquiring a total of 11 projects in Tianjin, Chengdu, Shenyang, Wuxi, Suzhou and Xian. The acquisition of these projects brought about an additional land bank of 5.59 million sq. m. to the Group. This has not only formed a competitive edge in terms of scale but also successfully extended the Group's presence in Suzhou and Xian, and strengthening the influence of its brand. The robust growth of BCL in the last two years and its success in implementing a balanced strategy of extending presence in "Three-Regions-Eight-Cities" shows that the products, services, brand and operational philosophy of the Group are highly recognized by the market. The Group actively promotes

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three mainstream product lines through standardization of products and replication of it. They are the "Urban High-density Integrated Community" series represented by A-Z Town, the "Urban Internationalized High-end Community" series represented by the Upper East Side, and the "Urban Low-density Humanistic Community" series represented by Tianjin Butchart Garden. Through these efforts, the Group aims to strengthen its established, solid foundation in major cities in the country, further expand its market share in cities where it has presence and consolidate its brand position in cities outside Beijing in order to set the scene for sustainable and stable growth in future. The Group expects that new units on the 11 special feature residential and commercial projects in Beijing and in areas outside Beijing will be launched to the market in 2008, which shall bring forth satisfactory sales results for the Group.

In the mean time, the Group shall continue to develop and operate investment properties auxiliary to residential projects, and to strengthen the synergies of these two businesses. Such investment properties would provide good balance in the Group's property portfolio, more sources of revenue and remarkable, stable cash flow.

Looking ahead, benefiting from the upcoming Beijing 2008 Olympic Games, the economy, the society and the people's livelihood will continue to improve in China thus promote a more positive international image of China. Continuous stable economic growth and higher per capita income will further stimulate demand and supply in the China property market. This bodes well for the industry in turn provides significant business opportunities for the Group. The Group will make every endeavour in pursuit of its objective to be an internationalized, major integrated property operator. The Group will continue to enhance implementation of its strategic development plan in areas outside Beijing; expedite the implementation of product standardization; lower costs of development and fine-tune product quality; speed up management reforms and realize system standardization, so as to fully leverage on its four key values – land, product, brand and assets.

On behalf of the Board, I would like to express our sincere gratitude to our business partners, clients and shareholders. I would also like to take this opportunity to thank all of our staff members for their valuable contribution throughout the year. BCL will strive to maintain a high level of corporate governance and transparency and continue to develop its business based on its extensive market experience and professional expertise. By leveraging on its unrivalled strengths, clear development strategies, excellent management team and large land reserve, BCL expects to share the fruit of the Group's achievements with our shareholders in the future and witness together the robust development of the property market.

Liu Xiaoguang
Chairman

Beijing, PRC
7th March 2008

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Business Environment

An overview of the PRC property market

—— China's economy continued its high-speed growth in 2007

China's GPD reached RMB24,660 billion in 2007, representing a year-on-year growth of 11.4%; which was 0.3 percentage point higher than that of the last year. It was the fifth year in a row that the growth rate was over 10%. China has passed Britain as the world's 4th largest economy and approaching Germany. In 2007, per capita urban and rural disposable income reached RMB13,786, representing a 12.2% annual growth rate after taking into account of increased prices, which was 1.8 percentage point higher than that of the last year. The continued high-speed growth in the economy and people's income provided a solid foundation for the sustainable growth of the property market. (Source: The National Bureau of Statistics of China)

—— China's property market continued to grow amidst macro economic measures in 2007

In 2007, China's economy showed signs of overheating as a result of global liquidity. The government tried to bring the China economy to soft landing by using various measures such as several interest rate hikes and increases in bank reserve ratio. During the year, the China economy was under inflation pressure. The consumer price index increased by 4.8% over the year, an increase of 3.3 percentage point higher than that of the previous year. Rising prices are likely to provide catalyst for more people to buy properties as inflation hedge. Though the development costs of properties and labor cost will rise accordingly, overall developments will boost property sales.

Tang Jun, *President*

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The government has stepped up various measures to correct the property market. On one hand, it improved the housing supply structure and increased supply by providing more land for development of policy housing, small-to-medium-size ordinary commodity residential properties of low-to-middle prices. On the other hand, it raised the lending policy of second property mortgage and tightened regulation on foreign investments into China's property market to curb excessive foreign investment demand while to maintain reasonable growth in end-user demand. In the medium to long term, the versatile, multi-layer property market cooling measures will help eliminate speculative bubble in the property market and strengthen the momentum that will lead to sustainable development of the property market; at the same time consistently raising the entry threshold for the industry which provides favorable opportunities for large scale property developers to increase their market share.

The China property sector continued to grow in the face of macro economic measures in 2007. Investment in property development in the first 11 months of the year amounted to RMB2,163.2 billion, representing a 31.8% year-on-year increase. Of which, commodity residential properties accounted for RMB1,544 billion, representing a 33.7% year-on-year increase. Sales of commodity properties accounted to RMB2,400.3 billion, representing a 48.7% year-on-year increase.
(Source: The State Information Center)

—— In 2007, growth in housing demand across the country accelerated while growth in supply lagged behind

For the first 11 months of 2007, gross floor area ("GFA") of commodity residential properties sold in China totaled 550 million sq.m., representing a 32.3% increase over same period of last year, being 19.7 percentage points higher than that of the previous year. Sale revenue from commodity residential properties totaled RMB2,080 billion, representing an increase of 54.1% over same period of last year, being 35.3 percentage points higher than that of the previous year. The national total of completed GFA amounted to 270 million sq.m., representing an 8.5% increase over same period of last year, being 0.4 percentage point lower than that of the previous year. The national total of GFA under development amounted to 1,710 million sq.m., representing a 24.2% increase over same period of last year, being 5 percentage points lower than that of the previous year. These data show long-lasting and positive factors resulting from strong economic growth, a younger population structure and more rapid urbanization are boosting housing demand. But total housing supply and its growth rate are unable to match the rapidly growing housing demand, causing a 7.6% price increase in property prices in 70 large to medium cities across the country, being 2.1 percentage points higher than that of the previous year. Given that housing supply is unlikely to catch up with demand, property prices are expected to sustain its momentum in future.
(Source: The State Information Center)

Overview of the Beijing property market

—— Bolstered by the "Olympic Games economy", Beijing's economy continued its to robust growth in 2007

In 2007, the local GDP of Beijing reached RMB900.6 billion, representing a year-on-year growth of 12.3%. It was the ninth year in a row that the capital's GDP had double-digit growth. The GDP per capita reached RMB56,044 (about US$7,370), representing a year-on-year increase of 8.9%. It was a breakthrough above US$7,000 after it surpassed US$6,000 in 2006. Per capita urban and rural disposable income amounted to RMB21,989, representing a year-on-year growth of 11.2% after deducting for price inflation.
(Source: Beijing Statistics Bureau)

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—— In 2007, Beijing's residential property market continued to suffer from supply shortage and prices continued to go up.

In 2007, residential property supply in Beijing continued to drop. The completed construction area of residential properties decreased to 18.54 million sq.m., down 15.5% from the previous year. The area of commencing construction of residential properties decreased to 59.15 million sq.m., down 6.3% from the previous year. The new residential construction area decreased to 16.4 million sq.m. down 12.3% from the previous year. With the widening gap between the demand and supply of residential properties and the continual reduction in saleable area, property prices were driven up. In 2007, a total of 17.32 million sq.m. of residential properties was sold, representing a 21% year-on-year decrease. Of which, pre-sold residential properties accounted for 13.63 million sq.m., representing a 14% year-on-year decrease, and spot sale of completed residential properties accounted for 3.69 million sq.m., representing a 41% year-on-year decrease. The residential property price index was up 12.8% year-on-year, being 3.2 percentage points higher than that of the previous year. In December 2007, the price index of new residential properties stood at 117.5, a 17.5% year-on-year increase. Average contracted selling price of properties surpassed the RMB10,000 level, reaching RMB11,454 per sq.m. Vacant residential area amounted to 4.12 million sq.m., with a decrease of 820,000 sq.m. from same period of last year.

(Source: Beijing Statistics Bureau, Beijing Fang Di Chon Website, the National Bureau of Statistics of China and the National Development and Reform Commission)

—— Shortage in residential property supply in Beijing shall remain intact

Though supply of residential land sites in Beijing increased again in 2007 with a total of 1,138 million sq.m. of land area sold for residential property development, an impressive growth of 55% over that of 2006; the amount was just 66% of the residential properties sold during the year. This indicates continuous widening gap between demand and supply which shall underpin property prices.

(Source: Beijing Municipal Bureau of State Land and Resources and Beijing Statistics Bureau)

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Overview of Tianjin property market

With further integration between Beijing and Tianjin plus the full-blown development of the Tianjin Binhai New District, Tianjin's economy has entered into the high growth phase. In 2007, Tianjin achieved GDP of RMB501.8 billion, a year-on-year growth of 15.1%, being 0.6 percentage point higher than the previous year. The GDP per capital surpassed US$6,000, reaching RMB45,829 (about US$6,022), representing an 11.2% year-on-year increase. Per capita urban disposable income reached RMB16,357, representing a 14.5% year-on-year increase, being 1.5 percentage points higher than that of the previous year, the highest increase in 10 years.

The Tianjin's property market has unprecedented growth opportunities along with its high-speed growing economy. In 2007, a total of RMB50.5 billion in property investment was recorded, representing a year-on-year growth of 25.6%. The total area of commencing construction of commodity residential properties amounted to 37.85 million sq.m., up 9.4% from same period of last year and the completed construction area of commodity residential properties reached 14.38 million sq.m., up 7.8% from same period of last year. The total sales area and total sales revenue of commodity residential properties for the first eleven months of 2007 amounted to 10.62 million sq.m. and RMB56.7 billion respectively, representing an increase of 4.9% and 20.6% respectively over the same period of last year. In December 2007, the price index of new residential properties was 108.1, up 8.1% over same period of last year. The price index of commodity residential properties recorded a 7.3% increase for the whole year of 2007.
(Source: Tianjin Statistics Bureau, National Bureau of Statistics of China and the National Development and Reform Commission)

Overview of Chengdu property market

Chengdu is the capital of the Sichuan Province in the southwest of China. In 2007, the Chengdu region recorded a GDP of RMB332.4 billion, a year-on-year growth of 15.3%. Per capita urban disposable income reached RMB14,849, up 16.1% year-on-year. Rising purchasing power boosted prosperous growth in the property market. In 2007, investment in property

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development significantly increased by 47% to RMB91 billion and investment in residential properties grew by 39% to RMB61.1 billion. Strong demand for commodity residential properties fuelled the impressive growth in transaction volume. In 2007, the total transaction area of commodity residential properties in Chengdu amounted to 21.02 million sq.m., representing a 47.3% year-on-year increase. The total completed construction area of commodity residential properties decreased by 0.1% to 8.63 million sq.m.. This shows strong demand over supply and indicates substantial growth potential of Chengdu's property market. In December 2007, the price index of new residential properties was 110.9, a year-on-year growth of 10.9%. The property price index was up 9.3% for the whole year of 2007.
(Source: Chengdu Construction Commission, the National Bureau of Statistics of China and the National Development and Reform Commission)

Overview of Shenyang property market

Shenyang is the capital of the Liaoning Province in the northeast of China. Benefiting from the swift implementation of national development strategies of the northeast economy, the economy and the property market of Shenyang have entered into a long-term high growth phase. In 2007, the Shenyang region recorded a GDP of RMB305.5 billion, a year-on-year growth of 17.7%, the highest growth rate in fifteen years. Fixed assets investment rose by 31% to RMB232.7 billion. Per capita urban disposable income reached RMB14,600, a year-on-year increase of 25.3%; the fastest growth in the last twelve years, suggested remarkable growth of purchasing power boosting demand for residential properties. In 2007, the total GFA of commodity residential properties sold in Shenyang was 11.53 million sq.m., a year-on-year increase of 17.2%. In December 2007, the price index of new commodity residential properties reached 109.4, up 9.4% over same period of last year. The property price index was up 9% for the whole year of 2007.
(Source: The work report of the Shenyang Municipal Government, Bureau of Shenyang Property, National Bureau of Statistics of China and the National Development and Reform Commission)

Overview of Wuxi property market

Wuxi is a key economic hub of the Jiangsu Province in the Yangtze River Delta Region. The Wuxi region posted a GDP of RMB385.8 billion in 2007, representing a year-on-year growth of 15.3%. Per capita urban disposable income reached RMB20,700, up 13.8% year-on-year. Wuxi's property market experienced rapid growth in 2007. Urban commodity residential properties under development amounted to 19.45 million sq.m.; new construction area amounted to 6.91 million sq. and completed construction area amounted to 4.16 million sq.m., representing a year-on-year increase of 20.7%, 22.8% and 14.3% respectively. Total transaction area and total sales amount of urban residential properties amounted to 4.89 million sq.m, and RMB23.8 billion respectively, representing a year-on-year increase of 49.3% and 60.8% respectively. The average selling price of urban residential propertis was RMB4,982 per sq.m., a year-on-year growth of 15.5%. In December 2007, the price index of new commodity residential properties in Wuxi reached 107.9, up 7.9%. The property price index was up 10.1% for the whole year of 2007.
(Source: Wuxi Bureau of Statistics, Wuxi Real Estate Index, the National Bureau of Statistics of China and the National Development and Reform Commission)

Overview of Xian property market

Xian is the capital of the Shaanxi Province in northwest China, with immense growth potential of its property market. In 2007, Xian recorded a GDP of RMB173.7 billion, up 14.6% year-on-year. Per capita urban and rural disposable income grew by 16.1% to RMB12,662. From January to November 2007, investment in Xian's property market amounted to RMB34.4 billion, an increase of 39.8% over same period last year. Construction area of commodity residential properties amounted to 29.25 million sq.m., an increase of 56% over same period last year. Total transaction area of commodity residential properties amounted to 6.04 million sq.m, an increase of 64.7% over same period last year. In December 2007, the price index of new commodity residential properties reached 110.1, a year-on-year increase of 10.1%. The property price index rose 9.4% for the whole year of 2007.
(Source: Xian Statistics Bureau, the National Bureau of Statistics of China and the National Development and Reform Commission)

Overview of Suzhou property market

Suzhou is an important economic city in the Jiangsu Province in the Yangtze River Delta Region. Suzhou's thriving economy and its residents' high income level expedited the rapid growth of its property market. In 2007, Suzhou's GDP passed the RMB500-billion level, reaching RMB570 billion, which represented a year-on-year growth of 16%. The total value of imports and exports amounted to US$213 billion, representing a year-on-year growth of 22.2%; of which, exports amounted to US$118 billion, representing a year-on-year growth of 24.6%. Per capita urban disposable income grew by 14.7% year-on-year to RMB21,260.

In 2007, Suzhou's property market experienced high growth in both demand and supply. Investment in urban property development amounted to RMB56.5 billion, representing a year-on-year increase of 20%. Of which, investment in residential properties accounted for RMB42.4 billion, up 16% from same period last year. Total construction area of commodity residential properties reached 57 million sq.m., up 7% while total completed construction area dropped 12% to 16 million sq.m.. The total amount of commodity property sales amounted to RMB98 billion, up 53% year-on-year; of which, RMB82 billion was accounted for residential properties, a surge of 56% year-on-year. In 2007, the total transaction area of urban residential properties in Suzhou amounted to 7.34 million sq.m., representing a year-on-year increase of 27.2%. The average selling price of urban residential properties was RMB6,305 per sq.m., up 21% year-on-year.
(Suzhou Statistics Bureau and suzhou.soufun.com)

Overview of Taiyuan property market

Taiyuan, being the capital of the Shanxi Province in northern China, continued to show high-speed economic growth in 2007. It recorded a GDP of RMB125.5 billion, representing a year-on-year growth of 16.4%, being 4.9 percentage points higher than that of the previous year. Per capita urban disposable income grew by 17.1% to RMB13,745, being 5 percentage points higher than that of the previous year. Taiyuan's rapid economic growth and rising urban income fuelled further demand for residential properties. In December 2007, the price index of new commodity residential properties reached 104.2, representing a year-on-year increase of 4.2%. The property price index rose by 4.8% for the whole year.
(Source: Taiyuan Bureau of Statistics, National Bureau of Statistics of China and the National Development and Reform Commission)

Business Review

In the year of 2007, China's economy maintained steady growth, urbanization continued to accelerate and the property market kept expanding at a high speed. At the same time, the government further strengthened macro economic control and rolled out a series of macro economic measures to curb overheating of the economy and inflation. Through effective assessment of its internal conditions and the external environment, the Group adjusted its operation strategies at the right time to take hold of market opportunities and unleash its potential. It has accelerated the development pace of its projects across the country. As a result, the Group made a leap in its performance for the year under review.

During the year under review, the Group recorded revenue of RMB4,870,929,000, up approximately 139% from the previous year. Operating profit was RMB1,292,887,000 and profit attributable to shareholders was RMB526,009,000, representing a year-on-year increase of approximately 221% and approximately 98% respectively. Basic and diluted earnings per share was RMB0.2594, compared with RMB0.1505 in 2006. The Board of Directors recommended a final dividend payment of RMB0.12 per share for the year ended 31st December 2007 (2006: RMB0.06 per share).

During the year under review, the Group recorded significant achievements in different aspects of its operations and management.

- Rapid growth in operation scale and achievement of remarkable results – in 2007, the total area of properties under development by the Group was over 2.8 million sq.m. developing 20 projects at the same time. Revenue and profit

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attributable to shareholders grew by 139% and 98%, making record high of RMB4,870,929,000 and RMB526,009,000 respectively. These results show the Group has passed its operation trough and entered into rapid growth phase.

- Strategic regional expansion in full swing – Based on its strategy of focusing on three strategic regions, namely, Bohai Rim, central southwest China and the Yangtze River Delta Region, the Group has gathered its expansion pace and successfully acquired 11 new projects, increasing land bank by approximately 5.59 million sq.m.. Not only did the Group tap into other cities such as Xian and Suzhou, it also further implemented its expansion in Tianjin, Chengdu, Shenyang and Wuxi, thus forming a balanced national expansion layout of "three regions, eight cities", laying down a solid foundation for rapid growth in future.

- Significant increase in sales contribution of projects outside Beijing – following the successful sales launch of Chengdu A-Z Town and Wuxi Gentle House, and the continued remarkable sales of Tianjin Butchart Garden, the Group has entered into the reward stage of its strategic plan of three main strategic regions. The sales contribution of projects outside Beijing leaped from 5% of total contracted sales revenue in 2006 to 28% in 2007.

- Further strengthening of international collaboration – through years of co-development, the Group continued to strengthen its strategic collaboration with GIC. Sharing same collaboration ideals bring forth innovation in collaboration mode; and improve operation scale and efficiency. The number of co-investment projects has increased to 10 in total. This has resulted in economy of scale and provided strong support for the Group's rapid expansion.

- Achieving a breakthrough in offering incentives to employees – in September 2007, "The Long Term Fund Incentive Scheme of Beijing Capital Land Ltd." 《首創置業股份有限公司長期激勵基金計劃》was approved by shareholders' in general meeting. The Scheme was a breakthrough in that it aligns shareholders' value with employees' ideal, effectively instilling energy to the Group to achieve long-term development.

- Implementation of refined management to enhance capability of executing strategies – the Group continued to adhere to its strategic guiding principle. It has exerted control in many areas through budgeting and adopted a performance-oriented approach to carry out assessment in its bid to constantly improve management standard and strengthen its ability to execute strategies.

- Optimization of management structure to cope with various demands arising from expansion – to cater to various demands arising from the Group's rapid growth across the country and drawing experiences from overseas leading corporations, the Group sought to solidify a management structure that has the Group's headquarter as its decision-making body, company branches as its operation body, and project companies as its execution body. At present, the Group's branch companies are formed in cities such as Tianjin and Chengdu.

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Urban Town


Beijing A-Z Town

Property Development


Beijing World Centre


The Interwest

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Projects completed in FY2007

Property	Type	Approximate GFA completed (sq.m.)	Attributable Interest
Urban Town	Residential	107,400	50%
Beijing A-Z Town	Residential	179,300	55%
Beijing World Centre	Office	108,900	100%
The Interwest	Residential/Office	169,700	50%
Upper East Side	Residential	243,700	25%
Tianjin Butchart Garden	Residential	144,000	55%
Wuxi Gentle House	Residential	41,700	60%
Total		994,700	

During the year under review, the Group together with its jointly controlled entities and associates completed seven projects with a total GFA of 994,700 sq.m..


Upper East Side


Tianjin Butchart Garden

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Property Sales Performance

During the year under review, contracted sales area of the Group totaled approximately 720,000.sq.m., up 6.4% from the previous year, of which residential and commercial and office properties accounted for approximately 590,000 sq.m. and 130,000 sq.m. respectively. Total contracted sales revenue in 2007 decreased by 6.8% to approximately RMB8,000,000,000, of which residential and commercial and office properties accounted for approximately RMB6,350,000,000, and RMB1,520,000,000 respectively.

During the year under review, the Group developed projects at a reasonable and organized pace based on constant changes in the property market. With the top quality of its projects, effective sales strategies and excellent customer service, the Group achieved approximate contracted sales revenue of 2006. Property selling prices have substantially increased. The average selling price of Beijing projects was RMB16,990 per sq.m., representing a year-on-year increase of 37.4%. Average selling prices of projects outside Beijing was RMB5,815 per sq.m., up 21.1% year-on-year. The percentage of residential properties sales to total sales also increased to 79% in 2007 from 61% in 2006.

Bohai Rim remained the Group's key sales region. Total contracted sales revenue and total contract sales area amounted to approximately RMB6,580,000,000 and 476,000 sq.m respectively for the year under review. The Reflections and the Upper East Side, high end products of the Group, represent the Group's "urban international high-end community" series. It has taken many property owners by storm with its unique living concepts, top quality and excellent services, demonstrating the strength of being models of high-end residential properties in Beijing. Beijing A-Z Town and Urban Town, representing the Group's "urban high density integrated community" series, appealed to scores of well-educated, high-income customers of good taste with its all-round services, unique branding by the Group and its concept of comprehensive community development; and have become home buyers' first choice. Tianjin Burchart Garden, representing the Group's "low density humanistic community" series, brings into full play of the development of the ideal of humanistic environment. Pursuit of finer details on the project makes it a continuous hit.

During the year under review, a number of projects were launched to the market in the central southwest region and the Yangtze River Delta Region. On 27th May 2007, Chengdu A-Z Town was launched to the market with a remarkable success of over 2,000 people competing for purchase on the first launch day. The project not only realized the Group's replication of products to other provinces but also unleashed the potential of the Group's production lines and continues to make perfect of the Group's "urban high density integrated community" series as represented by its A-Z Town product line. The Group's fine-tuned strategic system equipped with a mature and highly effective production line operation model was showcased in its rapid improvement in its comprehensive operation strength and market competitiveness during the year. Wuxi Gentle House was well-received by customers with its design concept of blending in nature with the living environment, its "5S-class" quality and diversified sales strategy. The project came on top in terms of sales area and sales revenue in Wuxi East, making it the leading, top-quality property project in the area.

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During the year under review, sales performance of the projects of the Group and its jointly controlled entities and associates was as follows:

Proejct	Approximate Contracted Sales Area (sq.m.)	Approximate Contracted Sales Revenue (RMB 000)	Approximate Contracted Average Selling (RMB/sq.m.)
Residential	**590,539**	**6,347,320**	
The Reflections	27,325	671,630	24,579
Urban Town	50,151	891,270	17,772
Beijing A-Z Town	73,595	1,056,140	14,351
Vancouver Forest	17,655	210,420	11,918
Upper East Side	82,952	1,439,430	17,353
The Interwest	9,009	160,310	17,794
Tianjin Butchart Garden	134,962	805,290	5,967
Chengdu A-Z Town	112,413	680,180	6,051
Wuxi Gentle House	82,477	432,650	5,246
Commercial/Office	**129,721**	**1,516,320**	
North Ring Centre	347	9,330	26,888
Beijing A-Z Town	45,992	600,000	13,046
The Interwest	33,530	606,990	18,103
Chengdu A-Z Town	49,852	300,000	6,018
Carpark	–	**131,280**	
The Interwest	–	73,570	
Beijing World Centre	–	57,710	
Total	**720,260**	**7,994,920**	

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Hotel Operations

During the year under review, positioning itself as a hotel for business and conference, Holiday Inn Central Plaza Beijing has launched various plans such as “The Prestige Club” (優悦會), “Loyal Customer Service Manager” (忠實客戶服務經理) and “Guests’ Knowledge Scheme” (賓客認知計畫) to expand its stable and long term customer base. The efforts yield excellent result and the hotel has become the first choice for business travelers and conferences. The average occupancy rate maintained at a relatively high level of approximately 75% in 2007. The hotel is widely recognized by customers and in the hotel industry for its quality, professional and efficient service, high standard facilities, excellent satisfaction from its staff and guests, and outstanding operation results.

As the first prime hotel in Financial Street, Inter-Continental Financial Street Beijing upholds its quality service and expands its clientele through continuous effective policies and measures. It shall continue to leverage on its competitive advantage and influence on the industry to attain its goal of being a “high-end internationalized financial and business hotel”. The average occupancy rate was approximately 67% in 2007.

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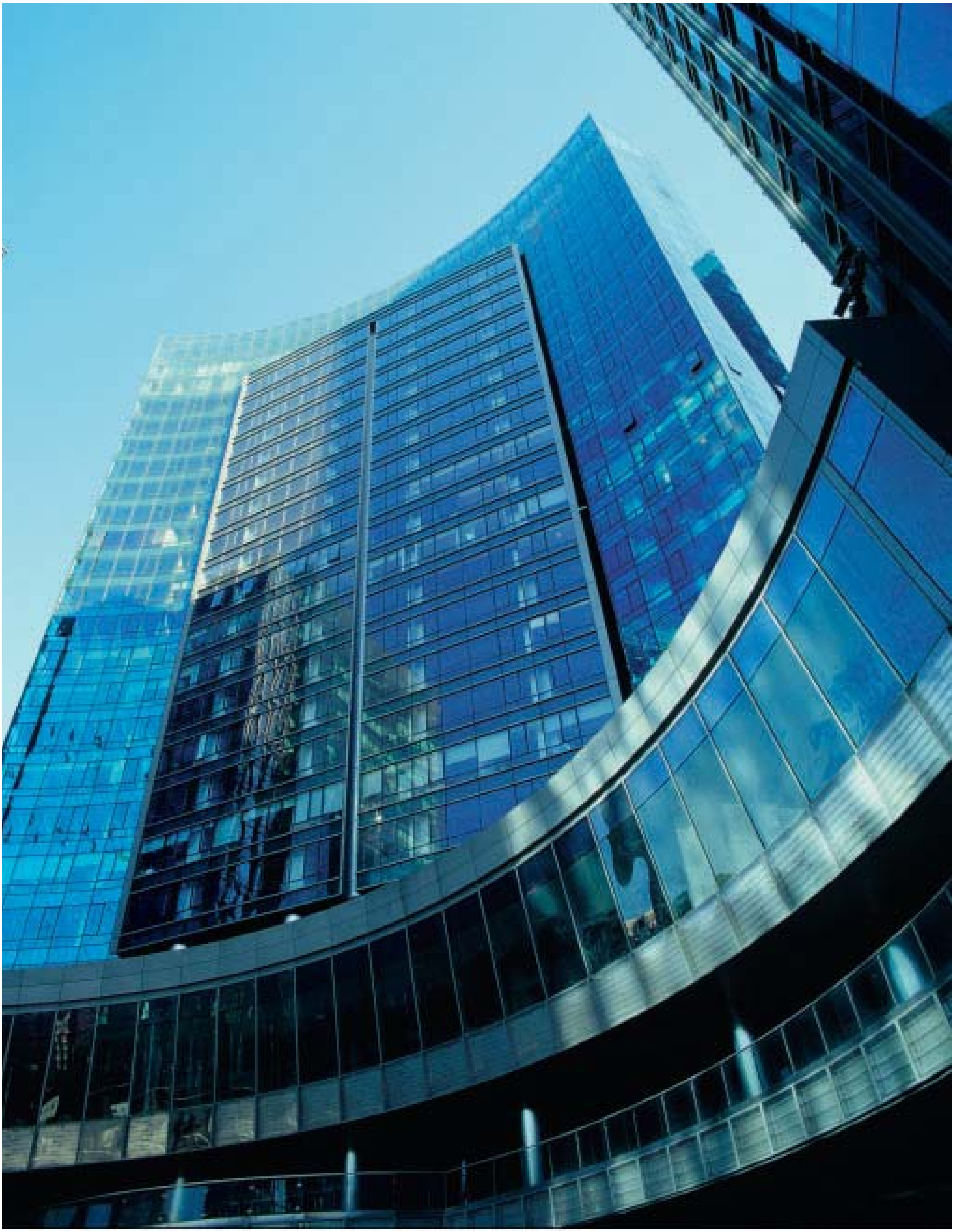

Land Bank

As at 29th February 2008, the Group's land bank, when fully developed, will amount to a total GFA of approximately 9.77 million sq.m. which geographical distribution is as follows: roughly 16.6% in Beijing, 19.9% in Tianjin, 15.4% Shenyang, 17.8% in Chengdu, 15.7% in Xian, 5.6% in Wuxi, 2.4% in Suzhou and 6.6% in Taiyuan. In terms of land use, roughly 90% is accounted for residential projects, 6% for commercial projects, 1.7% for office properties and 2.3% for hotels.

Up to 29th February 2008, the Group intensified its business development basing on its focus of three basic strategic regions, namely, Bohai Rim, central southwest China and the Yangtze River Delta Region by the acquisition of eleven projects in cities including Tianjin, Chengdu, Shenyang, Wuxi, Suzhou and Xian, increasing the Group's land bank by approximately 5.59 million sq.m. A balanced national expansion layout of "three-regions-eight-cities" was formed, laying down a solid foundation for the Group's rapid development in the next three years. This has swiftly realized the Group's strategic goal of "Tapping into Markets Outside Beijing and Extending Business Across the Country".

Up to 29th February 2008, the Group acquired five new projects in Bohai Rim which totaled new land bank of approximately 2.23 million sq.m..

In Tianjin, the Group adopted a strategy of "planning the outer ring first before making breakthrough in the core". During the year under review, it has added four projects to its portfolio, namely, the Tianjin First City (the Tianjin Binhai New District Project), the Xiqing-, the Shuanggang- and the Huaming Projects. The total GFA of the four projects amounted to approximately 1.62 million sq.m. The Tianjin First City is located in the Binhai New District of the national economic zone, with a total GFA of approximately 580,000 sq.m. The total land cost was approximately RMB780 million. It is south to Jingjintang Highway, east to Hebei Road and west to the Station North Road. Approximately 2km away from the Tanggu exit of Jingjintang Highway, the project is in excellent geographical location and benefits from a good transport network. It is surrounded by developed communities and is qualified for becoming a high-end community thus suitable for development into the Group product series of "urban international high-end community". Sales launch is expected in 2008. The Xiqing-, the Shuanggang- and the Huaming Projects have a total GFA of 1.04 million sq.m., with a total land cost of approximately RMB4.24 billion. They are all "Xin Jia Yuan" residential projects planned by the Tianjin Municipal Government and suitable for development into the Group's "low density humanistic community" series. Sales launch is expected in 2008. "Xin Jia Yuan" are large-scale residential projects implemented by the Tianjin Municipal Government since 2007 and are pivotal property developments in the Tianjin property market thus having great support from the government. In response to the government's call to bolster efficient housing supply, the Group immediately acquired these three "Xin Jia Yuan" projects to show its commitment and responsibility towards the community in addition to laying foundation for its future development.

The Group acquired the Shenyang First City Project ("Shenyang Shenying Road Residential Project") through open auction in June 2007 at a consideration of approximately RMB770 million. With a total GFA of approximately 610,000 sq.m., it is the Group's second project in Shenyang. The project is located between Shenyang's Second Ring Road South and Third Ring Road South which is the vital passage in linking the Hannan New District and the old city district. It is 15-minute drive from airport, adjacent to metro station and easy to commute in all directions. Its surrounding area has gradually been well-equipped with ancillary facilities. The project is thus very suitable for development into the Group's "urban international high-end community" series. Sales launch is expected in 2008.

Up to 29th February 2008, the Group had acquired four new projects in central southwest region totaling new land bank of approximately 2.90 million sq.m. Its acquisition costs were below latest market price, thus boosting profitability and mitigating risk.

In Chengdu, the Group implemented a strategy of "focus on the east to generate economy of scale". The Group's three new projects in Chengdu are the Chengdu First City Project (Chengdu East Third Ring Road Residential Project), the SCE Project and the Beiquan Road Project, with a total GFA of approximately 1.37 million sq.m. In May 2007, the Group acquired the Chengdu First City Project through open auction at a consideration of RMB430 million. It has a total GFA of approximately 430,000 sq.m. and is the Group's second project in Chengdu. Conveniently located, adjacent to the Chengyu Flyover along the East Third Ring Road, neighboring main expressways and Qianyumu City Garden, the project area is well equipped with ancillary facilities and surrounded by renowned education institutes such as Sichuan College of Education ("SCE"), SCE Secondary School and SCE Primary School. All these are great attractions to the middle class in Chengdu. The project is thus ideal for mid-end residential project development and suitable for development into the Group's "urban international high-end community" series. The project is scheduled for sale in 2008. In August 2007, the Group acquired two projects, the SCE Project and the Beiquan Road Project in Longquanyi District through open auction at a total consideration of RMB740 million. The sites have a total GFA of approximately 930,000 sq.m.. Longquanyi District has long been renowned as a famous hometown of flowers and fruits. It will be the key region for the eastern development of Chengdu and in turn, become the sub-centre of Chengdu City. It is expected to be the area demonstrating the best living environment in Chengdu. Both projects are adjacent to the SCE Chenglong school district and located on the boundary of Chengdu Economic Development Zone, enjoying excellent environment and convenient traffic. The two sites will be developed into mid-to-high end residential projects of small-to-middle size units, supplemented by commercial ancillary facilities, targeting at university teaching staff and white collars workers in the Chengdu's urban economic and technology development district. The projects are scheduled for sale in 2009.

In November 2007, the Group acquired Xian Fengcheng Road Project through open auction at a total consideration of approximately RMB1,000 million with a total GFA of approximately 1,540,000 sq.m.. Following years of hard work, Xian Fengcheng Road Project not only is the Group's first project on entering the Xian property market, but also its largest project in terms of GFA, signifying the Group's business has moved to new height. Xian Fengcheng Road Project is located in the Xian Economic and Technology Development Zone. Less than 1 km away from the new office place of the Xian Municipal Government, 1.2 km from the planned Beijing-Xian high speed railway and a short distance from the Zhangjiabao train station, it will be central to Xian's government and business districts in future. The Group will combine the competitive advantages of its two mainstream property lines, the "urban high density integrated community" and the "urban international high-end community", to establish an ultra-large integrated community with multi-functions and comprehensive property value in Xian, fully reflecting the Group's operating strengths. Sales launch is expected in 2009.

Up to 29th February 2008, the Group added two new projects in the Yangtze River Delta, increasing its land bank by approximately 460,000 sq.m..

In December 2007, the Group acquired a project in Yangchenghu in Suzhou through open auction at a consideration of approximately RMB570 million. With a total GFA of approximately 230,000 sq.m., the project is the first project to be developed by the Group in Suzhou city. It is located in the Suzhou Industrial Park District which is an international, industrial zone, renowned for industry upgrade, technological innovation and urban development. It is regarded as one of the most comprehensive economic development districts in China. The new district is home to many brand name corporations and talents. It is an ideal choice for developing into high-end residential properties. The project is scheduled for sale in 2009.

In January 2008, the Group successful acquired the Wuxi Jichang Road Project at a consideration of approximately RMB510 million through open auction. The project has an approximate total GFA of approximately 230,000 sq.m. Located in the heart of the New District of Wuxi, the Wuxi Jichang Road Project is the Group's second project in Wuxi. Transport is highly convenient in the area as it is close to the airport highway, only 15-minute ride to the airport. The project is surrounded by comprehensive facilities such as large shopping centres, five-star hotels and the Central Musical Park which is under development. It is also near to the Wuxi Metal Secondary Trading Market which has active trading and gathers people with high-purchasing power. The project will be developed into high-end residential properties to provide supply in the area where there are few high-end residential properties. The project is expected for sale launch in 2009.

The Group's land reserve is sufficient for development in the next three years. The Group will continue its strategy of focusing on three strategic regions, namely, Bohai Rim, central southwest China and the Yangtze River Delta Region. It will strengthen its land bank acquisition effort by ways of open auction or merger and acquisition, striving for appropriate scale of land bank of good value, reasonable planning to expedite return and development cycle.

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Human Capital

As at 31 December 2007, the Group had a professional team of 486 people with an average age of 34.4. 15.4% and 60.7% of the employees received master degree or above and undergraduate education respectively. Of the total number of staff, employees at the middle level accounted for 34.8% and those at high rank 6.6%.

During the year under review, the Group further refined its human resources and performance management so as to better align the Group's performance with its strategy, planning and budget. Guided by the three principles of "regulated growth, achieving higher efficiency in project management and achieving higher return on capital employed", the Group has adopted a balanced score system and set out 20 measures and 54 action plans in respect of finance, customers, internal operation and learning growth for the year of 2008, setting out key performance index for annual performance evaluation. Monthly and seasonal evaluation exercises which are "performance-, result- and value-oriented" will also be conducted so to strengthen the capability to execute corporate strategies and plans.

During the year under review, the Group implemented a performance-based and comprehensive management assessment system to the management at every level. The Group also co-operated with professional institutes to implement a diversified management skill development program which brought in positive impact to the management selection. The Group organized 48 training programs according to the career development planning and capability of the employees. Total training attendance reached 1,727. The number of training hours totaled 16,749 hours with an average of 35 hours per staff member; and all together 16 middle to senior management officers as lecturers of internal training programs.

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Prospects

In the long run, residents' keen housing demand will underpin long-term growth of the property market. Economic growth, urbanization and rising income of the population will continue to provide the China property industry with enormous growing opportunities in future. In the short to medium term, macro economic measures will be the key factors affecting the cycle of the property market. The accumulative effects of policy, expectation of more stringent measures and changing demand and supply may lead to periodic or partial correction in the market. Such correction provides good opportunities for competent corporations to expand. The Group shall seize the opportunity to maintain sustainable and healthy growth based on risk management.

As one of the leading integrated property operators in China, the Group is confident in its ability to develop into a major internationalized integrated property operator and to promote the property industry in China.

The Group will implement the following growth strategies in 2008:

- Expand three major types of capital: human resources, finance and land to develop pragmatically
  - Continue to improve human resources training and performance incentive system so as to fully reflect both the value of team efficiency and individual staff in the rapid development of the Group.

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- Diversify and expand capital channels, strengthen the ability to expand, to mitigate risk and maximize corporate value.
- Step up efforts in land bank acquisition and strive for the appropriate scale of land bank of good value, reasonable planning to expedite return and development cycle.

• Improve overall operation ability
  - Strengthen the implementation of process standardization and cost control, accelerate project development pace and project cost control to enhance and expedite returns on asset.
  - Further implement product standardization, strengthen interactions with customers to understand their needs and requirements and keep enhancing product quality and services to maximize brand value.
  - Strengthen overall financial planning, continue to enhance efficiency of raising and use of capital, and improve positive interaction between business growth and capital expansion.

• Continue to promote management reform to improve operation efficiency
  - Continue to strengthen the management cycle of "planning – budget – performance" to refine management, strengthen management assessment and execution to enhance consistency and effectiveness of management system.
  - Continue to improve strategic management structure with the Group's headquarters as the decision-making body, city branches as the operation body, and project companies as the execution body. Proactively strengthen the internal management mode of city branches and project companies and standardize their operational flow.
  - Improve business flow and business guideline documents in accordance with the rules on standardized operation management for enhancement of operation efficiency.
  - Use of information platform to promote sharing and integration of information to solidify results of management reform.

• Common value and mutual growth
  - Take hold of long-term growth opportunities, speed up integration, and seek stable and rapid expansion through consistent improvement of operation efficiency.
  - Create a mutual, open, win-win corporate culture that features common values; promote coordinated growth of interests of shareholders, customers and employees; work together to realize the vision of being "China's most valuable integrated property operator".

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Financial Analysis

1. Revenue and Operating Results

During the year 2007, the revenue of the Group was RMB4,870,929,000 (2006: RMB2,039,352,000), representing year-on-year increase of 139%. Such significant increase in revenue comparing with that of last year was attributable to high sales and occupancy rate of the Urban Town project in Beijing, A-Z Town project in Beijing, Beijing World Centre Project, Tianjin Butchart Garden project developed by the Group during the year.

During the year 2007, the revenue of the Group's hotel operation amounted to RMB248,062,000 (2006: RMB211,347,000), representing an increase of 17% as comparing with that of the year 2006. It was mainly due to the higher occupancy rates and room rates of Inter Continental Financial Street Beijing and Holiday Inn Central Plaza Beijing held by the Group during the year.

During the year 2007, the Group achieved a gross margin of 31%, representing a substantial increase from 17% of last year. It was mainly due to much higher selling prices in properties sold which sales revenue was recognised in the year than that of last year thus leading to an increase in gross margin.

During the year 2007, operating profit of the Group was approximately RMB1,292,887,000 (2006: RMB402,308,000), representing a growth of 221% year-on year.

2. Financial Resources, Liquidity and Liability Position

As at 31st December 2007, the Group's total assets were RMB19,803,326,000 (2006: RMB15,386,861,000) (of which, current assets were RMB10,737,134,000 (2006: RMB9,947,394,000) and non-current assets were RMB9,066,192,000 (2006: RMB5,439,467,000)) and the total liabilities were RMB14,045,002,000 (2006: RMB10,720,930,000) (of which, current liabilities were RMB9,895,500,000 (2006: RMB5,225,006,000) and non-current liabilities were RMB4,149,502,000 (2006: RMB5,495,924,000)), and the equity reached RMB5,758,324,000 (2006: RMB4,665,931,000).

The Group is of sound liquidity and solvency. Current ratio as at 31st December 2007 was 1.09 (2006: 1.90).

INNOVATING LIFE
CREATING VALUE

As at 31st December 2007, the Group's cash and short-term bank deposits amounted to RMB2,721,398,000 (2006: RMB3,768,107,000), which represented sufficient cash flow for operations.

Bank loans of the Group as at 31st December 2007 amounted to RMB5,869,138,000 (2006: RMB5,651,261,000), of which the long-term loans amounted to RMB3,550,000,000 (2006: RMB5,134,261,000), which were mainly used to fulfill the capital requirements of the Group's property development projects.

The Group currently makes investment in the PRC only. Except for a U.S. dollar loan facility obtained by one of its subsidiaries from DBS Bank, which drawdown amounted to US$30,000,000 as at 31st December 2007, all of the Group's other bank loans come from banks in the PRC and are borrowed and repaid in RMB hence there exists no significant currency risk. All of the Group's long-term bank loans are granted on a floating rate basis.

As at 31st December 2007, the Company's gearing ratio was 35.20% (2006: 30.13%). The gearing ratio is calculated by first adding up(i) the Group's short-term and long-term bank loans and (ii) net amounts due from/to parent company, net of (iii) net cash and bank balances (the balance of (i), (ii) and (iii) being referred to as "(A)"), then have (A) divided by the aggregate of (A) and net assets of the Group.

3. Establishment and acquisition of substantial subsidiaries

During the year 2007, the Company established wholly owned subsidiaries: Beijing Capital Land Chengdu Company Limited (首創置業成都有限公司), Tianjin Capital Xinming Real Estate Development Company Limited (天津首創新明置業有限公司), Tianjin Capital Xinyuan Real Estate Development Company Limited (天津首創新園置業有限公司) and Tianjin Capital Xingang Real Estate Development Company Limited (天津首創新港置業有限公司). Beijing Shangbodi Investment Consultant Company Limited (北京尚博地投資顧問有限公司), a wholly owned subsidiary of the Company, also established its wholly owned subsidiary, Tianjin Capital Xinqing Real Estate Development Company Limited (天津首創新青置業有限公司).

During the year 2007, the Company jointly contributed in the acquisition of all equity interest in Shenyang Jitian Real Estate

創新生活
創造價值

Development Company Limited (瀋陽吉天置業有限公司) with Reco Ziyang Pte Ltd. The Company owns 50% of the equity interest in Shenyang Jitian Real Estate Development Company Limited.

During the year 2007, the Company acquired 5% equity interest in Tianjin Banshan Renjia Real Estate Company Limited (天津伴山人家置業有限公司) from Tianjin Zhongtai Investment Limited (天津中泰投資有限責任公司), and owns 85% equity interest in Tianjin Banshan Renjia Real Estate Company Limited through increase of capital.

During the year 2007, the Company acquired 20% equity interest in its subsidiary, S.C. Real Estate Development Company Limited from Beijing Chaoyang Urban Construction Comprehensive Development Company (北京市朝陽城市建設綜合開發公司) and after the acquisition, the Company owns 100% equity interest in S.C. Real Estate Development Company Limited.

During the year 2007, Beijing Sun Shine City Real Estate Development Company Limited, an equity joint venture company which was 50% owned by the Company, revised its joint venture contract and articles of association. After which, though the Company's equity interest in Beijing Sun Shine City Real Estate Development Company Limited remained unchanged, the Company obtained control of the board of that company. It became the subsidiary of the Company.

During the year 2007, the Company and Reco Ziyang Pte. Ltd. jointly contributed in the establishment of Chengdu Capital Yidu Real Estate Development Company Limited (成都首創驛都置業有限公司), and the Company owns 55% of its equity interest.

4. Other Gains

During the year 2007, the Company disposed its 45% equity interest in an associate, Beijing Jinyaguang Real Estate Development Co., Ltd. (北京金亞光房地產開發有限公司), realising a net gain of RMB103,184,000. After the disposal, the Company ceased to own any equity interest in Beijing Jinyaguang Real Estate Development Co., Ltd.

During the year 2007, the Company disposed part of the shares in Super Shine Company Limited, realising a net gain of RMB50,752,000.

5. Entrusted Deposits and Overdue Time Deposits

As at 31st December 2007, the Group did not have any deposits under trusts or any time deposits in financial institutions in the PRC. All of the Group's cash were held in commercial banks in the PRC in accordance with applicable laws and regulations. The Company had no bank deposits which is not recoverable upon maturity.

INNOVATING LIFE
CREATING VALUE

6. Pledge of Assets

As at 31st December 2007, land use rights of certain properties as well as properties under development were pledged by the Group as security for long-term bank loan of RMB419,138,000 (2006: RMB234,261,000).

As at 31st December 2007, the right to yield of certain properties (yields from transfer of such land or by other means of utilization of the same) was pledged by the Group as security for long-term bank loan of RMB3,850,000,000 (2006: RMB4,500,000,000) and short-term bank loan of RMB500,000,000 (2006: Nil).

7. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding guarantees amounted to RMB2,143,607,000 as at 31st December 2007 (2006: RMB1,243,183,000).

As at 31st December 2007, other than guarantees provided for a long-term bank loan of RMB600,000,000 (2006: RMB400,000,000) granted to a subsidiary of the Company and a long-term bank loan of RMB100,000,000 (2006: Nil) granted to a jointly controlled entity, the Group had no other material external guarantee.

The Group had no material contingent liabilities.

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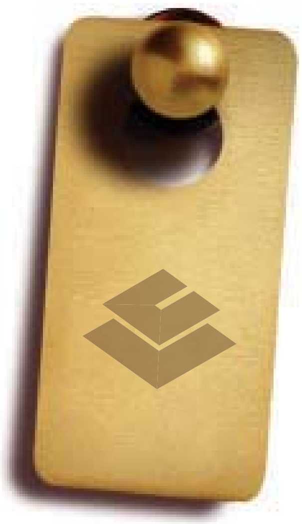
創造價值

Biographical Details of Directors, Supervisors and Senior Management

Current session of the Board of Directors took effect on 5th December 2005 for a term of three years.



Chairman

Liu Xiaoguang (劉曉光), aged 53, has been appointed as an executive director and the Chairman of the Company since December 2002. Mr. Liu has served as the vice-chairman and the general manager of the Capital Group since 1995. Prior to his appointment with the Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Since 1994, Mr. Liu has been serving as chairman of the board of directors of New Capital International Investment Limited (ING Beijing Fund). Presently, Mr. Liu is the visiting lecturer of Beijing's Commerce Council. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

Executive Directors

Tang Jun (唐軍), aged 48, has been appointed as an executive director and the President of the Company since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang has served as legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

He Guang (何光), aged 49, has been appointed as an executive director and Vice-president of the Company since December 2002. Prior to his appointment with the Company, Mr. He has served as a senior management member in TCL Construction Development Ltd., Canada, C.M. Wong Associates Ltd., Hong Kong and New Rank City Development Ltd. Mr. He obtained his Doctorate in Civil Engineering from the University of Montreal, Canada in 1996.

INNOVATING LIFE
CREATING VALUE

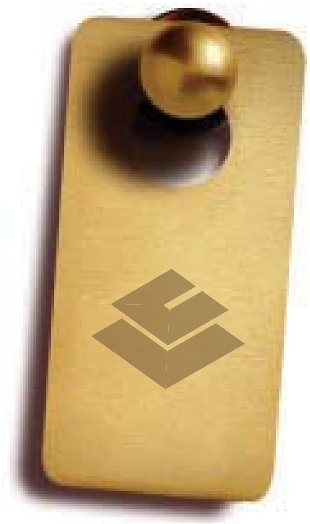
Non-executive Directors

Feng Chunqin (馮春勤), aged 55, has been appointed as an non-executive director of the Company since December 2005. Mr. Feng has been serving as deputy general manager of the Capital Group since June 2001. Prior to his appointment with the Capital Group, Mr. Feng served as general manager of Beijing Jinghua Trust and Investment Corporation and Beijing Jianxin Enterprise Holdings Limited, the trust and investment company of the headquarters of China Construction Bank. Mr. Feng has also worked for the Organization Department of the Beijing Municipal Communist Party of China Committee and MOFTEC Department of Beijing Municipal Communist Party of China Committee. Mr. Feng obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

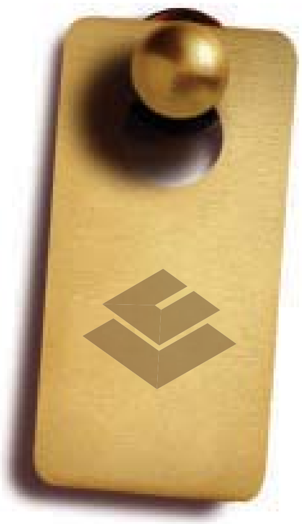
Wang Zhengbin (王正斌), aged 44, was appointed as an executive director and vice-president of the Company in December 2002 and re-designated as a non-executive director since December 2005. Prior to his appointment with the Company, Mr. Wang served as the real estate department manager, deputy general manager and general manager of Beijing Capital Hangyu Economic Development Co., Ltd. Mr. Wang is the general manager of division one of the operation department of the Capital Group. Mr. Wang obtained his economic management degree from the People's University of China in 1992.

Zhu Min (朱敏), aged 45, has been appointed as a non-executive director of the Company since December 2002. Ms. Zhu has worked for the Beijing Municipal Bureau of Statistics and Beijing Municipal Development and Planning Commission. Since 2001, Ms. Zhu has been serving as a director and general manager of Beijing Capital Technology Investment Ltd. Ms. Zhu obtained her Master Degree of Enterprise Management from the Institute of Economic and Trade University in 1999.

Muk Kin Yau (麥建裕), aged 45, has been appointed as a non-executive director of the Company since November 2003. Mr. Muk is the Executive Vice President and Head of Investments (Asia Pacific) of GIC Real Estate Pte. Ltd., the real estate investment arm of the Government of Singapore Investment Corporation Pte. Ltd. Headquartered in Singapore, its global real estate investment activities are managed through an international network of offices including New York, San Francisco, London and Tokyo. GIC Real Estate Pte. Ltd.'s investments cover a diverse range, including direct property, private and public companies, real estate funds and debt instruments.



創新生活
創造價值



Independent Non-executive Directors

Kwong Kai Sing Benny (鄺啟成), aged 49, has been appointed as an independent non-executive director of the Company in December 2002. Mr. Kwong has held various positions in the credit department and China department of various international banks. Over the past years, Mr. Kwong has served as executive directors of some listed companies in Hong Kong and is currently the Chairman of Heritage International Holdings Limited, a company listed on the Stock Exchange of Hong Kong. Mr. Kwong graduated from Simon Fraser University in British Columbia, Canada in 1982 with a bachelor's degree in arts. Mr. Kwong also obtained his Honorable Doctorate from the Alabama State University, USA in 2007.

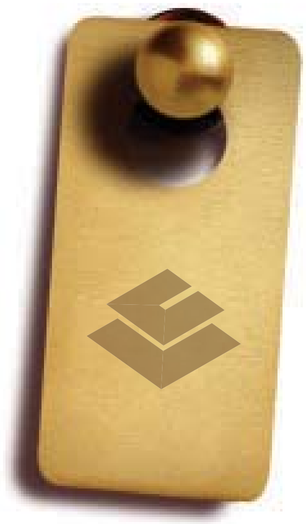
Ke Jianmin (柯建民), aged 54, has been appointed as an independent non-executive director of the Company since June 2003. Mr. Ke has served as the vice president of SNC-Lavaline International. Mr. Ke graduated with a bachelor's degree and a master's degree in urban planning from Shanghai Tongji University in 1979 and 1982 respectively. He also obtained a doctorate degree from Sheffield University, United Kingdom in 1994.

Mr. Yu Xing Bao (俞興保), aged 42, is a certified public accountant in the PRC. Mr. Yu has been appointed as an independent non-executive director of the Company since May 2004. Mr. Yu obtained his bachelor degree from the Shanghai University of Finance & Economics in 1987 and his Master Degree in Business Administration from Tsinghua University in 2005. Mr. Yu has previously worked for SheKou ZhongHua Certified Public Accountants, and the China office of American Appraisal Hong Kong Limited. From 1996, Mr. Yu served as the legal representative and chief accountant of Beijing ZhongRuiJia Certified Public Accountants. Since 2000, Mr. Yu has been serving as the legal representative and chief accountant of Ascenda Certified Accountants (Beijing).

Li Zhaojie (李兆杰), aged 53, is a professor of School of Law, Tsinghua University. Mr. Li has been appointed as an independent non-executive director of the Company since December 2005. Mr. Li is the vice-president of the Chinese Society of International Law, the chief editor of the Chinese Yearbook of International Law, and the committee member of Asian Society if International Law. Mr. Li was a visiting professor at Duke University Law School in 2002 and University of Tokyo in 2003. Mr. Li is also the committee member of the 11th CPCC of Beijing City in 2008. Mr. Li obtained his Bachelor of Laws degree from Peking University in 1983, Master of Laws degree from the University of California in 1985, Master of and Library Information Studies degree from the University of California in 1986 and Doctor of Juridical Sciences degree from the University of Toronto in 1996.

INNOVATING LIFE
CREATING VALUE

Supervisors



Wang Qi (王琪), aged 54, was appointed as a supervisor of the Company in May 2004. Prior to his appointment, Mr. Wang has served as commissioner of the Beijing Municipality's Financial Budget Department and Education Department of the Beijing Financial Bureau. Mr. Wang has also served as deputy general manager and general manager of Beijing Municipal Economic Development and Investment Company, and the deputy general manager of the Capital Group. Currently, Mr. Wang serves as chairman of Beijing Infrastructure Investment Co., Lted., and is a director of Beijing Capital Co., Ltd. Mr. Wang obtained his Bachelor of Economics degree from the Beijing Institute of Finance and Trade in 1982.

Yu Changjian (俞昌建), aged 52, was appointed as a supervisor of the Company in December 2002. Mr. Yu has worked for Beijing Chemical Group and Beijing Capital Hangyu Economic Development Co., Ltd. Since 1995, Mr. Yu has been serving as manager and chief financial officer of Capital Group's Finance Department. Mr. Yu graduated from the Beijing Broadcasting Television University in 1986.

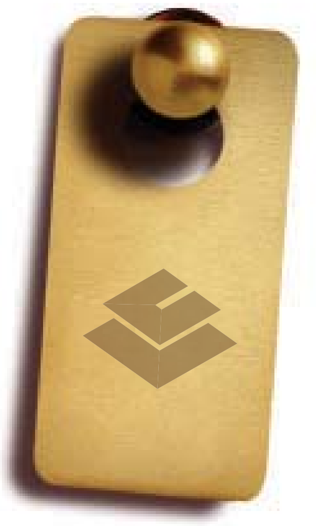
Wei Jianping (魏建平), aged 41, was appointed as a supervisor of the Company in December 2002. Mr. Wei has been working as engineer and manager for Beijing Sunshine Real Estate Comprehensive Development Company and its subsidiaries since 1994. Mr. Wei also serves as project manager of Beijing Rongjin Real Estate Development Co., Ltd. Currently, Mr. Wei serves as the chairman of the board of directors of Central Plaza Real Estate Development Company Limited and as a director of Beijing Rongjin Real Estate Development Co., Ltd. Mr. Wei graduated with a Master degree in Economics from the People's University of China in 2000.

Secretary of the Board of Directors

Hu Weimin (胡衛民), aged 42, was appointed secretary of the Board of Directors in August 2007. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the business department of Beijing Guanwei Investment Management and Consultancy Company, responsible for investment consulting and project monitoring of ING Beijing Investment Fund . He joined the Company in 2002, and was appointed vice assistant president of the Company in December 2006. Mr. Hu obtained his master degree in engineering from Northeastern University.

創新生活
創造價值

Company Secretary



Ms. Lau Kam Yi, Rosary (劉錦儀), aged 49, was appointed as the Company Secretary and Qualified Accountant of the Company in December 2007. Ms. Lau is a certified public accountant and has wide experience in the fields of finance, securities and accounting. Ms. Lau has worked for some U.S. financial institutions and served as company secretary, treasurer and qualified accountant of some listed companies in Hong Kong. Ms. Lau is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms Lau holds a Diploma in Finance from the Chinese University of Hong Kong.

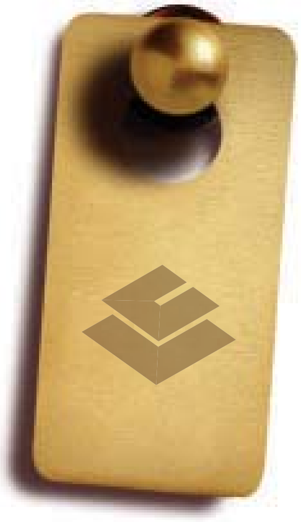
Senior Management

Zhang Juxing (張巨興), aged 54, was appointed as a vice president of the Company in December 2002. Mr. Zhang has worked in the Infrastructure office of Beijing Public Transport Corporation for seven years. Since 1993, Mr. Zhang has been serving as department manager and deputy general manager of the development department of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Zhang is also a supervisor of Super Shine. Mr. Zhang graduated with a basic economic infrastructure degree from the People's University of China in 1989. During 2005 to 2007, he studied in Beijing University and obtained his MBA from the University of Northern Virginia.

Zhang Fuxiang (張馥香), aged 46, was appointed as a vice president of the Company in March 2006. Ms. Zhang has been serving as financial manager and financial controller of Super Shine and Beijing Sunshine Real Estate Comprehensive Development Company respectively and as supervisor of Super Shine since 2000. Ms. Zhang was appointed as the chief financial officer of the Company in December 2002. Ms. Zhang obtained her Bachelor of Economics degree from the financial accounting department of the People's University of China in 1985.

INNOVATING LIFE
CREATING VALUE

Sun Baojie (孫寶杰), aged 38, an assistant economist, was appointed as the vice president of the Company in March 2006. During the period from 1996 to December 2003, Ms. Sun served as the manager of the development department of Beijing Capital Sunshine Real Estate Development Co., Ltd. Since December 2003, she has been the general manager of An Hua Century/Sunshine City Real Estate Company Limited. Ms. Sun obtained his Bachelor of Economics from the Central Financial and Banking University in 1993.



Wu Huai Liang (吳懷量), aged 45, engineer, was appointed deputy president of the Company in March 2008. Mr. Wu had served in the United Front Work Department of the Industrial, Commercial and Economic Office of Beijing Municipal Party Committee, Beijing Integrated Investment Company, Beijing Economic Development Company successively. He joined Beijing Capital Technology Investment Co., Ltd. in 2000 as general manager of the Real Estate Business Department. During 2002 to 2003, he acted as general manager of Beijing Anhua Century Property Development Co., Ltd. Since 2004, he has been serving as general manager of S.C. Real Estate Development Company Limited. In December 2006, he was appointed assistant president of the Company. Mr. Wu obtained his Bachelor Degree in Engineering from Wuhan University in 1984.

Luo Jun (羅俊), aged 36, was appointed as the chief financial officer of the Company in March 2007. Mr Luo has acted as the general manager of the Finance Department of the Company from October 2003 to March 2007. Prior to his appointment, Mr. Luo was senior manager of the auditing department in a domestic accounting firm. Mr. Luo is a member of Beijing Institute of Certified Public Accountants and is a certified public accountant in the PRC. Mr. Luo graduated from Beijing Jiaotong University. He obtained his Bachelor of Economics degree in 1993 and Master of Economics degree in 1996.

創新生活
創造價值

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2007.

Principal Activities

The Group is principally engaged in property development and hotel investment and operation.

Results

The results of the Group for the year ended 31st December 2008, prepared in accordance with Hong Kong Financial Reporting Standards and its financial position as at the same date are set out on pages 71 to 79 of the annual report.

Dividends

At a Board meeting held on 7th March 2008, the directors proposed a final dividend of RMB0.12 per share based on the Company's total issued number of shares of 2,027,960,000 on the same day and the total amount payable will be RMB243,355,000. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

Financial Highlights

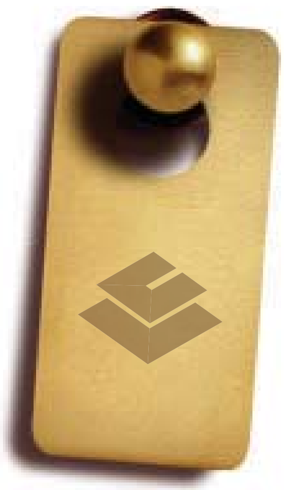
The Group's results and summary of assets and liabilities for the last five years are set out on page 6 of this annual report.

Major Customers and Suppliers

During the year, the Group purchased less than 10% of goods and services from its five largest suppliers and sold approximately 32% of its goods and services to its five largest customers. The Group's turnover from the largest customer accounted for approximately 30% of the total sales.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

INNOVATING LIFE
CREATING VALUE



Property, Plant and Equipment

Details of the movement of property, plant and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

Principal Properties

The summary of principal properties owned by the Group is set out on pages 11 to 12 of the annual report.

Reserve

Details of movements of reserve of the Group and the Company during the year are set out in note 20 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of its equity securities.

Directors and Supervisors

The directors and supervisors for the year are as follows:

Directors

Executive Directors

Mr. Liu Xiaoguang (Chairman)
Mr. Tang Jun (President)
Mr. He Guang (Vice-President)

Non-executive Directors

Mr. Feng Chunqin
Mr. Wong Zhengbin
Ms. Zhu Min
Mr. Muk Kin Yau

Independent Non-executive Directors

Mr. Kwong Kai Sing, Benny
Mr. Ke Jianmin
Mr. Yu Xingbao
Mr. Li Zhaojie

Supervisors

Supervisors

Mr. Wang Qi
Mr. Yu Changjian
Mr. Wei Jianping

Independent Supervisor

Mr. Xu Jianhong (resigned on 27th September 2007)

The biographical details of directors, supervisors and senior management are set out on pages 46 to 51 of the annual report.

創新生活
創造價值

Directors' and Supervisors' Emoluments

Details of directors' and supervisors' emoluments are set out in note 30 to the consolidated financial statements.

Highest Paid Individuals

During the year, the five individuals with the highest remuneration in the Group are all directors and senior management of the Company.

Management Contracts

Except for the connected transactions as stated in this report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Interests of Directors and Supervisors

As at 31 December 2007, the interests and short positions of each Director, supervisor and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the 'Stock exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange (for this purpose, th relevant provisions of the SFO will be interpreted as if they applied to the Supervisors):

Director/ Supervisor	Relevant entity	Long/Short position	Interests in shares/ underlying shares	Capacity of shares held	No. of shares held	Approximate percentage of registered capital of the relevant entity
Liu Xiaoguang	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	shares	Individual	2,000,000	2.00%
Tang Jun	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	shares	Individual	2,000,000	2.00%
Feng Chunqin	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	shares	Individual	350,000	0.35%
Wang Qi	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	shares	Individual	400,000	0.40%
Yu Changjian	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	shares	Individual	600,000	0.60%
Benny Kwong Kai Sing	Beijing Capital Land Ltd.	Long position	shares	Individual	300,000	0.03% of H Shares

INNOVATING LIFE
CREATING VALUE

Saved as disclosed above, as at 31st December 2007, none of the directors, supervisors and chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities transactions by Directors of listed companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 years has been granted any rights to subscribe for equity or debt securities of the Company, nor has nay of them exercised such rights during the year.

Interests of Directors and Supervisors in Contracts

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of Directors and Supervisors in Competing Business

During the year and up to the date of this report, none of the directors or supervisors or management shareholders has any interest in business which competes or may compete with the business of the Group under Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Share Capital

As at 31st December 2007, there was a total issued share capital of 2,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	649,205,700	32.01%
Non-H Foreign Shares	357,998,300	17.65%
H Shares	1,020,756,000	50.34%

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創造價值

Substantial Shareholders' Interests in Shares

As at 31st December 2007, the following persons (not being director or chief executive of the Company), so far as are known to any director, have interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

			Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900[(1)]	Non-listed Shares	2.46 (long position)	89.32 (long position)	91.78	1.22 (long position)	44.36 (long position)	45.58
Beijing Sunshine Real Estate Comprehensive Development Company	608,880,500[(2)]	Non-listed Shares	4.71 (long position)	55.74 (long position)	60.45	2.34 (long position)	27.69 (long position)	30.02
Beijing Capital Sunshine Real Estate Development Co., Ltd.	561,461,900[(3)]	Non-listed Shares	28.42 (long position)	27.33 (long position)	55.74	14.11 (long position)	13.57 (long position)	27.69
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	–	17.08	8.48 (long position)	–	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	–	11.79	5.86 (long position)	–	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	–	27.33	13.57 (long position)	–	13.57
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	–	8.22	4.08 (long position)	–	4.08
Fexi Holdings Limited	82,762,100[(4)]	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Chung Pok Ying	82,762,100[(5)]	Non-listed Shares	–	8.22 (long position)	8.22	–	4.08 (long position)	4.08
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	–	16.17	8.14 (long position)	–	8.14
Recosia China Pte Ltd.	165,070,000[(6)]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Recosia Pte Ltd.	165,070,000[(7)]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000[(8)]	H Shares	–	16.17 (long position)	16.17	–	8.14 (long position)	8.14
UBS AG	74,083,158[(9)]	H Shares	7.26 (long position)	–	7.26	3.65 (long position)	–	3.65
	1,800,000	H Shares	0.18 (short position)	–	0.18	0.09 (short position)	–	0.09
The Hamon Investment Group Pte Limited	72,454,000[(10)]	H Shares	0.69 (long position)	6.41 (long position)	7.10	0.34 (long position)	3.23 (long position)	3.57
Atlantis Investment Management Ltd.	35,000,000	H Shares	5.17 (long position)	–	5.17	1.73 (long position)	–	1.73

Notes:

1. Of these 924,441,900 Shares, 24,807,100 Shares are directly held by Capital Group, the remaining 899,634,800 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Sunshine Real Estate Development Co., Ltd., Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited.

2. Of these 608,880,500 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 561,461,900 Shares are deemed corporate interests under the SFO indirectly held through Beijing Capital Sunshine Real Estate Development Co., Ltd. and China Resource Products Limited.

3. Of these 561,461,900 Shares, 286,225,700 Shares are directly held by Beijing Capital Sunshine Real Estate Development Co., Ltd., the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

4. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited.

5. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited and Fexi Holdings Limited.

6. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited.

7. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.

8. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

9. Of these 74,083,158 Shares (long position) and 1,800,000 Shares (short position), 32,692,358 Shares (long position) and 1,800,000 Shares (short position) are directly held by UBS AG as beneficial owner, 18,064,000 Shares are directly held by UBS AG as person having a security interest in shares, 7,888,800 Shares are indirectly held through UBS Fund Services (Luxembourg) SA, 11,714,000 Shares held indirectly through UBS Global Asset Management (Singapore) Ltd and 3,724,000 Shares held indirectly through UBS Global Asset Management (Hong Kong) Ltd.

10. Of these 72,454,000 Shares, 7,062,000 Shares are directly held by the Hamon Investment Group Pte Limited, 41,700,000 Shares are indirectly held through Hamon U.S. Investment Advisors Limited and 23,692,000 Shares are indirectly held through Hamon Asset Management Limited.

Save as disclosed above, so far as is known to the Directors, there is no person (other than a Director or chief executive of the Company) who, as at 31st December 2007, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

Designated Deposit and Due Fixed Deposit

As at 31st December 2007, the Group had no Designated Deposit and Due Fixed Deposit.

Employees

As at 31st December 2007, the Group had 486 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. The Company has conditionally adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarised in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus of the Company dated 10th June 2003. As at 31st December 2007, no share appreciation rights had been granted under the Incentive Scheme. During the year, the Group has also adopted the Long Term Incentive Fund Scheme (the "Long Term Incentive Fund Scheme"), details of which have been laid out in the Appendix of the Amendments to Notice of Extraordinary General Meeting of the Company dated 31st August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7th September 2007 and passed in the Extraordinary General Meeting held on 27th September 2007. The Long Term Incentive Fund Scheme was implemented in the year since the Company's performance for the year under review met requirements of the scheme. As a result, a total proposed amount of RMB20,000,000 shall be withdrawn in accordance with the terms and conditions of the Long Term Incentive Fund Scheme for the various allocation proposals for the financial year ended 31st December 2007 which have been made and verified by the Remuneration Committee but the allocation proposal for directors and supervisors shall be subject to shareholders' approval in shareholders' general meeting.

Staff Housing Quarters

During the year, the Group did not provide any housing quarters to its staff.

Connected Transactions

Connected transactions of the Group have been approved by the Board of the Company. During the year, the connected transactions of the Group were as follows:

1. **Acquisition of a PRC Subsidiary**

   The Company acquired 20% interests in S.C. Real Estate Development Company Ltd ("S.C. Real Estate") from Beijing Chaoyang Urban Construction Comprehensive Development Company (the "Seller") through public listing on the China Beijing Equity Exchange for a consideration of RMB135,000,000 on 8th November 2007. After the acquisition, the Company owns the entire equity interests in S.C. Real Estate. S.C. Real Estate was originally held as to 80% by the Company and 20% by the Seller. The 80% interest in S.C. Real Estate held by the Company before the acquisition was acquired by the Company pursuant to the reorganization of the Company in February 2003 for the purpose of its listing on the Stock Exchange of Hong Kong Limited in June 2003. S.C. Real Estate is the developer of the project situated at the junction of the main roads of East Third Ring

INNOVATING LIFE
CREATING VALUE

Road and Chaoyang North Road, Chaoyang District, Beijing, PRC. The Seller is a substantial shareholder of S.C. Real Estate, which is a subsidiary of the Company. Accordingly, the Seller is a connected person of the Company pursuant to the Listing Rules.

2. Formation of PRC Joint Venture Company

The Company established a sino-foreign equity joint venture company, Chengdu Capital Yidu Real Estate Development Company Limited ("Joint Venture Company") with Reco Ziyang Pte Ltd. ("Reco Ziyang") on 23rd October 2007. The registered capital of the Joint Venture Company is US$50,000,000. The Company and Reco Ziyang contributed 55% and 45% of the total amount of the registered capital respectively. The Joint Venture Company was set up for the purpose of the development of the project situated in Long Quan Yi District, Chengdu, PRC.

The Company established a sino-foreign equity joint venture company, Shenyang Xinzi Capital Real Estate Development Company Limited ("Associate Company") with Reco Ziyang on 5th July 2007. The registered capital of the Associate Company is US$43,000,000. The Company and Reco Ziyang contributed 30% and 70% of the total amount of registered capital of the Associate Company respectively. The Associate Company was set up for the purpose of the development of the Shenyang Shenying Project situated in the Hannan New District, Shenyang, PRC.

Reco Ziyang is a substantial shareholder of Beijing Capital Ziyang Real Estate Ltd which is a subsidiary of the Company. Accordingly, Reco Ziyang is a connected person of the Company pursuant to the Listing Rules.

3. Acquisition of a Jointly-controlled PRC Entity

On 16th November 2006, the Company entered into an agreement to acquire 50% of the share capital of Shenyang Jitian Real Estate Development Company Limited ("Jointly-controlled Entity"), which owns a piece of land in the scenic area of Qi Pan Shan in the eastern part of Shenyang (the "Yinhe Wan Project), from Yinhe International Investment Holding Company Limited (銀河國際投資控股有限公司)("Yinhe International"), an independent third party, for a consideration of US$699,985, representing 50% paid-up capital of the Jointly Controlled Entity then. 50% of the share capital of the Jointly-controlled Entity was also transferred to Reco Ziyang by Yinhe International on the same date.

In February 2007, the share capital of the Jointly-controlled Entity was increased from US$1,399,970.00 to US$40,000,000. The Company and Reco Ziyang each contributed 50% of the total amount of registered capital of the Jointly-controlled Entity for the development of the Yinhe Wan Project. Reco Ziyang is a substantial shareholder of Beijing Capital Ziyang Real Estate Ltd which is a subsidiary of the Company. Accordingly, Reco Ziyang is a connected person of the Company pursuant to the Listing Rules.

創新生活
創造價值

Bank Loans and Other Borrowings

Details of the bank loans of the Group are set out in note 25 to the consolidated financial statements. Other borrowings were mainly the amounts due to parent company and minority interests of subsidiaries, details of which are set out in note 21 and 24 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Subsidiaries

Details of the Company's major subsidiaries are set out in note 9 to the consolidated financial statements.

Results of Operations

Results of Operations of Financial Year 2007 are set out on page 42 of the annual report.

Policies on Income Tax

The Company and its subsidiaries paid PRC corporate income tax at a rate of 33% of its assessable profits according to the relevant laws and regulations in the PRC.

Financial Resources and Liquidity

Financial Resources and Liquidity are set out on pages 42 to 43 of the annual report.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance and continued to uphold a good, solid and sensible framework of corporate governance and has compiled with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers as the Hong Kong auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Beijing, the PRC, 7th March 2008

INNOVATING LIFE
CREATING VALUE

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management. Apart from enhancing shareholders' value and improving corporate earnings, sound corporate governance can also facilitate the steady development of the financial sector in Hong Kong.

- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.

- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31st December 2007.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code. Set out below are the status and details of the Company's corporate governance practices.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding directors' securities transactions (the "Model Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the period.

Board of Directors

The Board comprises 11 Directors, including three Executive Directors, four Non-executive Directors and four Independent Non-executive Directors; the profile of each Director is set out on pages 46 to 51 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31st December 2007. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance

創新生活
創造價值

with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2007:

	Number of attendance/ Number of meeting
Executive Directors	
Mr. Liu Xiaoguang (Chairman)	3/4
Mr. Tang Jun	4/4
Mr. He Guang	4/4
Non-executive Directors	
Mr. Feng Chunqin	3/4
Mr. Wang Zhengbin	2/4
Ms. Zhu Min	1/4
Mr. Muk Kin Yau	3/4
Independent Non-executive Directors	
Mr. Kwong Kai Sing, Benny	4/4
Mr. Ke Jianmin	3/4
Mr. Yu Xing Bao	4/4
Mr. Li Zhaojie	3/4

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's article of associations are as follows:

1. Power of managing the development strategy and plan of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of the middle to long-term development objectives and strategy of the Company;
2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
4. formulation of plans for the increase of share capital and issue of additional shares;
5. formulation of proposals for the merger, separation and dismissal of the Company;
6. tendering insolvency petition of the Company;
7. formulation of amendment proposal to the Articles;
8. formulation of proposals for the change of use of proceeds from the issue of shares.

(2) those that may be exercised by the Board at its discretion:

1. resolution on proposals to improve the operation management and operating results of the Company;
2. resolution on the operating plans, audit plans and investment plans of the Company;
3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;

INNOVATING LIFE
CREATING VALUE

5. resolution on investment plans falling within the scope of authority of the Board;
6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

2. Power of personnel management on senior officers of the Company:

(1) those requiring approval from the shareholders' general meeting:
1. formulation of director allowance and share option or warrant (or similar schemes) of the Company;
2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;
3. proposing for the removal of a director;

(2) those that may be exercised by the Board at its discretion:
1. resolution on the strategy and plan of human resources development and deployment;
2. definition of the major duties and authorities of the general manger, responsible person for financial matters, secretary to the Board and the auditing department;
3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
4. evaluation of the work performance of the general manager;
5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;
6. approval of the plan of staff provident fund and other staff benefit plans.

3. Power of supervision and inspection of the development and operation of the Company:

(1) supervision of the implementation of the Company's development strategy;
(2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
(3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;
(4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;
(5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
(6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;
(7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;
(8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st December 2007, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in

創新生活
創造價值

accordance with statutory requirements and suitable accounting policies.

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executive.

For the year ended 31st December 2007, the Board at all times exceeded the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31st December 2007 are disclosed in the Directors' Report on page 54 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

Independent Non-executive Directors

The Company has received from each of its independent non-executive director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elcted. The first session of the Board of Directors expired on 4th December 2005, while the second session of the Board of Directors (including non-executive directors) was formed on 5th December 2005 with 3-year term of office and can be re-elected.

Chairman and President

The posts of Chairman and President are held separately by Mr. Liu Xiaoguang and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

Board Committee

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

Audit Committee

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwong Kai Sing, Benny

INNOVATING LIFE
CREATING VALUE

(Chairman of the Audit Committee), Mr. Yu Xing Bao and Mr. Li Zhaojie. The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group
- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:
  - provide suggestion to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;
  - review and supervise the independency and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;
  - formulate and execute policy for the provision of non-audit services by external auditors, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

During the year under review, the Audit Committee held a total of two meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31st December 2006 and for the six months ended 30th June 2007, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company. Information of member attendance is listed below:

Attendance of individual members at Audit Committee meetings in 2007:

	Number of Attendance/ Number of Meeting
Mr. Kwong Kai Sing, Benny	2/2
Mr. Yu Xing Bao	2/2
Mr. Li Zhaojie	2/2

The Group's results for the year ended 31st December 2007 have been reviewed by the Company's Audit Committee with a recommendation to the Board for approval.

Nomination Committee

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors, supervisors of the Company and senior executives and succession planning for directors in particular Executive Directors and senior executives. Majority members of the Nomination Committee are Non-executive Directors. It is chaired by Mr. Liu Xiaoguang with two other members, namely, Mr. Kwong Kai Sing, Benny and Mr. Ke Jianmin. During the year under review, the Nomination Committee held one meeting for annual review of the current Board structure and assessment of the independence of independent non-executive directors. Information of members attendance is listed below:

創新生活
創造價值

Attendance of individual members at Nomination Committee meeting in 2007:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	1/1
Mr. Kwong Kai Sing, Benny	1/1
Mr. Ke Jianmin	1/1

Remuneration Committee

The Group's Remuneration Committee is responsible for providing recommendation to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Liu Xiaoguang with two other members, namely, Mr. Kwong Kai Sing, Benny and Mr. Ke Jianmin. During the year under review, the Remuneration Committee held one meeting to review relevant matters relating to remuneration for the Directors and Supervisors. Information of member attendance is listed below:

Attendance of individual members at Remuneration Committee meeting in 2007:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	1/1
Mr. Kwong Kai Sing, Benny	1/1
Mr. Ke Jianmin	1/1

Major written terms of reference of the current remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations.
- The remuneration levels should tally with the Company's competitors in the human resources market.
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

3. Executive Director

Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards. The remuneration of executive directors comprises of two parts:

INNOVATING LIFE
CREATING VALUE

(a) Basic Remuneration
The basic remuneration of executive directors accounts for about 70% of their total remuneration. Yearly reviews will be conducted, taking into account the competitive situations in the market, customary practice and personal performance.

(b) Yearly Gratuitous Payment
The amount of yearly gratuitous payment is determined based on the performances of the Company, functional departments and individual performance. The main performance-assessing standards include whether financial and operational targets can be achieved, and whether the individual has demonstrated key leadership skills like creating mutual objectives and nurturing talents.

The Company set a target yearly gratuitous payment for each executive director, which account for 30% of his total remuneration. Yearly gratuitous payment will only be granted when their performance reach satisfactory levels. The actual amount to be granted depends on individual performance.

The Company does not adopt any share option scheme.

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

Strategic Committee

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the company. It is composed of Mr. Liu Xiaoguang, as Chairman of the Strategic Committee and Mr. Kwong Kai Sing Benny and Mr. Ke Jianmin as members of the committee.

Internal Controls

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Board is responsible for the Group's system of internal controls and has reviewed its effectiveness for the year ended 31st December 2007. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Internal Audit Department on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department reports to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting is sent to the Board for information.

External Auditors

The Board agrees with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Group's external auditors for the audit of the financial statements prepared in accordance with Hong Kong Financial Reporting Standards for 2008. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 5th May 2008.

The Group has established a Policy on Appointment of External Auditor in Providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers for providing audit and audit related services for the year ended 31st December 2007 amounted to RMB4,250,000.

創新生活
創造價值

Shareholders' Right

According to the Articles of Association of the Company when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's Articles of Association.

The Group communicates with its shareholders through different channels, including annual general meetings, special general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange. The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend.

Investor Relations

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much efforts in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for download from the Group's website at www.bjcapitalland.com.

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and, presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

For the year ended 31st December 2007, the Group participated in the following activities:

- 308 one-on-one investor meetings
- 11 corporate conferences
- 4 media conferences

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Liu Xiaoguang
Chairman

Beijing, the PRC, 7th March 2008

INNOVATING LIFE
CREATING VALUE

Dear Shareholders,

During the year ended 31st December 2007, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual general Meeting. The Supervisory Committee is satisfied that the Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2007 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Yu Changjian
Chairman

Beijing, the PRC, 7th March 2008

創新生活
創造價值

Independent Auditor's Report

To the shareholders of Beijing Capital Land Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing Capital Land Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 71 to 160, which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2007 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7th March 2008

Consolidated Balance Sheet

	Note	As at 31st December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,477,930**	1,544,401
Land use rights	7	**3,764,615**	1,286,925
Properties under development	8	**2,637,684**	1,791,733
Jointly controlled entities	10	**352,513**	222,890
Associates	11	**317,204**	249,639
Available-for-sale financial assets	12	**444,176**	252,052
Deferred income tax assets	26	**72,070**	91,827
		9,066,192	5,439,467
Current assets			
Inventories	13	**8,742**	17,172
Properties held for sale	13	**1,607,810**	304,895
Properties under development	8	**5,150,344**	3,207,803
Trade and other receivables	14	**1,212,866**	2,593,767
Amounts due from Promoters	15	**35,974**	55,650
Restricted bank deposits	16	**107,015**	61,274
Cash and cash equivalents	17	**2,614,383**	3,706,833
		10,737,134	9,947,394
Total assets		**19,803,326**	15,386,861

Consolidated Balance Sheet

	Note	As at 31st December 2007 RMB'000	2006 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	**2,027,960**	2,027,960
Other reserves	20	**1,777,522**	1,344,228
Retained earnings			
– proposed final dividend	19	**243,355**	121,678
– others	19	**518,004**	281,870
		4,566,841	3,775,736
Minority interests		**1,191,483**	890,195
Total equity		**5,758,324**	4,665,931
LIABILITIES			
Non-current liabilities			
Long-term bank loans	25	**3,550,000**	5,134,261
Deferred income tax liabilities	26	**290,087**	45,697
Trade and other payables	21	**309,415**	315,966
		4,149,502	5,495,924
Current liabilities			
Trade and other payables	21	**6,785,499**	4,064,529
Tax payables	22	**774,856**	459,314
Special dividend payable	23	**9,608**	9,422
Amounts due to parent company	24	**6,399**	174,741
Short-term bank loans	25	**1,000,000**	517,000
Current portion of long-term bank loans	25	**1,319,138**	–
		9,895,500	5,225,006
Total liabilities		**14,045,002**	10,720,930
Total equity and liabilities		**19,803,326**	15,386,861
Net current assets		**841,634**	4,722,388
Total assets less current liabilities		**9,907,826**	10,161,855

The notes on pages 80 to 160 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 7th March 2008.

On behalf of the Board

Liu Xiaoguang
Chairman

Tang Jun
Director

	Note	As at 31st December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**78,344**	72,902
Subsidiaries	9	**8,140,342**	5,040,211
Jointly controlled entities	10	**156,181**	82,767
Associates	11	**179,260**	134,063
Available-for-sale financial assets	12	**444,176**	252,052
		8,998,303	5,581,995
Current assets			
Properties held for sale	13	**71,626**	73,389
Trade and other receivables	14	**208,348**	1,568,882
Amounts due from Promoters	15	**35,974**	55,650
Cash and cash equivalents	17	**630,802**	2,447,891
		946,750	4,145,812
Total assets		**9,945,053**	9,727,807

Balance Sheet

	Note	As at 31st December 2007 RMB'000	2006 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	**2,027,960**	2,027,960
Other reserves	20	**1,458,284**	1,270,198
Retained earnings			
– proposed final dividend	19	**243,355**	121,678
– others	19	**320,004**	18,255
Total equity		**4,049,603**	3,438,091
LIABILITIES			
Non-current liabilities			
Long-term bank loans	25	**3,150,000**	4,500,000
Deferred income tax liabilities	26	**79,829**	45,226
		3,229,829	4,545,226
Current liabilities			
Trade and other payables	21	**352,300**	303,959
Loans from subsidiaries	9	**560,078**	843,986
Tax payables	22	**43,635**	18,769
Special dividend payable	23	**9,608**	9,422
Amounts due to parent company	24	**–**	168,354
Short-term bank loans	25	**1,000,000**	400,000
Current portion of long-term bank loans	25	**700,000**	–
		2,665,621	1,744,490
Total liabilities		**5,895,450**	6,289,716
Total equity and liabilities		**9,945,053**	9,727,807
Net current (liabilities)/assets		**(1,718,871)**	2,401,322
Total assets less current liabilities		**7,279,432**	7,983,317

The notes on pages 80 to 160 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 7th March 2008.

On behalf of the Board

Liu Xiaoguang — *Chairman*

Tang Jun — *Director*

Consolidated Income Statement

	Note	Year ended 31st December 2007 RMB'000	2006 RMB'000 (Restated)
Revenue	5	**4,870,929**	2,039,352
Cost of sales	29	**(3,376,024)**	(1,683,873)
Gross profit		**1,494,905**	355,479
Other gains-net	28	**82,273**	189,118
Selling and marketing costs	29	**(146,320)**	(55,164)
Administrative expenses	29	**(137,971)**	(87,125)
Operating profit		**1,292,887**	402,308
Finance income	31	**68,355**	70,467
Finance costs	31	**(203,102)**	(190,205)
Finance costs-net	31	**(134,747)**	(119,738)
Share of profit less losses of:			
– jointly controlled entities		**48,493**	32,483
– associates		**9,951**	42,318
Net gains on disposal of an associate		**103,184**	–
Profit before income tax		**1,319,768**	357,371
Income tax expenses	32	**(592,901)**	(121,012)
Profit for the year		**726,867**	236,359
Attributable to:			
Equity holders of the Company		**526,009**	266,009
Minority interests		**200,858**	(29,650)
		726,867	236,359
Earnings per share for profit attributable to equity holders of the Company (basic and diluted) (RMB cents)	34	**25.94**	15.05
Dividends	35	**243,355**	121,678

The notes on pages 80 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2006	1,715,960	621,984	275,185	2,613,129	572,338	3,185,467
Profit for the year	–	–	266,009	266,009	(29,650)	236,359
Placement of H shares	312,000	549,438	–	861,438	–	861,438
2005 final dividend	–	–	(85,798)	(85,798)	–	(85,798)
Dividend to minority shareholder of a subsidiary	–	–	–	–	(5,000)	(5,000)
Transfer from retained earnings	–	51,848	(51,848)	–	–	–
Contribution from Promoters	–	28,180	–	28,180	–	28,180
Fair value gain on available-for-sale financial assets, net of tax	–	92,778	–	92,778	–	92,778
Increase/(decrease) in minority interests as a result of:						
– setting up of a new subsidiary	–	–	–	–	376,098	376,098
– disposal of a subsidiary	–	–	–	–	(23,591)	(23,591)
Balance at 31st December 2006	2,027,960	1,344,228	403,548	3,775,736	890,195	4,665,931
Representing:						
Proposed final dividend at 31st December 2006			121,678			
Retained earnings – others			281,870			
			403,548			

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1st January 2007	2,027,960	1,344,228	403,548	3,775,736	890,195	4,665,931
Profit for the year	–	–	526,009	526,009	200,858	726,867
2006 final dividend	–	–	(121,678)	(121,678)	–	(121,678)
Dividend to minority shareholders of subsidiaries	–	–	–	–	(160,803)	(160,803)
Transfer from retained earnings	–	46,520	(46,520)	–	–	–
Adjustment of contribution from Promoters	–	(19,676)	–	(19,676)	–	(19,676)
Fair value gains on available-for-sale financial assets, net of tax	–	163,124	–	163,124	–	163,124
Reserve realised upon disposal of available-for-sale financial assets	–	(11,483)	–	(11,483)	–	(11,483)
Write-down of deferred income tax liabilities resulted from the new CIT Law	–	9,684	–	9,684	–	9,684
Acquisition of subsidiaries	–	397,804	–	397,804	486,843	884,647
Reserve realised upon disposal of properties held for sale	–	(105,607)	–	(105,607)	(105,607)	(211,214)
Acquisition of interest from a minority shareholder	–	(47,072)	–	(47,072)	(87,928)	(135,000)
Increase/(decrease) in minority interests as a result of:						
– setting up of a new subsidiary	–	–	–	–	167,783	167,783
– disposal of a subsidiary	–	–	–	–	(199,858)	(199,858)
Balance at 31st December 2007	2,027,960	1,777,522	761,359	4,566,841	1,191,483	5,758,324
Representing:						
Proposed final dividend at 31st December 2007			243,355			
Retained earnings – others			518,004			
			761,359			

The notes on pages 80 to 160 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31st December 2007 RMB'000	2006 RMB'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations	36(a)	**(1,164,788)**	476,527
Interest paid		**(367,020)**	(318,298)
Current income tax paid		**(260,463)**	(154,446)
Net cash (used in)/generated from operating activities		**(1,792,271)**	3,783
Cash flows from investing activities			
Purchase of property, plant and equipment		**(17,057)**	(77,046)
Proceeds from sale of property, plant and equipment	36(b)	**1,950**	643
Increase in investment in a subsidiary		**(135,000)**	–
Increase in investment in a jointly controlled entity		**(126,180)**	–
Increase in investment in an associate		**(97,650)**	–
Interest received		**55,864**	60,240
Dividend income from jointly controlled entities		**–**	14,330
Dividend income from an associate		**1,120**	1,400
Proceeds from disposal of associates		**142,100**	–
Acquisition of interest in a subsidiary, net of cash acquired	37(a)	**(3,500)**	(39,978)
Acquisition of interest in another subsidiary, net of cash acquired	37(b)	**735,990**	29,565
Disposal of a subsidiary, net of cash disposed		**–**	99,390
Proceeds from sales of available-for-sale financial assets		**58,957**	–
Purchase of financial assets at fair value through profit or loss		**(28,587)**	–
Proceeds from sales of financial assets at fair value through profit or loss		**50,164**	–
Net cash generated from investing activities		**638,171**	88,544

Consolidated Cash Flow Statement

	Note	Year ended 31st December 2007 RMB'000	2006 RMB'000 (Restated)
Cash flows from financing activities			
Placement of H shares		**–**	774,079
Repayment to parent company		**(168,342)**	–
Dividends paid to equity holders of the Company		**(129,292)**	(59,638)
Dividends paid to minority shareholders of a subsidiary		**(10,200)**	(5,000)
Contribution from minority shareholders		**167,783**	155,195
Repayment of bank loans		**(1,667,000)**	(1,626,030)
New bank loans raised		**1,900,000**	2,117,000
(Decrease)/increase in amounts due to minority shareholder of a subsidiary		**(25,706)**	394,616
Net cash from financing activities		**67,243**	1,750,222
Net (decrease)/increase in cash and cash equivalents		**(1,086,857)**	1,842,549
Cash and cash equivalents at 1st January		**3,706,833**	1,864,284
Exchange loss on cash and cash equivalents		**(5,593)**	–
Cash and cash equivalents at 31st December	17	**2,614,383**	3,706,833

The notes on pages 80 to 160 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

Beijing Capital Land Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC" or "China") on 5th December 2002 as a result of a reorganisation (the "Reorganisation") of a state-owned enterprise known as Capital Group in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company was granted the status of sino-foreign joint venture joint stock limited company on 28th November 2002. The Company has its primary listing on the Stock Exchange.

The Company is principally engaged in real estate development and investment holding. The subsidiaries are mainly engaged in real estate development and investment in the PRC. The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office is Room 501, No.1, Yingbin Zhong Road, Huairou District, Beijing, the PRC.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 7th March 2008.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Standards, amendments and interpretations effective in 2007

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

HKFRS 4, "Insurance contracts";
HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and
HK(IFRIC) – Int 9, "Re-assessment of embedded derivatives".

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

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

HKAS 1 (revised 2007), "Presentation of Financial Statements" (effective from on or after 1 January 2009). The revised standard requires presentational changes and further disclosures in the financial statements but does not change the recognition and measurement of specific transactions. The Group will apply this standard from 1 January 2009, but it is not expected to result in substantial impact on the Group's accounting policies.

HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009), was not early adopted in 2007. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Since the Group chose to capitalise borrowing costs relating to qualifying assets as described in note 2.25, it is not expected to have any impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

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

HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions" (effective from 1 January 2008), HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. HK(IFRIC) – Int 11 is not relevant to the Group's operations because none of the Group's companies involve share-based transactions.

HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK(IFRIC) – Int 14 is not relevant to the Group's operation because none of the Group's companies have defined benefit assets.

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation

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

(a) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.8).

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.12). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions and minority interests

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

2.3 Jointly controlled entities

Jointly controlled entities are all entities with a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.8).

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

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

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2.12). The results of jointly controlled entities companies are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies *(Continued)*

2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.8).

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

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (note 2.12). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.5 Segment reporting

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

In accordance with the internal financial reporting of the Group, the Group has determined that business segments be presented as the primary reporting. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

2. Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.7 Property, plant and equipment

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

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

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

– Buildings	40 years
– Hotel properties	10 – 40 years
– Furniture, fixtures and equipment	5 – 10 years
– Motor vehicles	5 – 9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

2. Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Gains and loss on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "other gains–net", in the income statement.

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost. Cost, includes the costs of construction of buildings, the cost of plant and equipment, installation, capitalised interest, testing and other direct costs. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are depreciated in accordance with the policy as stated above.

2.8 Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose The Group allocates goodwill to each business segment in which it operates (note 2.12).

2.9 Land use rights

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

Land use rights are transferred to properties under development upon the issuance of government authority's certificate for start-up of the construction and amortised using the same method as above stated. The carrying value of land use rights will be transferred to "cost of sales" upon the sales recognition.

2. Summary of significant accounting policies *(Continued)*

2.10 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises development expenditure, professional fees, and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties are transferred to completed properties held for sale.

2.11 Properties held for sale

Properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses.

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

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

2.13 Financial assets

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.13 Financial assets *(Continued)*

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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

2. Summary of significant accounting policies *(Continued)*

2.13 Financial assets *(Continued)*

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in note 2.15.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises invoiced price, delivery and other direct costs relating to the purchases. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "Selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Selling and marketing costs" in the income statement.

2. Summary of significant accounting policies *(Continued)*

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2.18 Trade payables

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

2.19 Borrowings

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

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

2.20 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Summary of significant accounting policies *(Continued)*

2.20 Current and deferred income tax *(Continued)*

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

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

2.21 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Retirement benefit costs

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

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

2. Summary of significant accounting policies *(Continued)*

2.21 Employee benefits *(Continued)*

(c) Retirement benefit costs (Continued)

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

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

2.22 Provisions

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

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

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

2.23 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies *(Continued)*

2.23 Revenue recognition *(Continued)*

(a) Sales of properties

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

(b) Sales under hotel operations

Revenue from hotel operations is recognised upon the provision of services.

(c) Project development consulting income

Project development consulting income is recognised when services are rendered.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) Dividend income

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

2.24 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies *(Continued)*

2.25 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.26 Dividend distribution

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

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.28 Financial guarantee liabilities

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

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

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

3. Financial risk management

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, restricted bank deposits, available-for-sale financial assets, amounts due from Promoters, amounts due to parent company, special dividend payable, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Company and its subsidiaries' functional currency is RMB since majority of the revenues of the companies are derived from operation in the PRC.

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

As at 31st December 2007, if RMB had strengthened by 5% against USD/HKD with all other variables held constant, post-tax profit for the year would have been RMB7,116,000 (2006:RMB4,825,000) higher, mainly as a result of foreign exchange gains on translation of USD dominated trade and other payables and bank loans compensated by foreign exchange losses on translation of USD and HKD dominated cash and cash equivalents.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on other payables and long-term bank loans which carry at prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate short-term loans and other payables. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

At 31st December 2007, if interest rates had been increased/decreased 50 basis points with all other variables held constant, the Group's post-tax profit would decrease/increase by approximately RMB16,312,000 (2006:RMB17,200,000).

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

As at 31st December 2007, if the price of the listed equity securities the Group holds had increased by 50%, total equity would have been RMB130,867,000 (2006:RMB81,809,000) higher net of tax.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, amount due from Promoters and trade and other receivables.

The carrying amount of restricted bank deposits, cash and cash equivalents, amount due from Promoters and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers

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

The Group has arranged bank financing for certain purchasing of property units and provided guarentees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) *Liquidity risk*

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

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business.

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

At 31st December 2007	**Less than 1 year** RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Bank loans	2,319,138	200,000	200,000	3,150,000	5,869,138
Trade and other payables	2,734,627	309,415	–	–	3,044,042
Amounts due to parent company	6,399	–	–	–	6,399
Special dividend payable	9,608	–	–	–	9,608
Total	5,069,772	509,415	200,000	3,150,000	8,929,187

At 31st December 2006	**Less than 1 year** RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Bank loans	517,000	1,834,261	–	3,300,000	5,651,261
Trade and other payables	1,549,252	–	315,966	–	1,865,218
Amounts due to parent company	174,741	–	–	–	174,741
Special dividend payable	9,422	–	–	–	9,422
Total	2,250,415	1,834,261	315,966	3,300,000	7,700,642

3. Financial risk management *(Continued)*

3.2 Capital risk management

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

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

3.3 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of receivables

The Group tests annually whether trade and other receivables have suffered any impairment in accordance with the accounting policy stated in note 2.15 and make provisions for impairment accordingly.

4. Critical accounting estimates and judgements *(Continued)*

(b) Income tax and land appreciation tax ("LAT")

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

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. These taxes are incurred upon transfer of property ownership. The Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income statement in the periods in which such taxes are finalised with local tax authorities.

(c) Estimate impairment of assets

The Group tests annually whether assets has suffered any impairment in accordance with accounting policies stated in note 2.12. Assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

4. Critical accounting estimates and judgements *(Continued)*

(d) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.23. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 38, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(e) Estimate of fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair value of available-for-sale financial assets is determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(f) Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

4. Critical accounting estimates and judgements *(Continued)*

(g) Estimate of impairment of properties under development

Properties under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

(h) Estimate of net realisable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each balance sheet date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

(i) Deferred tax assets

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

5. Segment information

(a) Primary reporting format – business segments

At 31st December 2007, the Group is organised into two main business segments:

(1) Sales of properties;

(2) Hotel operations.

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

Revenue consists of sales of properties, project development consulting operations and hotel operations, which are RMB4,870,929 and RMB2,039,352 for the year 31st December 2007 and 2006 respectively.

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

	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Revenue	4,622,867	248,062	4,870,929
Segment results	1,428,512	(30,399)	1,398,113
Unallocated costs			(105,226)
Operating profit			1,292,887
Finance costs-net			(134,747)
Share of profits less losses of			
– jointly controlled entities	48,493	–	48,493
– associates	9,951	–	9,951
Net gains on disposal of an associate	103,184	–	103,184
Profit before income tax			1,319,768
Income tax expenses			(592,901)
Profit for the year			726,867

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

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

	Sales of properties RMB'000	Project development consulting operation RMB'000	Hotel operations RMB'000	Group RMB'000 (Restated)
Revenue	1,798,005	30,000	211,347	2,039,352
Segment results	546,990	20,613	(114,374)	453,229
Unallocated costs				(50,921)
Operating profit				402,308
Finance costs-net				(119,738)
Share of profits less losses of				
– jointly controlled entities	32,483	–	–	32,483
– associates	42,318	–	–	42,318
Profit before income tax				357,371
Income tax expenses				(121,012)
Profit for the year				236,359

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the similar terms that would also be available to unrelated third parties.

There are no material sales or other transactions between the business segments.

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

Other segment terms included in the income statement are as follows:

	Year ended 31st December 2007		
	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Depreciation	14,866	67,290	82,156
Amortisation	15,561	2,384	17,945
Provision for impairment of receivables	3,371	–	3,371

	Year ended 31st December 2006		
	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Depreciation	17,929	69,096	87,025
Amortisation	18,829	2,384	21,213
Reversal of provision for impairment of receivables	(7,253)	–	(7,253)
Provision for impairment of hotel properties	–	31,000	31,000

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

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

	Sales of properties RMB'000	**Hotel operations** RMB'000	**Group** RMB'000
Segment assets	17,418,167	1,547,789	18,965,956
Jointly controlled entities	352,513	–	352,513
Associates	317,204	–	317,204
Unallocated assets			167,653
Total assets			19,803,326
Segment liabilities	5,260,179	1,275,444	6,535,623
Borrowings	6,399,824	–	6,399,824
Unallocated liabilities			1,109,555
Total liabilities			14,045,002
Capital expenditure	4,242,648	–	4,242,648

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	**Liabilities**
Segment assets/liabilities	19,635,673	12,935,447
Unallocated:		
Cash and cash equivalents	15,051	–
Property, plant and equipment	80,532	–
Deferred income tax assets/liabilities	72,070	290,087
Tax payables	–	774,856
Amounts due to parent company	–	6,399
Dividend payable	–	28,605
Special dividend payable	–	9,608
Total	19,803,326	14,045,002

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

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

	Sales of properties RMB'000	**Hotel operations** RMB'000	**Group** RMB'000
Segment assets	13,133,569	1,605,711	14,739,280
Jointly controlled entities	222,890	–	222,890
Associates	249,639	–	249,639
Unallocated assets			175,052
Total assets			15,386,861
Segment liabilities	2,620,803	1,240,830	3,861,633
Borrowings	6,114,983	–	6,114,983
Unallocated liabilities			744,314
Total liabilities			10,720,930
Capital expenditure	2,253,706	15,566	2,269,272

	Assets	**Liabilities**
Segment assets/liabilities	15,211,809	9,976,616
Unallocated:		
Cash and cash equivalents	6,774	–
Property, plant and equipment	76,451	–
Deferred income tax assets/liabilities	91,827	45,697
Tax payables	–	459,314
Amounts due to parent company	–	174,741
Dividend payable	–	55,140
Special dividend payable	–	9,422
Total	15,386,861	10,720,930

5. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, available-for-sale financial assets, inventories, properties held for sale, receivables and operating cash. They exclude deferred income tax assets, corporate assets, investments in jointly controlled entities and associates.

Segment liabilities comprise operating liabilities. They exclude items such as tax payables, corporate loans and dividend payable.

Capital expenditure comprises additions to property, plant and equipment, land use rights and properties under development.

(b) Secondary reporting format – geographical segments

Since almost all the Group's turnover and operating profit are derived from activities in the PRC, no geographical segment information is presented.

6. Property, plant and equipment

	Group					
	Buildings	Hotel properties	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2006						
Cost	62,182	1,562,625	38,582	19,956	2,334	1,685,679
Accumulated depreciation	(194)	(48,251)	(9,896)	(7,873)	–	(66,214)
Net book amount	61,988	1,514,374	28,686	12,083	2,334	1,619,465
Year ended 31st December 2006						
Opening net book amount	61,988	1,514,374	28,686	12,083	2,334	1,619,465
Additions	15,666	13,245	3,462	9,650	949	42,972
Transfer from construction in progress	3,283	–	–	–	(3,283)	–
Depreciation	(2,117)	(69,096)	(12,606)	(3,206)	–	(87,025)
Disposals	–	–	(33)	(621)	–	(654)
Acquisition of subsidiaries	–	–	477	706	–	1,183
Provision for impairment	–	(31,000)	–	–	–	(31,000)
Disposal of a subsidiary	–	–	(126)	(414)	–	(540)
Closing net book amount	78,820	1,427,523	19,860	18,198	–	1,544,401
At 31st December 2006						
Cost	81,131	1,575,870	42,109	28,124	–	1,727,234
Accumulated depreciation	(2,311)	(117,347)	(22,249)	(9,926)	–	(151,833)
Accumulated impairment	–	(31,000)	–	–	–	(31,000)
Net book amount	78,820	1,427,523	19,860	18,198	–	1,544,401
Year ended 31st December 2007						
Opening net book amount	78,820	1,427,523	19,860	18,198	–	1,544,401
Additions	5,600	–	3,420	8,037	–	17,057
Depreciation	(1,919)	(67,290)	(9,054)	(3,893)	–	(82,156)
Disposals	–	–	(298)	(1,691)	–	(1,989)
Acquisition of subsidiaries (note 37(b))	–	–	70	547	–	617
Closing net book amount	82,501	1,360,233	13,998	21,198	–	1,477,930
At 31st December 2007						
Cost	86,731	1,575,870	44,717	31,905	–	1,739,223
Accumulated depreciation	(4,230)	(184,637)	(30,719)	(10,707)	–	(230,293)
Accumulated impairment	–	(31,000)	–	–	–	(31,000)
Net book amount	82,501	1,360,233	13,998	21,198	–	1,477,930

6. Property, plant and equipment *(Continued)*

Depreciation expense of RMB77,526,000 (2006: RMB82,962,000) has been expensed in cost of sales, and RMB4,630,000 (2006: RMB4,063,000) in administrative expenses.

	Company				
	Buildings RMB'000	**Furniture, fixtures and equipment** RMB'000	**Motor vehicles** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
At 1st January 2006					
Cost	62,182	1,796	2,889	2,334	69,201
Accumulated depreciation	(236)	(697)	(724)	–	(1,657)
Net book amount	61,946	1,099	2,165	2,334	67,544
Year ended 31st December 2006					
Opening net book amount	61,946	1,099	2,165	2,334	67,544
Additions	1,860	399	4,439	949	7,647
Transfer from construction in progress	3,283	–	–	(3,283)	–
Depreciation	(1,509)	(434)	(346)	–	(2,289)
Closing net book amount	65,580	1,064	6,258	–	72,902
At 31st December 2006					
Cost	67,325	2,195	7,328	–	76,848
Accumulated depreciation	(1,745)	(1,131)	(1,070)	–	(3,946)
Net book amount	65,580	1,064	6,258	–	72,902
Year ended 31st December 2007					
Opening net book amount	65,580	1,064	6,258	–	72,902
Additions	5,600	1,174	1,987	–	8,761
Depreciation	(1,563)	(741)	(1,015)	–	(3,319)
Closing net book amount	69,617	1,497	7,230	–	78,344
At 31st December 2007					
Cost	72,925	3,369	9,315	–	85,609
Accumulated depreciation	(3,308)	(1,872)	(2,085)	–	(7,265)
Net book amount	69,617	1,497	7,230	–	78,344

7. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group As at 31st December	
	2007	2006
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**3,425,216**	784,536
Leases of between 10 to 50 years	**339,399**	502,389
	3,764,615	1,286,925

	Group	
	2007	2006
	RMB'000	RMB'000
At 1st January	**1,286,925**	794,105
Additions	**2,548,788**	781,383
Acquisition of a subsidiary (note 37(b))	**45,846**	93,557
Amortisation	**(8,839)**	(12,109)
Transfer out to properties under development (note 8)	**(108,105)**	(276,800)
Recognised as cost of sales	**–**	(93,211)
At 31st December	**3,764,615**	1,286,925

8. Properties under development

	Group	
	2007	2006
	RMB'000	RMB'000
At 1st January	**4,999,536**	2,987,711
Additions	**4,253,291**	3,381,489
Transfer from land use rights (note 7)	**108,105**	276,800
Acquisition of a subsidiary (note 37)	**2,802,037**	159,233
Disposal of a subsidiary	**–**	(739,258)
Amortisation of land use rights	**(8,671)**	(7,376)
Transfer to properties held for sale	**(4,366,270)**	(807,092)
Recognised as cost of sales	**–**	(251,971)
At 31st December	**7,788,028**	4,999,536
Non current	**2,637,684**	1,791,733
Current	**5,150,344**	3,207,803
	7,788,028	4,999,536
Land use rights	**539,705**	594,804
Development costs	**6,937,575**	4,174,999
Finance costs capitalised	**310,748**	229,733
	7,788,028	4,999,536

Movements of land use rights in properties under development are as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
At 1st January	**594,804**	271,076
Additions	**66,418**	263,006
Transfer from land use rights (note 7)	**108,105**	276,800
Acquisition of a subsidiary	**147,743**	–
Disposal of a subsidiary	**–**	(128,599)
Amortisation of land use rights	**(8,671)**	(7,376)
Transfer to properties held for sale	**(368,694)**	(80,103)
At 31st December	**539,705**	594,804

8. Properties under development *(Continued)*

Properties under development pledged as securities for long-term bank loans of RMB419,138,000 (2006: RMB234,261,000) amounted to RMB1,205,172,000 at 31st December 2007 (2006: RMB725,611,000).

As at 31st December 2007, right to yields on certain land use rights (gains from the sale of land use rights or other profit obtained from the relevant land use rights) have been pledged as security for short-term bank loans of RMB500,000,000 (2006: Nil) and long-term bank loans of RMB3,850,000,000 (2006: RMB4,500,000,000).

9. Subsidiaries

	Company	
	As at 31st December	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost	**2,842,900**	2,518,216
Provision for impairment loss	**(31,000)**	(31,000)
	2,811,900	2,487,216
Loans to subsidiaries (i)	**5,328,442**	2,552,995
	8,140,342	5,040,211
Loans from subsidiaries (ii)	**(560,078)**	(843,986)

Notes:

(i) Loans to subsidiaries are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment.

(ii) Loans from subsidiaries are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment.

9. Subsidiaries *(Continued)*

The directors are of the opinion that the following is a list of the significant subsidiaries at 31st December 2007 (all of which are directly held by the Company, established and operate in the PRC, except otherwise stated) which materially affect the results or assets of the Group:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	2006
Beijing Rongjin Real Estate Development Company Limited (i)	Sino-foreign cooperative joint venture	Property development and investment	USD12,000,000	**76.6%**	76.6%
Central Plaza Real Estate Development Company Limited (ii)	Sino-foreign cooperative joint venture	Property development and investment	USD17,320,000	**100%**	100%
Beijing Arkgarden Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD9,200,000	**75%**	75%
S.C. Real Estate Development Company Limited	Limited liability company	Property development	RMB300,000,000	**100%**	80%
Beijing Sunshine Jindu Properties Company Limited	Limited liability company	Property development	RMB370,000,000	**100%**	100%
Beijing Anhua Shiji Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%
Beijing HYHL Real Estate Development Company Limited (iii)	Sino-foreign cooperative joint venture	Property development	USD10,000,000	**100%**	100%
Beijing Capital Xinzi Real Estate Limited	Sino-foreign cooperative joint venture	Property development	USD60,000,000	**55%**	55%
Beijing Shangboya Investment Consultant Company Limited (iv)	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%

9. Subsidiaries *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	2006
Beijing Shangbodi Investment Consultant Company Limited (iv)	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%
Tianjin Xinchuang Land Limited (v)	Sino-foreign equity joint venture	Property development	USD25,000,000	**55%**	55%
Shanxi Capital Xinzi Real Estate Development Limited (vi)	Limited liability company	Property development	RMB10,000,000	**100%**	100%
Xi'an Capital Xinzi Real Estate Limited (vii)	Limited liability company	Property development	USD25,000,000	**100%**	100%
Beijng Capital Huihang Real Estate Development Company Limited (x)	Limited liability company	Property development	RMB900,000,000	**N/A**	70%
Beijing Maple Real Estate Development Company Limited	Limited liability company	Property development	RMB82,770,000	**99.99%**	75%
Chengdu Capital Xinzi Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%
Jiangsu Capital Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD12,500,000	**60%**	60%
Beijing Caotang Real Estate Development Limited (viii)	Limited liability company	Property development	RMB10,000,000	**60%**	60%
Beijing Shangyi Real Estate Development Limited (ix)	Limited liability company	Property development	RMB10,000,000	**68%**	68%

9. Subsidiaries *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	Attributable interest held 2006
Beijing Donghai Investment Development Company Limited (vi)	Limited liability company	Investment holding	RMB21,000,000	**100%**	100%
Beijing Capital Land Chengdu Company Limited	Limited liability company	Property development	RMB150,000,000	**100%**	N/A
Dongguan Xinzi Real Estate Development Company Limited	Limited liability company	Property development	RMB1,000,000	**100%**	N/A
Tianjin Banshan Renjia Real Estate Company Limited	Limited liability company	Property development	RMB63,330,000	**85%**	N/A
Beijing Sun Shine City Real Estate Development Company Limited (xi)	Sino-foreign cooperative joint venture	Property development	USD20,000,000	**50%**	N/A
Chengdu Capital Yidu Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD50,000,000	**55%**	N/A
Tianjin Capital Xinming Real Estate Development Company Limited	Limited liability company	Property development	RMB10,000,000	**100%**	N/A
Tianjin Capital Xinyuan Real Estate Development Company Limited	Limited liability company	Property development	RMB10,000,000	**100%**	N/A
Tianjin Capital Xingang Real Estate Development Company Limited	Limited liability company	Property development	RMB10,000,000	**100%**	N/A
Tianjin Capital Xinqing Real Estate Development Company Limited (vi)	Limited liability company	Property development	RMB10,000,000	**100%**	N/A

9. **Subsidiaries** *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	2006
Incorporated in the British Virgin Islands:					
Central Plaza Development Limited	Limited liability company	Investment holding	USD1	**100%**	100%
International Finance Centre Property Limited	Limited liability company	Investment holding	USD1	**100%**	100%

Notes:

(i) 48% directly and 28.6% indirectly held by the Company

According to the Cooperation Agreement, the Group contributed 76.6% of the registered capital and is entitled to share 100% of the profit from this company's office building and 34% of the profit from the hotel.

(ii) 75% directly and 25% indirectly held by the Company

(iii) 85% directly and 15% indirectly held by the Company

(iv) 90% directly and 10% indirectly held by the Company

(v) 55% indirectly held by the Company

(vi) 100% indirectly held by the Company

(vii) 50% indirectly and 50% directly held by the Company

(viii) 60% indirectly held by the Company

(ix) 68% indirectly held by the Company

(x) In this year, the financial statements of Beijing Capital Huihuang Real Estate Development Company Limited ("Huihuang'') have been cleared and the Company withdrew the share capital of RMB630,000,000 (note14(a))

(xi) In the year 2006, the Company shared the results of Beijing Sun Shine City Real Estate Development Company Limited ("Sun Shine City") by 50% as a jointly controlled entity. From 31th October 2007, Sun Shine City modified its article of association, thus, the Group got the majority of seats in the Board of Directors. According to the article, the Company actually controlled Sun Shine City, which became a subsidiary.

10. Jointly controlled entities

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Equity jointly controlled entities				
At 1st January	**222,890**	80,950	**82,767**	82,767
Share of results	**48,493**	(14,486)	**–**	–
Acquisition	**156,180**	156,426	**156,180**	–
Reclassification of a jointly controlled entity as a subsidiary (note 9(xi))	**(75,050)**	–	**(82,766)**	–
At 31st December	**352,513**	222,890	**156,181**	82,767
Unlisted investments, at cost	**–**	–	**156,181**	82,767
Group's share of net assets, unlisted	**352,513**	222,890	**–**	–
Cooperative jointly controlled entities				
At 1st January	**–**	72,498	**–**	61,315
Share of results	**–**	46,969	**–**	–
Reclassification of a jointly controlled entity as a subsidiary	**–**	(105,137)	**–**	(61,315)
Dividends received	**–**	(14,330)	**–**	–
At 31st December	**–**	–	**–**	–
Unlisted investments, at cost	**–**	–	**–**	–
Group's share of net assets, unlisted	**–**	–	**–**	–
	352,513	222,890	**156,181**	82,767

10. Jointly controlled entities *(Continued)*

The following is a list of the principal jointly controlled entities at 31st December 2007, all of which are established and operate in the PRC:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	Attributable interest held 2006
Equity jointly controlled					
Sun Shine City (a)	Sino-foreign cooperative joint venture	Property development	USD20,000,000	**N/A**	50%
Beijing Ruijingqingyuan Real Estate Development Company Limited	Limited liability company	Property development	RMB20,000,000	**50%**	50%
Shenyang Jitian Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD40,000,000	**50%**	N/A

(a) In the year 2007, Sun Shine City has become a subsidiary after the modification of its articles of association (note 9(xi))

10. Jointly controlled entities *(Continued)*

The following amounts represent the Group's shares of the assets and liabilities, and income and results of the jointly controlled entities:

Name	Assets	Liabilities	Income	Expenses	Profit/(loss)
2007					
Beijing Sun Shine City Real Estate Development Company Limited	–	–	–	(1,047)	(1,047)
Beijing Ruijingqingyuan Real Estate Development Company Limited	712,403	(513,330)	1,782,873	(1,730,593)	52,280
Shenyang Jitian Real Estate Development Limited	453,768	(300,328)	–	(2,740)	(2,740)
	1,166,171	(813,658)	1,782,873	(1,734,380)	48,493
2006					
Beijing Sun Shine City Real Estate Development Company Limited	649,546	(573,449)	–	(4,853)	(4,853)
Beijing Maple Real Estate Company Limited	–	–	199,865	(152,896)	46,969
Beijing Ruijingqingyuan Real Estate Development Company Limited	1,933,702	(1,786,909)	–	(9,633)	(9,633)
	2,583,248	(2,360,358)	199,865	(167,382)	32,483

10. Jointly controlled entities *(Continued)*

The share of commitments of the jointly controlled entities at the balance sheet date is as follows:

	Group	
	As at 31st December	
	2007	2006
	RMB'000	RMB'000
Properties under development		
Contracted but not provided for	**8,316**	341,109
Authorised but not contracted for	**–**	419,672
	8,316	760,781

11. Associates

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**249,639**	291,792	**134,063**	173,013
Share of results	**9,951**	42,318	**–**	–
Addition	**97,650**	–	**97,650**	–
Reclassified from subsidiaries	**–**	39,823	**–**	46,983
Loss on share reform	**–**	(30,053)	**–**	(30,053)
Reclassified to available-for-sale financial assets	**–**	(92,841)	**–**	(49,742)
Dividends received	**(1,120)**	(1,400)	**–**	–
Disposal	**(38,916)**	–	**(52,453)**	–
Provision for impairment loss	**–**	–	**–**	(6,138)
At 31st December	**317,204**	249,639	**179,260**	134,063
Investments, at cost				
– unlisted	**317,204**	249,639	**185,398**	140,201
Provision for impairment loss	**–**	–	**(6,138)**	(6,138)
	317,204	249,639	**179,260**	134,063
Group's share at net assets				
– unlisted	**317,204**	249,639	**–**	–
	317,204	249,639	**–**	–

11. Associates *(Continued)*

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

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2007	Attributable interest held 2006
Beijing GoldenNet Property Investment Consultant Company Limited (i)	Limited liability company	Property sales agency	RMB5,000,000	**14%**	14%
Beijing Xing Tai Real Estate Development Company Limited	Limited liability company	Property development	RMB55,180,000	**25%**	25%
Beijing Yang Guang Yuan Real Estate Development Company Limited	Limited liability company	Property development	RMB72,190,000	**35%**	35%
Beijing SCJF Real Estate Agency Company Limited	Limited liability company	Property sales agency	RMB18,000,000	**49%**	33%
Beijing Jinyaguang Real Estate Development Company Limited (ii)	Sino-foreign equity joint venture limited	Property development	USD12,000,000	**N/A**	45%
Shenyang Xinzi Capital Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD43,000,000	**30%**	N/A
Xi'an Xin Kai Capital Real Estate Development Company Limited (iii)	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**38.4%**	N/A

(i) The Company has significant influence over the board of directors and such board is responsible for determining the financial policies in the ordinary course of business, and accordingly this company is classified as an associate.

(ii) In the year 2007, the Company disposed of all of shares in Beiing Jinyaguang Real Estate Development Company Limited.

(iii) As at 31st December 2007, Xi'an Xinkai Capital Real Estate Development Company Limited obtained business license, but capital has not been injected by its shareholders.

11. Associates *(Continued)*

The following amounts represent the Group's share of the assets, liabilities and minority interests, and income and results of the associates:

Name	Assets	Liabilities and minority interests	Income	Expenses	Profit/ (loss)
2007					
Beijing GoldenNet Property Investment Consultant Company Limited	3,330	(70)	–	926	926
Beijing Xing Tai Real Estate Development Company Limited	882,908	(742,808)	298,212	(283,937)	14,275
Beijing Yang Guang Yuan Real Estate Development Company Limited	217,359	(145,062)	18,028	(18,283)	(255)
Beijing SCJF Real Estate Agenc Company	13,516	(9,020)	5,390	(9,077)	(3,687)
Beijing Jinyaguang Real Estate Development Company Limited	–	–	–	(709)	(709)
Shenyang Xinzi Capital Real Estate Development Company Limited	97,051	–	–	(599)	(599)
	1,214,164	(896,960)	321,630	(311,679)	9,951
2006					
Beijing GoldenNet Property Investment Consultant Company Limited	3,593	(139)	13,585	(11,737)	1,848
Beijing Xing Tai Real Estate Development Company Limited	585,007	(459,182)	223,353	(192,562)	30,791
Beijing Yang Guang Yuan Real Estate Development Company Limited	302,748	(230,196)	16,511	(4,611)	11,900
Beijing SCJF Real Estate Agency Company Limited	10,570	(2,387)	27,577	(29,599)	(2,022)
Beijing Jinyaguang Real Estate Development Company Limited	390,349	(350,724)	–	(199)	(199)
	1,292,267	(1,042,628)	281,026	(238,708)	42,318

12. Available-for-sale financial assets

	Group and Company As at 31st December 2007 RMB'000	2006 RMB'000
Fair value:		
– listed	**390,647**	199,735
– unlisted	**53,529**	52,317
Total	**444,176**	252,052

	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
As at 1st January	**252,052**	20,736	**252,052**	20,736
Transfer from associates	**–**	92,841	**–**	49,742
Net gains transfer to equity (note 20)	**217,499**	138,475	**217,499**	181,574
Disposal	**(25,375)**	–	**(25,375)**	–
As at 31st December	**444,176**	252,052	**444,176**	252,052

There were no impairment provisions on available-for-sale financial assets in 2007 or 2006.

The fair values of unlisted secured securities are based on cash flows discounted using a rate based on the market interest rate.

Available-for-sale financial assets are all denominated in RMB.

None of the financial assets are either past due or impaired.

13. Inventories and properties held for sale

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Merchandise	**2,788**	3,930	**–**	–
Low value consumable materials	**5,954**	13,242	**–**	–
Total inventories	**8,742**	17,172	**–**	–
Development costs	**1,438,992**	268,266	**65,837**	67,328
Land use rights	**76,816**	30,407	**5,789**	6,061
Finance costs capitalised	**92,002**	6,222	**–**	–
Total properties held for sale	**1,607,810**	304,895	**71,626**	73,389

Movements of land use rights in properties held for sale are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1st January	**30,407**	18,228	**6,061**	18,115
Transfer from properties under development	**368,694**	80,103	**–**	–
Acquisition of a subsidiary	**–**	52,775	**–**	–
Amortisation of land use rights	**(435)**	(1,390)	**(66)**	(1,157)
Recognised as cost of sales	**(321,850)**	(119,309)	**(206)**	(10,897)
At 31st December	**76,816**	30,407	**5,789**	6,061

14. Trade and other receivables

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (b)	**340,891**	295,588	**165**	165
Less: provisions for impairment of receivables	**(3,890)**	(53)	**–**	–
Trade receivables – net	**337,001**	295,535	**165**	165
Tax and other prepayments	**441,752**	394,534	**23,928**	64,688
Other receivables – net	**95,477**	165,816	**19,884**	16,549
Amounts due from jointly controlled entities	**17,328**	208,167	**2,328**	198,167
Amounts due from associates	**–**	714,924	**–**	714,924
Amounts due from Super Shine (a)	**–**	200,000	**–**	–
Amounts due from fellow subsidiaries	**2,043**	27,372	**2,043**	27,372
Amounts due from minority shareholders of subsidiaries	**18,074**	116,809	**–**	90,407
Deposit for tender of land	**301,191**	440,610	**160,000**	426,610
Advance for investment in a jointly controlled entity	**–**	30,000	**–**	30,000
	1,212,866	2,593,767	**208,348**	1,568,882

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

(a) During the year 2006, the Company and Super Shine Company Ltd. ("Super Shine"), an investment, jointly contributed in the establishment of Huihuang; and obtained the land use rights of Beijing Chaoyang District Da Tun Bei Ding Cun project through setting up a tender coalition. Due to changes to the project, the Company and Super Shine, together with Beijing Municipal Bureau of State Land and Resources, discharged the "Contract on the Grant of the State-owned Land" and retrieved the land grant deposit. The Company and Super Shine have decided to clear the accounts of Huihuang. Super Shine withdrew its share capital of RMB200,000,000 which resulted in the balance of receivables as at year end of 2006.

During the year 2007, the Company and Super Shine cleared the financial statements of Huihuang, which had been approved by the board and the government. The receivables have been cleared off thereafter.

14. Trade and other receivables *(Continued)*

(b) At 31st December 2007 and 2006, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	As at 31 December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**58,317**	260,980	**–**	–
Over three months and within half year	**4,403**	1,217	**–**	–
Over half year and within one year	**–**	12,393	**–**	–
Over one year	**278,171**	20,998	**165**	165
	340,891	295,588	**165**	165

Trade receivables outstanding for over one year are mainly related to sales of office building units in bulk and large pieces of developed land. The amount for past due but not impaired is RMB10,489,000 with the ageing of 3 years. The amount for past due and impaired is RMB7,780,000.

(c) The credit terms in connection with sales of properties and land use rights granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

(d) At 31st December 2007 and 2006, the amounts due from jointly controlled entities, associates are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment.

At 31st December 2007 and 2006, the amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

At 31st December 2007 and 2006, the amounts due from minority shareholders of subsidiaries are unsecured, interest free and repayable within one year.

(e) Amounts of trade and other receivables are all denominated in RMB.

15. Amounts due from Promoters

The amounts due from Promoters are unsecured, interest free and have no fixed terms of repayment.

16. Restricted bank deposits

The restricted bank deposits have been pledged as security for certain mortgage loans to customers.

17. Cash and cash equivalents

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,614,383**	3,706,833	**630,802**	2,447,891

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**2,526,569**	3,587,203	**630,802**	2,353,099
USD	**22,593**	24,838	**–**	–
HKD	**65,221**	94,792	**–**	94,792
	2,614,383	3,706,833	**63,802**	2,447,891

18. Share capital

	Number of domestic share of RMB1 each	Number of non-H foreign shares of RMB1 each	Number of H shares of RMB1 each	Total number of shares of RMB1 each	RMB'000
Registered, issued and fully paid:					
As at 1st January 2006	680,405,700	357,998,300	677,556,000	1,715,960,000	1,715,960
Placement of H shares	(31,200,000)	–	343,200,000	312,000,000	312,000
As at 31st December 2006	649,205,700	357,998,300	1,020,756,000	2,027,960,000	2,027,960
Registered, issued and fully paid:					
As at 1st January and 31st December 2007	649,205,700	357,998,300	1,020,756,000,	2,027,960,000	2,027,960

18. Share capital *(Continued)*

The Domestic share and H share rank pari passu in all respects.

On 27th October 2006, the Company increased its issued share capital through a placing of 312,000,000 H shares at a price of HKD2.80 per share.

19. Retained earnings

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**403,548**	275,185	**139,933**	262,529
Profit for the year	**526,009**	266,009	**591,624**	(18,604)
Dividends relating to 2006/2005	**(121,678)**	(85,798)	**(121,678)**	(85,798)
Transfer to statutory reserve fund(a)	**(46,520)**	(51,848)	**(46,520)**	(18,194)
At 31 December	**761,359**	403,548	**563,359**	139,933
Representing:				
Proposed final dividend at 31 December	**243,355**	121,678	**243,355**	121,678
Retained earnings – Others	**518,004**	281,870	**320,004**	18,255
At 31 December	**761,359**	403,548	**563,359**	139,933

(a) According to the respective Articles of Association, the Company and subsidiaries are required to transfer 10% of their profit after taxation, as shown in the financial statements prepared under the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP"), to their statutory reserve fund. The statutory reserve fund can be used to offset accumulated loss or convert as share capital of the Company.

20. Other Reserves

Group

	Other reserves			
	Capital surplus	Statutory reserve fund	Statutory public benefit fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2006	465,478	115,391	41,115	621,984
Placement of H shares	549,438	–	–	549,438
Transfer from retained earnings	–	51,848	–	51,848
Reclassification	–	41,115	(41,115)	–
Contribution from Promoters	28,180	–	–	28,180
Fair value gains on available-for-sale financial assets, gross (note 12)	138,475	–	–	138,475
Deferred tax liabilities (note 26)	(45,697)	–	–	(45,697)
Balance at 31st December 2006	1,135,874	208,354	–	1,344,228
Balance at 1st January 2007	1,135,874	208,354	–	1,344,228
Adjustment of contribution from Promoters	(19,676)	–	–	(19,676)
Transfer from retained earnings	–	46,520	–	46,520
Fair value gains on available-for-sale financial assets, gross (note 12)	217,499	–	–	217,499
Deferred tax liabilities (note 26)	(54,375)	–	–	(54,375)
Reserve realised upon disposal of available-for-sale financial assets	(11,483)	–	–	(11,483)
Write-down of deferred income tax liabilities resulted from the new CIT Law (note 26)	9,684	–	–	9,684
Acquisition of interest from a minority shareholder	(47,072)	–	–	(47,072)
Acquisition of a subsidiary	397,804	–	–	397,804
Reserve realised upon disposal of properties held for sale	(105,607)	–	–	(105,607)
Balance at 31st December 2007	1,522,648	254,874	–	1,777,522

20. Other Reserves *(Continued)*

Company

	Other reserves			
	Capital surplus	**Statutory reserve fund**	**Statutory public benefit fund**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2006	465,478	64,086	23,168	552,732
Placement of H shares	549,438	–	–	549,438
Transfer from retained earnings	–	18,194	–	18,194
Reclassification	–	23,168	(23,168)	–
Contribution from Promoters	28,180	–	–	28,180
Fair value gains on available-for-sale financial assets, gross (note 12)	181,574	–	–	181,574
Deferred tax liabilities (note 26)	(59,920)	–	–	(59,920)
Balance at 31st December 2006	1,164,750	105,448	–	1,270,198
Balance at 1st January 2007	1,164,750	105,448	–	1,270,198
Adjustment of contribution from Promoters	(19,676)	–	–	(19,676)
Transfer from retained earnings	–	46,520	–	46,520
Fair value gains on available-for-sale financial assets, gross (note 12)	217,499	–	–	217,499
Deferred tax liabilities (note 26)	(54,375)	–	–	(54,375)
Reserve realised upon disposal of available-for-sale financial assets	(14,637)	–	–	(14,637)
Write-down of deferred income tax liabilities resulted from the new CIT Law (note 26)	12,755	–	–	12,755
Balance at 31st December 2007	1,306,316	151,968	–	1,458,284

21. Trade and other payables

	Group As at 31st December		Company As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**24,773**	23,358	**3,102**	3,234
Notes payables	**–**	16,846	**–**	–
Advances from customers	**3,922,872**	2,515,277	**1,427**	743
Dividends payable	**28,605**	55,140	**28,605**	55,140
Dividends payable to minority shareholders of subsidiaries	**115,699**	–	**–**	–
Accrued construction costs	**2,010,509**	908,146	**39,900**	41,074
Amounts due to fellow subsidiaries	**–**	25,706	**–**	–
Amounts due to a subsidiary	**–**	–	**150,000**	–
Amounts due to minority shareholders of subsidiaries	**609,756**	480,010	**–**	–
Advance from the subsidiaries of Super Shine	**128,000**	–	**–**	–
Amounts due to a jointly controlled entity	**10,000**	–	**–**	–
Other payables	**244,700**	356,012	**129,266**	203,768
	7,094,914	4,380,495	**352,300**	303,959
Less non-current portion: Amounts due to minority shareholders of subsidiaries	**(309,415)**	(315,966)	**–**	–
Current portion	**6,785,499**	4,064,529	**352,300**	303,959

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

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group As at 31st December		Company As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**7,023,329**	4,302,359	**352,300**	303,959
USD	**71,585**	78,136	**–**	–
	7,094,914	4,380,495	**352,300**	303,959

21. Trade and other payables *(Continued)*

At 31st December 2007 and 2006, amounts due to minority shareholders of subsidiaries are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment, other than amounting to USD9,800,000 and RMB237,830,000 will expire in 2009.

At 31st December 2007 and 2006, the amounts due to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

At 31st December 2007, the amount due to a subsidiary is unsecured, carries interest at 5.75% and will expire in March 2008.

At 31st December 2007 and 2006, the ageing analysis of the trade payables were as follows:

	Group		**Company**	
	As at 31 December		**As at 31st December**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**15,043**	17,648	**–**	–
Over one year	**9,730**	5,710	**3,102**	3,234
	24,773	23,358	**3,102**	3,234

22. Tax payables

	Group As at 31st December		Company As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Business tax payable	**69,701**	101,607	**5,048**	2,028
Current income tax payable				
– PRC income tax	**418,916**	217,040	**34,380**	16,456
– PRC LAT	**279,232**	138,560	**–**	–
Others	**7,007**	2,107	**4,207**	285
	774,856	459,314	**43,635**	18,769

23. Special dividend payable

In accordance with "Provisional regulations concerning the management of state capital and certain accounting treatment for enterprises restructuring into companies" issued by the Ministry of Finance as Cai Qi (2002) No.313 on 27th July 2002, profit recognised from the date of valuation of state assets to the date of incorporation of a reorganised state-owned enterprise should be returned to the state-owned initial shareholders. Accordingly, a special dividend amounting to RMB204,839,000, representing the profit of the Group under PRC generally accepted accounting principles from 1st January 2002 to 31st December 2002 after taking into account the valuation of state assets will be payable to the initial shareholders.

24. Amounts due to parent company

The amounts due to parent comany are unsecured, interest free and have no fixed terms of repayment.

25. Bank loans

	Group As at 31st December		Company As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term bank loans, in RMB				
– secured	**4,269,138**	4,734,261	**3,850,000**	4,500,000
– unsecured	**600,000**	400,000	**–**	–
	4,869,138	5,134,261	**3,850,000**	4,500,000
Current portion	**(1,319,138)**	–	**(700,000)**	–
	3,550,000	5,134,261	**3,150,000**	4,500,000
Short-term bank loans, in RMB				
– secured	**500,000**	–	**500,000**	–
– unsecured	**500,000**	517,000	**500,000**	400,000
	1,000,000	517,000	**1,000,000**	400,000
Total bank loans	**5,869,138**	5,651,261	**4,850,000**	4,900,000
The maturity of the bank loans is as follows:				
Within 1 year	**2,319,138**	517,000	**1,700,000**	400,000
Between 1 and 2 years	**200,000**	1,834,261	**–**	1,200,000
Between 2 and 5 years	**200,000**	–	**–**	–
Over 5 years	**3,150,000**	3,300,000	**3,150,000**	3,300,000
	5,869,138	5,651,261	**4,850,000**	4,900,000

The effective interests rate at the balance sheet date were ranged from 5.91% to 7.05% (2006: 5.15% to 6.16%) per annum.

As at 31st December 2007, short-term bank loans of RMB500,000,000 (2006: Nil) and long-term bank loans of RMB3,850,000,000 (2006: RMB4,500,000,000) were secured by rights to yields on certain land use rights (gains on the sales of land use rights or other profit obtained from the related land use rights).

25. Bank loans *(Continued)*

As at 31st December 2007, long-term bank loans of RMB419,138,000 (2006: RMB234,261,000) were secured by the properties under development of subsidiaries of the Company.

The Group has the following undrawn borrowing facilities:

	As at 31st December	
	2007	2006
	RMB'000	RMB'000
Floating rate		
– expiring within one year	**–**	–
– expiring beyond one year	**2,900,000**	23,426
	2,900,000	23,426

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

	6 months or less	**6 – 12 months**	**Total**
			RMB'000
At 31st December 2006	800,000	4,851,261	5,651,261
At 31st December 2007	400,000	5,469,138	5,869,138

There are no fixed interest rates for long-term bank loans, and the fair value of bank loans are not materially different from their book value.

The carrying amounts of short-term bank loans approximate their fair value.

25. Bank loans *(Continued)*

The carrying amount of the bank loans are denominated in the following currencies:

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**5,650,000**	5,417,000	**4,850,000**	4,900,000
USD	**219,138**	234,261	**–**	–
	5,869,138	5,651,261	**4,850,000**	4,900,000

26. Deferred income tax

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

	Group		Company	
	As at 31st December		As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets/(liabilities):				
– To be recovered after more than 12 months	**(133,393)**	(27,944)	**(87,134)**	(59,920)
– To be recovered within 12 months	**(84,624)**	74,074	**7,305**	14,694
	(218,017)	46,130	**(79,829)**	(45,226)

26. Deferred income tax *(Continued)*

The movement on the deferred income tax assets/(liabilities) account is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**46,130**	59,586	**(45,226)**	12,091
Recognised in the income statement (note 32)	**81,928**	35,308	**7,017**	2,603
Tax charged directly to equity (note 20)	**(54,375)**	(45,697)	**(54,375)**	(59,920)
Acquisition of subsidiaries	**(301,384)**	1,412	**–**	–
Disposal of a subsidiary	**–**	(4,479)	**–**	–
Write-down of deferred income tax assets resulted from the new CIT Law – charged directly to equity	**9,684**	–	**12,755**	–
At 31st December	**(218,017)**	46,130	**(79,829)**	(45,226)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB93,313,000 (2006: RMB84,994,000) in respect of losses amounting to RMB373,252,000 (2006: RMB257,558,000) that can be carried forward against future taxable income. These tax losses will expire from 2009 to 2012.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group starting from 1 January 2008 will be 25% for all the companies in the PRC, replacing currently effective tax rate at 33%. As a result of the new CIT Law, the carrying value of the deferred income tax assets/(liabilities) as at 31st December 2007 have been adjusted accordingly.

26. Deferred income tax *(Continued)*

The movement in deferred tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction during the year is as follows:

Deferred tax assets:

	Group						
	Difference in cost base of properties RMB'000	Tax losses RMB'000	Unpaid accruals RMB'000	Provision for impairment of receivables RMB'000	Amortisation of land use rights RMB'000	Others RMB'000	Total RMB'000
At 1st January 2006	13,132	8,390	5,682	6,178	20,145	6,059	59,586
Recognised in the income statement	–	39,471	2,587	–	(2,518)	(4,232)	35,308
Acquisition of a subsidiary	–	–	–	–	1,412	–	1,412
Disposal of a subsidiary	–	–	–	–	(4,479)	–	(4,479)
At 31st December 2006	13,132	47,861	8,269	6,178	14,560	1,827	91,827
Recognised in the income statement	–	(11,110)	2,505	1,920	(3,162)	5,119	(4,728)
Acquisition of a subsidiary	–	6,506	–	–	1,527	–	8,033
Write-down of deferred income tax assets resulted from the new CIT Law							
– recognised in the income statement	(3,183)	(10,486)	(2,612)	(1,963)	(3,134)	(1,684)	(23,062)
At 31st December 2007	9,949	32,771	8,162	6,135	9,791	5,262	72,070

	Company			
	Unpaid accruals RMB'000	Provision for impairment of receivables RMB'000	Amortisation of land use rights RMB'000	Total RMB'000
At 1st January 2006	5,682	6,178	231	12,091
Recognised in the income statement	2,587	–	16	2,603
At 31st December 2006	8,269	6,178	247	14,694
Recognised in the income statement	2,505	1,920	(19)	4,406
Write-down of deferred income tax assets resulted from the new CIT Law				
– recognised in the income statement	(2,612)	(1,963)	(55)	(4,630)
At 31st December 2007	8,162	6,135	173	14,470

26. Deferred income tax *(Continued)*

Deferred tax liabilities:

	Group		
	Fair value gain of available-for-sale financial assets	**Fair value gain of properties under development**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1st January 2006	–	–	–
Charged directly to equity	(45,697)	–	(45,697)
At 31st December 2006	(45,697)	–	(45,697)
Charged directly to equity	(54,375)	–	(54,375)
Recognised in the income statement	5,687	104,031	109,718
Acquisition of a subsidiary (note 37)	–	(10,588)	(10,588)
Acquisition of another subsidiary (note 37)	–	(298,829)	(298,829)
Write-down of deferred income tax liabilities resulted from the new CIT Law			
– charged directly to equity	9,684	–	9,684
As at 31st December 2007	(84,701)	(205,386)	(290,087)

	Company	
	Fair value gain of available-for-sale financial assets	**Total**
	RMB'000	RMB'000
As at 1st January 2006	–	–
Charged directly to equity	(59,920)	(59,920)
At 31st December 2006	(59,920)	(59,920)
Charged directly to equity	(54,375)	(54,375)
Recognised in the income statement	7,241	7,241
Write-down of deferred income tax liabilities resulted from the new CIT Law		
– charged directly to equity	12,755	12,755
As at 31st December 2007	(94,299)	(94,299)

27. Retirement benefit obligations

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

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

28. Other gains – net

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Loss on share reform	**–**	(30,053)
Net gain on disposal of a subsidiary	**–**	72,694
Gains on sales of available-for-sale financial assetes	**50,752**	–
Gains on sales of financial assets at fair value through profit or loss	**21,577**	–
Excess of acquirer's interest in fair value of identifiable net assets over cost	**–**	127,480
Others	**9,944**	18,997
	82,273	189,118

29. Expenses by nature

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

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Depreciation	**82,156**	87,025
Amortisation	**17,945**	21,213
Provision for/(reversal of) impairments of receivables	**3,371**	(7,253)
Employee benefit expenses (directors' emoluments included)	**190,352**	124,849
Advertising costs	**52,776**	31,771
Cost of properties sold		
– Land use rights	**321,850**	212,520
– Finance cost capitalised in cost of properties	**49,149**	22,443
– Raw materials	**2,400,233**	1,021,694
Cost of inventories sold in relation to hotel operations	**46,340**	33,631
Business taxes and other levies	**280,246**	119,605
Office expenses	**18,594**	20,974
Auditor's remuneration	**5,605**	5,480
Consulting expenses	**16,151**	14,534
Commission fee	**79,490**	15,259
Energy expenses in relation to hotel operations	**16,041**	14,697
Management fee in relation to hotel operations	**18,362**	13,165
Maintenance expenses	**14,265**	10,318
Impairment of a hotel property	**–**	31,000
Others	**47,389**	33,237
Total cost of sales, selling and marketing costs and administrative expenses	**3,660,315**	1,826,162

30. Employee benefit expense

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Wages and salaries	**153,245**	91,827
Social security costs	**24,398**	20,506
Retirement benefit costs		
– defined contribution plans	**12,709**	12,516
	190,352	124,849
Less: capitalised in properties under development	**(58,036)**	(36,699)
	132,316	88,150

Wages and salaries include directors' emoluments.

(a) Retirement benefit costs – defined contribution plans

There were no forfeited contributions during the year or available at 31st December 2007 (2006: Nil) to reduce future contributions.

Contributions totaling RMB639,000 (2006: RMB199,000) were included in trade and other payables at the year end.

30. Employee benefit expense *(Continued)*

(b) Directors' emoluments

The remuneration of every director for the year ended 31st December 2007 is set out below:

Name of Director	**Fees** RMB'000	**Salary** RMB'000	**Other benefits** RMB'000	**Employer's contribution to retirement benefit scheme** RMB'000	**Total** RMB'000
Mr. Liu Xiaoguang	–	2,200	–	–	2,200
Mr. Tan Jun	_	2,860	269	21	3,150
Mr. He Guang	–	1,736	433	148	2,317
Mr. Feng Chunqin	–	–	–	–	–
Mr. Wang Zhengbin	–	–	–	–	–
Ms. Zhu Min	–	–	–	–	–
Mr. Muk Kin Yau	–	–	–	–	–
Mr. Kwong Kai Sing, Benny	220	–	–	–	220
Mr. Ke Jianmin	220	–	–	–	220
Mr. Yu Xingbao	110	–	–	–	110
Mr. Li Zhaojie	110	–	–	–	110
Mr. Yu Changjian	–	–	–	–	–
Mr. Wei Jianping	–	282	95	21	398
Mr. Wang Qi	55	–	–	–	55
Mr. Xu Jianhong	41	–	–	–	41
	756	7,078	797	190	8,821

30. Employee benefit expense *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of every director for the year ended 31st December 2006 is set out below:

Name of Director	Fees	Salary	Other benefits	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Liu Xiaoguang	–	2,000	–	19	2,019
Mr. Tang Jun	–	2,600	–	19	2,619
Mr. He Guang	–	1,648	412	12	2,072
Mr. Feng Chunqin	–	–	–	–	–
Mr. Wang Zhengbin	–	–	–	–	–
Ms. Zhu Min	–	–	–	–	–
Mr. Muk Kin Yau	–	–	–	–	–
Mr. Kwong Kai Sing, Benny	200	–	–	–	200
Mr. Ke Jianmin	200	–	–	–	200
Mr. Yu Xingbao	100	–	–	–	100
Mr. Li Zhaojie	100	–	–	–	100
Mr. Yu Changjian	–	–	–	–	–
Mr. Wei Jianping	–	220	–	19	239
Mr. Wang Qi	50	–	–	–	50
Mr. Xu Jianhong	50	–	–	–	50
	700	6,468	412	69	7,649

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 2007 and 2006 were all directors whose emoluments are reflected in the analysis presented above.

(d) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

31. Finance costs – net

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Interest expenses:		
Bank loans, wholly repayable within five years	**158,527**	153,496
Bank loans, not wholly repayable within five years	**211,814**	181,650
Other loans, wholly repayable within five years	**34,094**	19,361
	404,435	354,507
Less: Amount capitalised in properties under development with capitalisation rate between 5.91% and 7.05% (2006: 5.15% and 6.15%) per annum	**(201,333)**	(164,302)
Finance costs	**203,102**	190,205
Finance income:		
Interest income on bank deposits	**(39,237)**	(32,930)
Interest income on loans to related parties	**(29,118)**	(37,537)
Finance income	**(68,355)**	(70,467)
	134,747	119,738

32. Income tax expenses

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31st December 2007 (2006: Nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 33% (2006: 33%).

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

32. Income tax expenses *(Continued)*

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Current income tax		
– PRC income tax	**500,850**	111,057
– PRC LAT	**173,979**	110,572
Overprovision in prior years	**–**	(65,309)
Deferred taxation (note 26)	**(81,928)**	(35,308)
	592,901	121,012

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory rate of 33% as follows:

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**1,319,768**	357,371
Tax calculated at PRC statutory rate of 33%	**435,524**	117,932
Income not subject to taxation	**(1,838)**	(42,068)
Share of profits less losses of jointly controlled entities and associates	**(19,287)**	(24,684)
Expenses not deductible for tax purposes	**695**	11,546
Effect of higher tax rates for the appreciation of land in the PRC	**116,566**	74,084
Overprovision in prior years	**–**	(65,309)
Unrecognised tax losses	**38,179**	49,511
Write-down of deferred income tax assets resulted from the new CIT Law (note 26)	**23,062**	–
Income tax expenses	**592,901**	121,012

32. Income tax expenses *(Continued)*

In 2003, the company and the Promoters of the Company (the "Promoters") signed the Reorganisation agreement (the "Agreement") upon the Reorganisation and the listing of the Company. According to the Agreement, a deed of tax indemnity has been entered into between the Promoters and the Company whereby the Promoters undertake to indemnify the Group in respect of, inter alia, certain LAT payable in the consequence of the disposal of the Group's properties defined in the Agreement.

As at 31st December 2007, the LAT of the properties mentioned above accumulated to approximately RMB35,974,000 attributable to the Promoters after netting off potential income tax saving. The amount has been confirmed with the Promoters and will be compensated thereby.

33. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company included the profit of the Company of RMB591,624,000 (2006: loss of RMB18,604,000).

34. Earnings per share (basic and diluted)

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

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**526,009**	266,009
Weighted average number of shares in issue (thousands)	**2,027,960**	1,767,960
Earnings per share (basic and diluted) (RMB cents per share)	**25.94**	15.05

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 31st December 2007 and 2006.

35. Dividends

The dividend paid during the year ended 31st December 2007 was RMB121,678,000 (representing 2006 final dividend of RMB0.06 per share).

A final dividend for the year ended 31st December 2007 of RMB0.12 per share, amounting to a total dividend of RMB243,355,000, was proposed at the Board meeting held on 7th March 2008. These financial statements do not reflect this dividend payable, but it will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
2007 Proposed final dividend of RMB0.12 per share (2006: RMB0.06 per share)	**243,355**	121,678

36. Notes to consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash (used in)/ generated from operations

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**1,319,768**	357,371
Provisions for/(reversal of) impairment of receivables	**3,371**	(7,253)
Share of profit of jointly controlled entities	**(48,493)**	(32,483)
Share of profit of associates	**(9,951)**	(42,318)
Loss on share reform	**–**	30,053
Excess of acquirer's interest in fair value of identifiable net assets over cost	**–**	(127,480)
Net gains on disposal of a subsidiary and an associate	**(103,184)**	(72,694)
Gain on disposal of financial assets at fair value through profit or loss	**(21,577)**	–
Gain on sales of available-for-sale financial assets	**(50,752)**	–
Exchange gains	**(11,792)**	–
Depreciation	**82,156**	87,025
Amortisation	**17,945**	21,213
Impairment of a hotel property	**–**	31,000
Loss on disposal of property, plant and equipment (note b)	**39**	11
Interest income	**(68,355)**	(70,467)
Interest expense	**203,102**	190,205
Operating profit before working capital changes	**1,312,277**	364,183
Increase in restricted bank deposits	**(45,741)**	(36,024)
Decrease/(increase) in inventories	**8,430**	(3,484)
(Increase)/decrease in properties held for sale	**(1,302,915)**	109,185
Decrease/(increase) in properties under development	**214,878**	(2,445,798)
Increase in land use rights	**(2,431,844)**	(407,500)
Decrease/(increase) in trade and other receivables	**967,623**	(334,022)
Increase in trade and other payables	**112,504**	3,229,987
Cash (used in)/generated from operations	**(1,164,788)**	476,527

36. Notes to consolidated cash flow statement *(Continued)*

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

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Net book amount	**1,989**	654
Loss on disposal of property, plant and equipment	**(39)**	(11)
Proceeds from disposal of property, plant and equipment	**1,950**	643

37. Business combinations

(a) On 18th April 2007, the Group acquired 85% equity interest in Tianjin Banshan Renjia Real Estate Co., Ltd. ("Tianjin Banshan") which is principally engaged in real estate development, for a consideration of RMB80,830,000.

The acquired business contributed net loss of RMB1,026,000 to the Group for the period from the date of acquisition to 31st December 2007. The Group's profit for the period will not change even the acquisition was occurred on 1st January 2007.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
– cash paid	66,830
– purchase consideration payables	14,000
Total purchase consideration	80,830
– fair value of net identifiable assets acquired (see below)	(80,830)
Goodwill	–

37. Business combinations *(Continued)*

(a) *(Continued)*

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

	Acquiree's carrying amount RMB'000	**Preliminary fair value** RMB'000
Cash and cash equivalents	63,330	63,330
Properties under development	400,000	442,353
Trade and other payables	(400,000)	(400,000)
Deferred income tax liabilities	–	(10,588)
	63,330	95,095
Minority interests (15%)		(14,265)
Net identifiable assets acquired		80,830
Cash to acquire the business net of cash acquired		
– cash consideration paid		66,830
– cash and cash equivalents in subsidiary acquired		(63,330)
Net cash paid for the acquisition		3,500

(b) In 2003, the Company acquired 50% equity interest in Sun Shine City, which was then a jointly controlled entity of the Company. Sun Shine City principally engaged in real estate development. No goodwill was identified as the total purchase consideration equaled to the fair value of net identified assets acquired.

On 31st October 2007, Sun Shine City modified its article of association, thus, the Company got the majority of seats in the Board of Directors. The Board is responsible for business decisions on financial and operational policies. According to the article, Sun Shine City became a subsidiary of the Company. However, the Company still held 50% of the share, no change from that in 2006. In connection with the acquisition, no cash consideration paid by the Company, and no additional interest held, then, the goodwill was nil.

The acquisition contributes profit of RMB183,660,000 to the Group for the period from the date of acquisition to 31st December 2007. If the acquisition had occurred on 1st January 2007, its profit for the year ended 31st December 2007 as attributable to the Group would have been RMB181,565,000.

37. Business combinations *(Continued)*

(b) *(Continued)*

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

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Cash and cash equivalents	735,990	735,990
Property, plant and equipment	617	617
Land use rights	45,846	45,846
Properties under development	1,265,248	2,359,684
Trade and other receivables	158,758	158,758
Deferred tax assets	8,033	8,033
Trade and other payables	(2,057,019)	(2,057,019)
Tax payables	(7,924)	(7,924)
Deferred tax liabilities	–	(298,829)
	149,549	945,156
Minority interests (50%)		(472,578)
Fair value of original shares held		(472,578)
Net identifiable assets acquired		–
Cash to acquire the business net of cash acquired		
– cash consideration		–
– cash and cash equivalents in subsidiary acquired		735,990
Net cash acquired on acquisition		735,990

38. Financial guarantees

(a) The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB2,143,607,000 as at 31st December 2007 (2006: RMB1,243,183,000).

Such guarantees terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group deliver possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

(b) As at 31st December 2007, other than guarantees provided for long-term bank loans of RMB600,000,000 (2006: RMB400,000,000) granted to subsidiaries of the Company and a long-term bank loan of RMB100,000,000 (2006: Nil) granted to a jointly controlled entity, the Group had no material external guarantee.

39. Commitments

(a) Capital commitments

Capital commitments in respect of development costs attributable to properties under development and land use rights:

	Group As at 31st December	
	2007 **RMB'000**	2006 RMB'000
Properties under development		
Contracted but not provided for	**1,390,818**	1,029,284
Authorised but not contracted for	**4,437,740**	4,524,730
	5,828,558	5,554,014
Land use rights		
Contracted but not provided for	**2,278,037**	228,619
	8,106,595	5,782,633

39. Commitments *(Continued)*

(b) Investment commitments

	Group As at 31st December		Company As at 31st December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
A jointly controlled entity	**–**	156,876	**–**	156,876
A subsidiary	**114,000**	–	**114,000**	–
An associate	**266,472**	–	**266,472**	–

40. Related party transactions

The Group is controlled by Capital Group (parent company), which aggregately holds 45.58% of the Company's shares directly and indirectly.

The parent company itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than the parent company, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

For purpose of related party transaction disclosure, the Group has identified the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programmes. Due to the pervasiveness of the Group's retail transactions with the entities' employees on corporate business, their key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relative to related party transactions has been disclosed.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year.

40. Related party transactions *(Continued)*

(i) Related party transactions

	Related party	Nature of transaction	Year ended 31st December 2007 RMB'000	2006 RMB'000
(a)	Jointly controlled entities	Interest income	**8,705**	22,023
(b)	Parent company	Interest income	**–**	12,654
(c)	An associate	Interest income	**16,626**	2,860
(d)	Minority shareholder of a subsidiary	Interest income	**3,787**	–
(e)	Associates	Commission fee (i)	**(47,145)**	(17,167)
(f)	Minority shareholder of subsidiaries	Interest expense	**(37,953)**	(17,329)
(g)	State-owned enterprises	Interest income	**45,529**	19,314
		Sales of goods and services	**1,443,934**	125,550
		Purchase of goods and services	**(673,480)**	(495,055)
		Drawdown of bank loans	**(1,400,000)**	(2,117,000)
		Repayment of bank loans	**1,667,000**	1,200,000
		Interest expense	**(254,537)**	(300,644)

Note:

(i) The commission fee payable to the associates was charged ranging from 1.2% to 1.8% (2006: 1.4% to 1.7%) based on property sales price.

The Group does not have a system to identify the related parties within its retail customers, therefore the sales of goods disclosed above does not include the retail sales to related parties. The Group does not believe it is meaningful to disclose the retail sales to related parties as the sales terms, including pricing, with these related parties are similar as the ones with non-related parties.

40. Related party transactions *(Continued)*

(ii) Related party balances

		As at 31st December	
		2007	2006
		RMB'000	RMB'000
(a)	Bank deposits State-owned banks	**2,698,358**	3,685,625
(b)	Trade receivables State-owned enterprises	**87,077**	31,927
(c)	Bank loans State-owned banks	**5,150,000**	5,417,000
(d)	Amount due from Promoters	**35,974**	55,650
(e)	Amounts due to parent company	**6,399**	174,741
(f)	Other receivables, net State-owned enterprises	**37,180**	36,296
(g)	Other payables State-owned enterprises	**3,878**	5,974
(h)	Advance from customers State-owned enterprises	**175**	1,054,339

Apart from bank deposits and bank loans, the amounts receivables and payables are unsecured, interest free and have no fixed terms of repayment as at 31st December 2007 and 2006.

At 31st December 2007, the balance of the Group's provisions for impairment of receivables from related parties is RMB17,837,000 (2006: RMB14,005,000), the Group's provisions for impairment of receivables charged to income statement for the year ended 31st December 2007 amounted to RMB3,832,000 (2006: reversal of provisions for impairment receivables charged to income statement of RMB10,600,000).

40. Related party transactions *(Continued)*

(iii) Key management compensation

	Year ended 31st December	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**14,748**	9,937
Post-employment benefits	**278**	107

(iv) Establishment of a new subsidiary

The Company entered into a contract to establish a sino-foreign cooperative joint venture company with Reco Ziyang Pte Ltd. ("Reco Ziyang", the minority shareholder of a subsidiary of the Group). The total amount of investment is USD50,000,000. The Company and Reco Ziyang shall contribute 55% and 45% of the total amount of investment respectively to the newly established joint venture company.

(v) Establishment of a new jointly controlled entity

The Company entered into a contract to establish a sino-foreign equity joint venture company with Reco Ziyang. The total amount of investment is USD40,000,000. The Company and Reco Ziyang shall both contribute 50% of the total amount of investment respectively to the newly established joint venture company.

(vi) Establishment of a new associate

The Company entered into a contract to establish a sino-foreign equity joint venture company with Reco Ziyang. The total amount of investment is USD43,000,000. The Company and Reco Ziyang shall both contribute 30% and 70% of the total amount of investment respectively to the newly established joint venture company.

41. Presentation of LAT and reclassification of comparative figures

At its September 2007 meeting, the Financial Reporting Standards Committee ("FRSC") of HKICPA concluded that LAT is indeed an income tax within the scope of HKAS 12 "Income Taxes". In light of the FRSC's decision, LAT should be accounted for as an income tax and the adjustment should be applied retrospectively. This has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly. In addition, certain comparative figures have been reclassified to conform with the current year's presentation. The above changes have no net impact on result for the year ended 31st December 2006.

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

2007
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