众安房产
ZHONG'AN REAL ESTATE

ZHONG AN REAL ESTATE LIMITED

眾安房產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

ANNUAL REPORT

2007

Contents

Board of Directors

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Mr. Heng Kwoo Seng

Company Secretary and Qualified Accountant

Mr. Lai Po Sing

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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Xiaoshan District
Hangzhou
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong

Unit 2509, 25/F
Harbour Centre
25 Harbour Road
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Hong Kong

Company's Website

www.zafc.com

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of Communications
China Construction Bank Corporation, Hong Kong Branch
Hang Seng Bank Limited

Legal Advisers as to Hong Kong Laws

Chiu & Partners

Auditors

Ernst & Young

Compliance Advisor

Quam Capital Limited

Chairman's Statement

On behalf of the board ("Board") of directors ("Directors") of Zhong An Real Estate Limited ("Company", together with its subsidiaries, the "Group"), I present the first annual report of the Group for the year ended December 31, 2007.

2007 was an important milestone for the Group's development. With the efforts of the staff and the intermediaries, as well as the support of the investors at large, the Group successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 13, 2007. Total proceeds from listing amounted to HK$3,622 million.

Having become a listed company, apart from gaining free access to the international capital market, the Group has also enhanced its management capabilities through complying with the requirements of Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in its management operations. It also helps in attracting talents in the industry.

Holiday Inn Xiaoshan Hangzhou, the first hotel of the Group, is built with five-star standard. It consists of 417 guest rooms with an aggregate gross floor area ("GFA") of 35,834 sq. m. Operation formally commenced in December 2007. As of December 31, 2007, 47,076 sq. m. of the five-storey shopping

Green Harbour

centre with a total GFA of 60,337 sq. m. were completed and commenced operation in December 2007.

The performance in the pre-sales of the property projects expected to be completed in 2008 has been satisfactory. New White Horse Apartments, Xiaoshan district of Hangzhou, Zhejiang Province, is a residential development in the commercial center of Xiaoshan district of Hangzhou. As at December 31, 2007, approximately 94.3% of GFA available for sale were pre-sold. Vancouver City is a major municipal development project at Huaibei, Anhui Province. 170 units in Phase 2 – North Section were launched for pre-sale in October 2007, and sold out within half day. Green Harbour is a low density residential property development project at Hefei, Anhui Province. Townhouses in Phase 1A were launched for pre-sale in December 2007, and sold out within two days.

As of December 31, 2007, the total GFA of the Group's land bank in Hangzhou, Zhejiang and Anhui Province was approximately 2,940,137 sq. m. and 2,361,786 sq. m. respectively, i.e. 5,301,923 sq. m. in total. Such land bank is sufficient for supporting the future development of the Group in the coming five years.

In terms of corporate strategies, the Group will continue to focus on the most rapidly developing Greater Yangtze River Delta economy as well as those area which will become central business districts in the municipalities for the coming three to five years.

Looking ahead to the coming year, the PRC property market will be a year of stability. However, the tightly controlled monetary policies will be continued. It is also a year which will offer the Company an opportunity to facilitate its strategy of expansion by low cost. We will pursue a prudent attitude in development, and review from time to time how to make the best out of the proceeds from listing. This will lay down a solid foundation for the Group and create better return for the shareholders.

Lastly, on behalf of the Board, I wish to express my immense gratitude to the customers, suppliers and staff of the Group for their support in the past ten years.

Zhong An Real Estate Limited
Shi Kancheng
Chairman

The PRC, March 28, 2008

New White Horse Apartments

The audited consolidated revenue of the Group was RMB330,043,000 in 2007, a decrease of 50.9% from that in 2006. The audited profit attributable to equity holders of the Company was RMB391,306,000 in 2007, an increase of 377.4% from that in 2006, which was also 13.8% more than the forecasted profit as set out in the prospectus of the Company. The audited earnings per share was RMB0.26 in 2007, an increase of 333.3% from 2006.

Business Review

Sales and earnings

The area of property sold and delivered by the Group in 2007 was 102,897 sq. m. (2006: 215,417 sq. m), a decrease of 52.2%. The reason for the decrease was as stated in the prospectus of the Company, the Group has held the completed portion of the Highlong Plaza as the Group's properties, so as to facilitate the target of enhancing the source of profit of the Group. In addition, the sales income in 2007 was mainly derived from the sales of units from Landscape Garden Phase 2 at Hangzhou and Vancouver City, Phase 2 – South Section at Huaibei, Anhui Province that were completed in December 2006 as well as the remaining units of other projects, whilst the projects completed in 2006 also included Guotai Garden and Yipeng Building Material Market, apart from the two projects above.

The average sales price per sq. m achieved by the Group in 2007 was RMB3,097, a decrease of 5.3% from the average sales price per sq. m of RMB3,269 in 2006. The reason was that, for the sales revenue in 2007, the sales revenue attributable to Vancouver City, Phase 1 and Phase 2 – South Section to total sales revenue represented a relatively higher proportion. However, the property price of Vancouver City at Huaibei, Anhui Province was lower than the projects in Hangzhou.

The total sales area for major property projects of the Group in 2007 and the average sales price per sq. m. were as follows:

	Sales area in 2007 sq. m.	Sales revenue in 2007 RMB million	Average sales price per sq. m. in 2007 RMB	Average sales price per sq. m. in 2006 RMB
Vancouver City, Phase 2 – South Section	62,197	111.9	1,799	1,604
Guotai Garden	11,061	83.5	7,546	3,547
Landscape Garden Phase 2	11,236	68.5	6,096	5,680

The average sales cost per sq. m. was RMB1,560 in 2007, a decrease of 16.3% from RMB1,864 in 2006. The main reason was that the sales cost of Vancouver City Phase 1 and Phase 2 – South Section, being of lower sales cost per sq. m, represented a relatively higher proportion in total sales cost.

Gross profit was RMB164,342,000 in 2007, a decrease of 39.4% from RMB271,197,000 in 2006. The main reason is that the sales area in 2007 decreased by 52.2% from that in 2006.

The audited profit attributable to the equity holders of the Company was RMB391,306,000 in 2007, an increase of RMB309,340,000 or 377.4% from that in 2006. The main reason was that the increase in fair value of investment property in 2007 was RMB405,776,000, an increase of RMB372,802,000 from that in 2006.

Progress of development on Highlong Plaza project

Highlong Plaza is a large-scale integrated commercial development in Xiaoshan district, Hangzhou, which has a total site area of 30,933 sq. m, and a total planned GFA of 172,569 sq. m. The development project includes a Holiday Inn hotel (i.e. Holiday Inn Xiaoshan Hangzhou（杭州蕭山眾安假日酒店）) built to five-star standards, one building for offices, two serviced apartment buildings, a shopping center and underground car parking spaces.

Holiday Inn Xiaoshan Hangzhou（杭州蕭山眾安假日酒店）is a hotel built to five-star standards, which has 25 levels with 417 guest rooms and an aggregate GFA of 35,834 sq.m. The hotel was soft opened in August 2007, and formally commenced operation in December 2007. As at the end of 2007, the average occupancy rate reached 85%. The hotel is managed by Holiday Inns (China) Limited.

As of 31 December 2007, 47,076 sq. m. of the shopping center with an aggregate GFA of 60,337 sq.m. were completed. The construction works for the remaining 13,261 sq. m. were also completed. It is expected to complete inspection in May 2008. As of 31 December 2007, 92.0% in the shopping mall by total GFA had been leased. The shopping center as completed was held by the Group as an investment property.

One office building with GFA available for sale/leasing of 25,642 sq. m was completed. In addition, it is expected that two serviced apartment buildings with GFA available for sale/leasing of 22,593 sq.m. will complete for inspection in May 2008.

Area for pre-sale and status of projects to be completed in 2008

As of 31 December 2007, the area for pre-sale by the Group was approximately 203,874 sq. m. Set out below are the details on the area for pre-sale from the major projects:

	sq. m.
New White Horse Apartment, Hangzhou, Zhejiang Province	152,767
Green Harbour, Phase 1A, Hefei City, Anhui Province	11,005
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	26,874

It is expected that the expected GFA available for sale/leasing from the projects to be completed in 2008 was approximately 339,907 sq. m. Details of which are as follows:

	Expected completion date	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group	Usage
New White Horse Apartment, Hangzhou, Zhejiang Province	May 2008		90%	For sale
– High rise residential apartment		157,257		
– Retail spaces		4,680		
Highlong Plaza, Hangzhou, Zhejiang Province	May 2008		90%	
– Shopping mall at Level 1 to 5 uncompleted		13,261		For leasing
– Serviced apartments		22,593		For leasing and sale
Phase A of a piece of land for Huijun, Xihu District, Hangzhou City, Zhejiang Province	December 2008	14,610	99.7%	For sale purposes
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	October 2008		95%	For sale
– Low-rise apartment units		59,100		
– Villas		3,000		
– Retail spaces		9,000		
Green Harbour, Phase 1A, Anhui Province	October 2008		84.15%	For sale
– Townhouse units		56,406		
Total		339,907		

New White Horse Apartments is a residential development project in the commercial center of Xiaoshan district of Hangzhou. The development includes high-rise residential blocks, retail space and car parking spaces. As of 31 December 2007, approximately 94.3% of GFA available for sale were pre-sold. In 2007, New White Horse Apartments was awarded Classic Residence Award（人居經典綜合大獎）by the Ministry of Construction and Ministry of Culture. In the same year, New White Horse Apartments was awarded Top Ten Citizens' Favorite Residence Award（市民最喜愛的十大樓盤）by the Construction Bureau of Xiaoshan district of Hangzhou（蕭山區建設局）.

Green Harbour is a low-density residential properties development project at Hefei City, Anhui Province. Townhouses in Phase 1A were launched for pre-sale in December 2007, and sold out within two days.

Vancouver City, Huaibei City, Anhui Province is a major municipal development project at Huaibei, Anhui Province. 170 units in Phase 2 – North Section were launched for pre-sale in October 2007, and were sold out within half day.

Land reserve

As of 31 December 2007, the total GFA of the Group's land bank in Hangzhou, Zhejiang and Anhui Province was approximately 2,940,137 sq. m. and 2,361,786 sq. m., which was 5,301,923 sq. m. in total. Such land bank is sufficient for development by the Group in the coming five years.

Details of land bank as of 31 December 2007:

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
New White Horse Apartments, Hangzhou, Zhejiang	Residential/retail spaces	221,947	161,937	90%
Highlong Plaza, Hangzhou, Zhejiang Province	Shopping center/serviced apartments	64,017	35,854	90%
A piece of land at Landscape Bay, Ning Wei Town, Hangzhou City, Zhejiang Province	Residential/retail spaces	307,600	273,320	90%
A piece of land for Huijun, Xihu District, Hangzhou, Zhejiang Province	Residential/retail spaces	168,657	127,910	99.7%
A piece of land at Huifeng Plaza, Hangzhou, Zhejiang Province	Residential	37,316	28,991	90%

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
A piece of land reserved for International Office Centre, Phase A, Hangzhou City, Zhejiang Province	Residential/offices/hotels	696,600	603,600	100%
A piece of land reserved for Phase B & C, International Office Center, Hangzhou City, Zhejiang Province	Residential/offices/hotels/ retail spaces	1,444,000	1,018,400	100%
Sub-total for land bank in Hangzhou City, Zhejiang Province		2,940,137	2,250,012	
Vancouver City, Phase 2 – North Section, Huaibei City, Anhui Province	Residential/retail spaces	73,600	71,100	95%
Vancouver City, Phase 3A-3D, Huaibei City, Anhui Province	Residential/retail spaces	534,036	491,300	95%
Vancouver City, Phase 4 – 6, Huaibei City, Anhui Province	Residential/retail spaces/hotels	921,050	890,000	95%
Green Harbour, Phase 1A, Hefei, Anhui Province	Residential	57,600	56,406	84.15%
Green Harbour, Phase 1B & C, Hefei, Anhui Province	Residential	92,000	84,000	84.15%
Green Harbour, Phase 2, Hefei, Anhui Province	Residential/retail spaces	128,200	87,300	84.15%
Green Harbour, Phase 3 – 6, Hefei, Anhui Province	Residential/retail spaces/hotels	555,300	542,500	84.15%
Sub-total for land bank in Anhui Province		2,361,786	2,222,606	
Total land bank		5,301,923	4,472,618	

On 15 January 2008, the Group acquired the entire interests in Hangzhou Zheng Jiang Real Estate Development Co., Ltd. at a consideration of RMB370,360,000, for which the principal asset is a piece of land adjacent to Xiang Lake, Xiaoshan District, Zhejiang Province with an area of 89,173 sq.m. and an aggregate GFA of 222,932 sq.m.. It is expected that Xiang Lake District will be developed into the core tourism and leisure development zone of Hangzhou. The design of the project is still planning. It is expected that it will include SOHO (i.e., small office and home office) office buildings and commercial properties.

Use of Proceeds from Global Offering

In November 2007, the Company issued 543,000,000 shares at HK$6.67 per share by way of the global offering. The net proceeds after deducting the relevant expenses were approximately HK$3,439.8 million. During the period from 13 November 2007 to 31 December 2007, the use of net proceeds from the listing as stated in the Prospectus was as follows:

		RMB in million
1.	Utilized for the project of Landscape Bay	40.5
2.	Utilized for the project of Section A of International Office Center	51.9
3.	Utilized for acquisition of land for the project of Green Harbor	3.7
4.	Utilized for financing the acquisition of land site with a planned gross floor area of 480,000 square meter in Hangzhou	163.6
5.	Working capital and other general corporate purposes	361.4
		621.1

As at 31 December 2007, the listing proceeds not yet utilized were placed in banks as short-term and saving deposits.

Recognition obtained by the Group

The Group was awarded China Top 100 Real Estate Developers Award（中國房地產百强企業）in March 2007, which was jointly issued by the Chinese Real Estate Industry Association（中國房地產協會）, the Development Research Center of the State Counsel of the PRC, the Real Estate Research Institute of the Tsinghua University and the China Index Academy（中國指數研究院）. Furthermore, in September 2007, the Group was awarded Top Ten East China Real Estate Company by Brand Value award, which was jointly issued by the Development Research Center of the State Council of the PRC, the Real Estate Research Institute of the Tsinghua University and the China Index Academy.

Landscape Garden was awarded Outstanding Residence Complex（優秀住宅小區）in 2007 by the Construction Bureau of Hangzhou.

In January 2007, Anhui Zhong'an Property Development Co., Ltd. ("Anhui Zhong'an Property Development") was awarded Top Ten Property Brand Name of Anhui Province Award（安徽省十大房產品牌）jointly by the Industry and Commerce United Association（安徽省工商業聯合會）and the Committee of Chinese Brand Viewing Anhui（中國品牌看安徽組委會）. In March 2007, Anhui Zhong'an Property Development was awarded AAA Class Excellent Quality Service and Reputation Property Development Company Award（安徽省質量服務信譽AAA級優秀房地產公司）by Anhui Land, Property and Residence Investigation and Study Center and Anhui Market Project Construction Quality Investigation Center of the Anhui Economic News（安徽經濟日報安徽房地產及住宅調查研究中心及安徽省市場工程建設質量調查中心）.

In March 2007, Vancouver City was awarded Anhui Star Residence（安徽明星樓盤）by the Anhui Land, Property and Residence Investigation and Study Center of the Anhui Economic News（安徽經濟日報安徽房地產及住宅調查研究中心）.

Human resources and remuneration policy

As of 31 December 2007, the Group employed 495 staff (31 December 2006: 293 staff). The main reason for the increase was the hotel staff additionally employed for the operation of Holiday Inn Xiaoshan Hangzhou. During the year of 2007, the staff cost of the Group was approximately RMB22,662,000 (the year of 2006: approximately RMB14,234,000), representing an increase of 59.2%.

The staff cost includes basic salary and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to employment contracts. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered the grant of annual bonus according to certain performance conditions and appraisal results. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Commission is only provided to the sales staff of the Company. The Group reviews the remuneration package for its staff once a year. The Group also studies its remuneration packages relative to the similar position as offered by its peers, so as to maintain the competitiveness of the Company in the human resources market.

Dividend policy

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

In addition, the Group's future dividend payments to its shareholders will also depend upon the availability of dividends received from its subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from its subsidiary companies may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

Capital structure

As of 31 December 2007, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB3,038,713,000 (31 December 2006: RMB168,073,000).

The current ratio as at 31 December 2007 was 2.0 (31 December 2006: 0.5).

As at 31 December 2007, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB438,197,000 and RMB854,716,000 respectively (31 December 2006: approximately RMB297,780,000 and RMB385,500,000 respectively).

The consolidated interest expenses in 2007 amounted to RMB37,224,000 (2006: RMB43,114,000) in total. In addition, interests with an amount of RMB57,306,000 (2006: RMB32,931,000) were capitalized in 2007. Interest cover (including amount of interests capitalized) was 1.3 times (2006: 2.9 times).

As at 31 December 2007, the ratio of total liabilities to total assets of the Group was 48.8% (31 December 2006: 88.6%).

As at 31 December 2007, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 33.5% (31 December 2006: 339.2%). As at 31 December 2007, the ratio of bank loans and other borrowings to total assets was 16.8% (31 December 2006: 31.4%).

As at 31 December 2007, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 5.9% (31 December 2006: 89.0%).

In conclusion, the financial affairs of the Group were significantly improved from that in 2006.

Capital commitments

As at 31 December 2007, the capital commitments of the Group were RMB437,493,000 (31 December 2006: RMB418,978,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds (including the proceeds from listing and/or bank loans).

Guarantees and contingent liabilities

As at 31 December 2007, the contingent liabilities of the Group was approximately RMB523,015,000 (31 December 2006: RMB281,404,000), which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of assets

As at 31 December 2007, investment properties of the Group with net book value of approximately RMB946,367,000 (31 December 2006: approximately RMB120,300,000), completed properties held for sale of approximately RMB22,689,000 (31 December 2006: approximately RMB46,228,000), properties under development of approximately RMB1,117,186,000 (31 December 2006: approximately RMB195,578,000) and pledged deposits of approximately RMB196,000 (31 December 2006: approximately RMB38,000,000) were pledged to secure the banking facilities of the Group.

Foreign Exchange Risk

In the balance of bank deposits as at 31 December 2007 (including restricted bank balances), Renminbi, US dollars and HK dollars accounted for 33.2%, 56.2% and 10.6% respectively (31 December 2006: accounted for 100%, 0% and 0% respectively). In the unaudited balance of bank deposits as at 28 March 2008 (including restricted bank balances), Renminbi, US dollars and HK dollars accounted for 76.9%, 19.7% and 3.4% respectively. The Group shall, as soon as practicable, convert the bank balances in US dollars and HK dollars into Renminbi so as to reduce the foreign exchange risk.

As the sales, purchase and bank borrowings of the Group in 2007 and 2006 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2007 and 2006.

Interest rate risks

The interest rates for certain portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new loans and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Subsequent events

Other than the matters as disclosed in the published announcements and circular of the Group, there was no matter occurred that bears significant effect to the Group between the year end date (i.e. 31 December 2007) and the date of this annual report.

Prospects and outlook

According to the working report of the PRC government in 2008, the target for the growth in GDP for 2008 was set at 8% as compared with last year. The PRC government shall oversee the pace, focus and strength of the macro-economic control measures so as to facilitate the steady and relatively rapid development of the economy. Major fluctuations will be avoided. In the meantime, the order in the market will be governed and maintained through persistent enhancement to the control and monitoring over the properties market.

Furthermore, according to the statistics of the PRC government, the pricing index for newly built houses in 70 top and middle tier cities in February 2008 increased by 11.8% from that in the previous year, and increased by 0.2% from January 2008. Growth in Hangzhou was 15.9% and 0% respectively. Growth in Hefei was 12.8% and 0.6% respectively.

Looking ahead in the coming year, the macro-economic control measures and tightly controlled monetary policies will continue to prevail. On one hand, this will create relatively greater pressure on less competent and speculative property developers. On the other hand, this will facilitate the sustainable, steady and sound development of the properties industry. It will also offer the Company an opportunity to facilitate its strategy of expansion by low cost.

(A) Corporate Governance Practices

The Company and the Board of Directors of the Company (the "Board") have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") by adopting the code provisions of the Code.

During the period from 13 November 2007 (the date of the listing of the Company's shares on the Stock Exchange) to 31 December 2007 (the "Period"), the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation on the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Shi Kancheng).

The Board believes that the role of both chairman and chief executive officer in the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

(B) Directors' Securities Transactions

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

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Period.

(C) Board of Directors

The directors of the Company during the year under review were as follows:

Executive Directors

Mr. Shi Kancheng (alias Shi Zhongan) (Chairman and Chief Executive Officer) (Appointed on 13 March 2007)
Mr. Lou Yifei (Appointed on 31 July 2007)
Ms. Shen Tiaojuan (Appointed on 31 July 2007)
Mr. Zhang Jiangang (Appointed on 31 July 2007)

Independent non-executive Directors

Professor Pei Ker Wei (Appointed on 17 October 2007)
Professor Wang Shu Guang (Appointed on 17 October 2007)
Mr. Heng Kwoo Seng (with professional qualification in accordance with Rule 3.10(2) of the Listing Rules) (Appointed on 17 October 2007)

A total of 4 Board meetings were held during the year. The individual attendance of each Director was as follows:

	Number of Attendance
Mr. Shi Kancheng	4
Mr. Lou Yifei	4
Ms. Shen Tiaojuan	4
Mr. Zhang Jiangang	4
Professor Pei Ker Wei (Note)	1
Professor Wang Shu Guang (Note)	1
Mr. Heng Kwoo Seng (Note)	1

Note: The independent non-executive Directors were appointed on 17 October 2007 and hence their attendances of the Board meetings after their appointment were 100% during the year under review.

The Board operates and exercises its power in accordance with the articles of association of the Company. In addition, the Board has also specifically resolved that all transactions/contracts/other matters of the Group that are subject to the disclosure requirement in accordance with the Listing Rules should be approved by the Board in advance.

The Board considers that all the independent non-executive Directors are independent.

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, there are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board.

(D) Chairman and Chief Executive Officer

During the Period, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Shi Kancheng.

(E) Independent Non-executive Directors

Each of our independent non-executive Directors has been appointed for a term of two years commencing on 1 November 2007.

The director's fee specified in each of Mr. Heng Kwoo Seng, Professor Pei Ker Wei and Professor Wang Shu Guang's existing service contracts are RMB150,000, RMB100,000 and RMB50,000, respectively.

(F) Remuneration of Directors

The chairman of the remuneration committee of the Company (the "Remuneration Committee") is Professor Pei Ker Wei. The other members are Ms. Shen Tiaojuan and Mr. Heng Kwoo Seng.

The role and function of the Remuneration Committee of the Company include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to review and approve the remuneration report of the Group.

The basis of the emolument payable to the Directors is determined with reference to the range of prevailing directors' fee for Director of listed companies in Hong Kong and is subject to the approval of the Remuneration Committee. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, experience and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

No Remuneration Committee meetings were held during the Period.

(G) Nomination of Directors

The chairman of the nomination committee of the Company (the "Nomination Committee") is Mr. Shi Kancheng. The other members are Mr. Lou Yifei and Professor Wang Shu Guang.

The role and function of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors;

(d) to make recommendations to the Board on relevant matters relating to, among others, the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer of the Company;

(e) to give full consideration to, among others, the skills and expertise required from members of the Board and the relevant requirements of the Listing Rules with regard to Directors and etc., in the discharge of the Nomination Committee's duties;

(f) to ensure that on appointment to the Board, non-executive Directors (including independent non-executive Directors) receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(g) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his/her departure;

(h) to consider other matters, as defined or assigned by the Board from time to time; and

(i) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the shareholders of the Company at general meeting under rule 13.68 of the Listing Rules, to review and provide recommendations to the shareholders of the Company (other than shareholders who are directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote.

No Nomination Committee meetings were held during the Period.

The candidates for directorship during the year were selected by the senior management of the Company subject to the review and approval of the Board in accordance with the articles of association of the Company. The criteria adopted by the Board during the year in selecting and approving candidates for directorship are based on whether the candidates are appropriate in term of experience and the potential contribution to the Group associated with the candidates' appointment.

(H) Auditors' Remuneration

The audit fee of the Group for 2007 was RMB1,550,000.

During the Period, there were no significant non-audit service assignments being performed by the auditors of the Group.

(I) Audit Committee

The Company has set up an audit committee (the "Audit Committee") and the terms of reference adopted complied with the requirement of the Listing Rules.

The chairman of the Audit Committee is Mr. Heng Kwoo Seng. The other members are Professor Pei Ker Wei and Professor Wang Shu Guang.

The Audit Committee comprises all of the three independent non-executive Directors of the Company.

The role and function of the Audit Committee include the following:

(a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken. The Audit Committee should also review the non-auditor services provided by the external auditor on an annual basis, to ensure that the independence of such external auditor will not be affected;

(e) to monitor integrity, accuracy and fairness of financial statements of an issuer and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(f) to review, in draft form, the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report;

(g) members of the Audit Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least once a year, with the Company's auditors and (in the absence of the management) meet at least once a year with the Company's auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountants, compliance officer or auditors;

(h) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(i) to review the system of financial control, internal control and risk management and to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system and to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

(j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(k) where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

(l) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his/her departure;

(m) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

(n) to consider the appointment of any person to be an Audit Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, company secretary, auditors and accounting staff or dismissal of any of them;

(o) to consider the major findings of internal investigations and management's response;

(p) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(r) to report to the Board on the matters set out in the code provisions contained in the Code on Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules; and

(s) to consider other matters, as defined or assigned by the Board from time to time.

No audit committee meetings were held during the Period.

(J) Directors' Responsibility in Preparing the Accounts

The Directors acknowledge that they are responsible for the preparation of accounts which give a true and fair view of the Company and the Group.

(K) Annual Review of the Effectiveness of the Internal Control of the Group

The Directors have conducted a review of the effectiveness of the system of internal control of the Group and have resolved that the system of internal control of the Group during the Period was effective.

For and on Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The PRC, 28 March 2008

Zhong An Real Estate Limited – Participation in the Community and Plough Back to the Society

During these years, we have been paying attention to the culture of caring in the society. The development and operation of its businesses is closely related to social responsibilities. Economic benefits are pursued for at the same time with efforts for pursuing maximum social benefits. Since 2004, we have been devoted to the support of development in education initiatives. Over RMB21,500,000 were contributed to establish Hangzhou Xiaoshan District Jinfan School with a 9-year continuous system; RMB1,200,000 were contributed to establish Huaibei No. 1 Kindergarten, Vancouver City Branch; and RMB6,210,000 were contributed to establish Huaibei No. 1 Experimental Primary School, Vancouver City Branch. No fees will be charged on students after its operation commenced. This is aimed to support the education initiatives at Huaibei. During these years, investments of over RMB 32,000,000 in total were contributed by us to support education initiatives.

We have been constantly pursuing the mission of "Ploughing back to the society". Notwithstanding the efforts devoted to the development of education initiatives, we also proactively participated in the community welfare activities, and took up concern for the lives of the disadvantaged groups as its social obligation. Support were given to more than 2,000 people that were redundant from the productive units. Over RMB 3,000,000 were donated to China Youth Education Fund, Huaibei School for Disabled Persons, Hangzhou Xiaoshan District School for Deaf and Dumb Persons, Xiaoshan District Social Welfare Institute, support for poor students, economically disadvantaged villages and towns at Xiaoshan District and people living at districts affected by natural disasters. In October 2007, the Company donated HK$1,000,000 to Hong Kong Community Chest for the support of the provision of welfare services in Hong Kong.

Throughout the course of our development, there had been successful results achieved in the past years, and its performance had been spectacular. Numerous awards were received, such as Outstanding Contribution Enterprise in Xiaoshan District, Hangzhou, First State Public Housing Benchmark Project in Hangzhou region, China Commercial Properties Innovative Portfolio Award, China Top 100 Real Estate Developers Award, China Top 100 Real Estate Brand Award, Top Ten Citizen's Favourite Residence Award and Role Enterprise in Fiduciary Taxation Reporting. Despite the distinct reputation enjoyed by us at Yangtze River Delta Region for a long time, we will continue to pursue our mission of ploughing back to the society in future.

Directors

Executive Directors

Shi Kancheng (alias Shi Zhongan), aged 45, is Chairman and Chief Executive Officer of Zhong An Real Estate Limited (the "Company") and also holds directorship in certain subsidiaries. Mr. Shi is responsible for the strategic and development planning. He also supervises project planning and the overall business operation. Mr. Shi joined the Group since the establishment of the first member of the Group, Zhejiang Zhong'an Property Development Co., Ltd. (浙江眾安房地產開發有限公司) ("Zhejiang Zhong'an Property Development"). Mr. Shi served as a tax officer in the finance and revenue bureau of Xiaoshan district of Hangzhou (formerly known as Xiaoshan City) and served as the general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Shi has over 14 years' experience in property development and property investment. Mr. Shi graduated from an Executive Master of Business Administration program co-organized by Arizona State University and Shanghai National Accounting College (上海國家會計學院) in June 2007. From 2005 to 2006, Mr. Shi completed a program for executive officers, focusing on globalization and real estates developers, co-organized by Harvard University, Tsinghua University, The University of Hong Kong and the United States Military Academy. In the same year, Mr. Shi completed a program for presidents of real estates companies organized by Zhejiang University (浙江大學). Mr. Shi is not a director of any other listed company. Mr. Shi is the sole director and the sole shareholder of Whole Good Management Limited, which is the controlling shareholder of the Group.

Lou Yifei, aged 57, is an executive Director and the Vice President of the Company. He joined the Group in March 2006. He is primarily responsible for project operations, which include project planning, research and development, cost management, sales management and customer relations. He received an associate degree in architectural engineering from Wuhan Industry University in 1992 and completed a graduate degree in structural engineering at Zhejiang Industry University in 2002. Prior to joining the Group, Mr. Lou was the vice president and manager of the engineering department of Laiyinda Real Estate Co., Ltd. (萊茵達房地產有限公司), a supervisor of Laiyin Property (萊茵置業) and had served various other positions in the same group of companies from 2000 to 2006. Mr. Lou was a deputy general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. from 1994 to 2000. From 1984 to 1994, Mr. Lou worked for the government bureau of Xiaoshan district of Hangzhou, where he was primarily responsible for infrastructure construction management. From 1978 to 1994, he served as construction and engineering manager of Linpu Construction Company. Mr. Lou obtained his engineering qualification in 1999. Mr. Lou has 29 years of experience in the construction operations, and management of property development. Mr. Lou is not a director of any other listed company.

Shen Tiaojuan, aged 45, is an executive Director and the Vice President of the Company and also holds directorship in certain subsidiaries of the Company. She is primarily responsible for the financial operation and financial management of the Group. She has joined the Group in December 1997. Prior to joining the Group, Ms. Shen was the chief accountant and finance manager of Hangzhou Guanghua Chemical Fibres Factory (杭州光華化纖廠) from 1980 to 1993, the chief accountant of Hangzhou Hualing Electrics Co., Ltd. in 1994, and the chief accountant of White Swan Industry Co., Ltd. from 1995 to 1997. Ms. Shen has 26 years of experience in the financial operation of property development. Ms. Shen is not a director of any other listed company.

Zhang Jiangang, aged 38, is an executive Director and the Vice President of the Company. He is primarily in charge of the strategy implementation and the investment management of the Company. He served as the general manager and assistant to the Chairman of Anhui Zhong'an Real Estate Co., Ltd. (安徽眾安實業有限公司) ("Anhui Zhong'an Real Estate"). From 1995 to 2003, Mr. Zhang served as the office manager, assistant to general manager and vice general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Zhang joined the Group in March 2003. Mr. Zhang has 13 years of experience in construction and property development. Mr. Zhang is not a director of any other listed company.

Independent Non-executive Directors

Pei Ker Wei (Ph.D.), aged 50, was appointed an independent non-executive Director in October 2007. Dr. Pei worked as associate professor, deputy professor and professor at Arizona State University, chairman of North America Chinese Accounting Professors Academy, chairman of global commission of American Accounting Academy. He is currently Associate Dean of the W.P. Carey School of Business of Arizona State University and a member of the American Accounting Academy. Dr. Pei is also serving as an independent director of Baoshan Steel Equity Limited Company, a company which shares are listed on the Shanghai Stock Exchange. Mr. Pei received his MBA degree from South Illinois University in 1981 and Ph.D. from University of North Texas in 1986.

Wang Shu Guang, aged 54, was appointed an independent non-executive Director in October 2007. Professor Wang is Executive Chairman of Zhejiang Provincial Merchant Research Society, a co-researcher at the Institute of Public Management Science of Zhejiang University, co-Vice President of the CCE Center of Zhejiang University, Chairman of Zhejiang Youth Studies Institute (浙江省青年研究會) and Associate Dean of Zhejiang Youth College. Professor Wang is also currently a consultant to various organizations, including the Economic Professional Committee of Zhejiang Province Senior Professors Association (浙江省老教授協會經濟專業委員會), Zhejiang Knowledge Economics Club (浙江知識經濟俱樂部), and Hangzhou Young Entrepreneurs Association. Mr. Wang is not a director of any other listed company.

Heng Kwoo Seng, aged 59, was appointed an independent non-executive Director in October 2007. Mr. Heng is the managing partner of Morison Heng, Certified Public Accountants. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. As at 31 December 2007, Mr. Heng was an independent non-executive director of the following listed companies in Hong Kong, namely Lee & Man Paper Manufacturing Limited, Lee & Man Holding Limited, China Fire Safety Enterprise Group Holdings Limited, Soundwill Holdings Limited, SIM Technology Group Limited, Minth Group Limited, SCUD Group Limited and The United Laboratories International Holdings Limited.

Senior Management

Zhou Ting, aged 45, is one of the executive managers of the Group. He is primarily responsible for the supervision and execution of subsidiaries' construction management and quality control. He joined the Group in March 2005. Prior to joining the Group, he served as the project director of the Real Estate Department of New Hope Group (新希望集團) from April 2004 to March 2005. Mr. Zhou was the assistant to general manager of Shanghai Wanke Real Estate Development (上海萬科房地產開發有限公司) from 2000 to 2004, a manager of Sino-German Zublin Engineering Co., Ltd. (中德合資旭普林工程公司) from 1997 to 2000, a construction director of Shanghai Nongkou Real Estate General Corporation (上海農口房地產總公司) from 1994 to 1997, a project manager of Tianjin No. 3 Construction Co., Ltd. (天津市第三建築工程公司) from 1989 to 1994, and a vice project manager of Tianjin No. 5 Construction Co., Ltd. (天津市第五建築工程公司) from 1984 to 1988. He received a Bachelor degree in Industrial and Civil Architecture from Nanjing Architectural and Civil Engineering Institute (南京建築工程學院) in 1984. Mr. Zhou has 23 years of experience in operation and management of construction and real estate development.

Jin Ni, aged 32, is the general manager of Highlong Commercial Building. She is in charge of customer solicitation for Highlong Commercial Building and customer solicitation and management for leasing properties. She joined the Group in May 1997. She served as a sales lady and vice manager of the Sales Department, an office manager, and the vice general manager of Zhejiang Zhong'an Property Development from 1997 to 2006. She received her bachelor's degree in management from Zhejiang University of Technology (浙江工業大學) in 2003 and an associate degree in accounting from the East College of Zhejiang University (浙江大學東方學院) in 1996. She has 11 years of experience in sales, and operation and management of property companies.

Lu Jianguo, aged 46, is one of the executive general managers of the Group. He is primarily in charge of Human Resource Management of the Company. He joined the Group in May 2001. From 1993 to 2000, Mr. Lu was a manager of Xiaoshan Zhongguan Acoustic Engineering Co., Ltd. (蕭山中冠聲學工程有限公司), a manager of Xiaoshan Erqing Industrial General Corporation (蕭山二輕實業總公司), the head of Xiaoshan Erqing Tower Preparatory Office (蕭山二輕大廈籌建辦公室), and the office manager and a designer at Hangzhou Power Generation Equipment Factory (杭州發電設備廠) from 1978 to 1995. Mr. Lu received an associate degree in electronics from Zhejiang Radio & Television University (浙江廣播電視大學) in 1982. Mr. Lu has 6 years of experience in operation and management of property companies.

Zhang Fengquan, aged 37, is the general manager of Anhui Zhong'an Real Estate. He is responsible for the daily operation of Anhui Zhong'an Real Estate. He joined the Group in December 1997. From 1997 to 2004, he served as a manager at Zhejiang Zhong'an Property Management, a manager of the sales department at Zhejiang Zhong'an Property Development and the project manager for construction at Guotai Garden. Mr. Zhang received an associate bachelor degree in industrial and civil Construction from Sichuan Agricultural University (四川農業大學) in 2006. He is currently a candidate for a bachelor degree in project management from Wuhan University (武漢大學). Mr. Zhang has 14 years of experience in operation and management of property companies.

Jin Jianrong, aged 39, is the general manager of Zhejiang Zhong'an Property Development and Hangzhou White House Property Development Co. Ltd. (杭州白馬房地產開發有限公司). He is in charge of on-site technical supervision, construction, and cost control of the Group's projects in Zhejiang. Mr. Jin joined the Group in September 2004. Prior to joining the Group, he was the deputy general manager in charge of construction matters of Zhejiang Lvdu Real Estate Development Company (浙江綠都房地產開發公司) from 2003 to 2004, and a construction manager of Zhejiang Wanxiang Real Estate Company (浙江萬向房地產開發公司) from 1997 to 2002. He was responsible for project management of Yinhe Real Estate Development Company (銀河房地產開發公司) from 1995 to 1997, and was a project manager and worker of Xuxian Construction Co., Ltd. (許賢建築公司) from 1987 to 1994. Mr. Jin received a bachelor degree in civil engineering and management from Sichuan University (四川大學) in 2006. He has 20 years of experience in operation and management of property companies.

Shen Junhua, aged 46, is an executive deputy general manager of Henlly Enterprise Management (Hangzhou) Co., Ltd. He is in charge of on-site technical supervision, construction and cost control of the International Office Centre. He joined the Group in April 2005. Prior to joining the Group, Mr. Shen was a quality supervision director of Shimao Group (世茂集團) from 2003 to 2005, a construction director of Shanghai Shengyang Real Estate Company (上海晟陽房地產公司) from 2001 to 2003, a vice chief engineer of Hongyun Construction Company of Yangguang Group Corporation (陽光公司弘運建築公司) from 2000 to 2001, a deputy manager of the construction department of Jiaoyin Company (交銀公司) from 1993 to 2000, a project manager of Shengang Construction Company (申港建築公司) from 1991 to 1993, and a designer of Shanghai Design Institute of Mechanics and Electricity (上海機電設計院) from 1983 to 1991. Mr. Shen received a bachelor degree in applied mechanics from Tongji University (同濟大學) in 1983. He has 24 years of experience in operation and management of property companies.

Zhu Weihong, aged 41, is an executive deputy general manager of Anhui Zhong'an Real Estate. He is in charge of on-site technical supervision, construction, and cost control of the Group's project in Anhui province. He joined the Group in December 2006. Prior to joining the Group, Mr. Zhu was assistant to the general manager and a deputy general manager of Zhonggu Hangzhou Shi Wai Tao Yuan Real Estate Co., Ltd. (中谷杭州世外桃源房地產開發有限公司) from 2005 to 2006, a deputy general manager of Hangzhou Huaye Real Estate Development Co., Ltd. (杭州華業房地產開發有限公司) from 2004 to 2005, a manager at the construction department, a chief engineer, and the deputy general manager of Hangzhou Yinhe Real Estate Development Company (杭州銀河房地產開發有限公司) from 1996 to 2003, and the manager of the engineering department and a designer at the Engineering Department of Zhongfang Group Huzhou Real Estate Development Company from 1989 to 1995. Mr. Zhu received a bachelor degree in construction and project management from Xi'an Institute of Metallurgy and Construction in 1989. He has 18 years of experience in operation and management of property companies.

Dong Shuixiao, aged 44, is the general manager of Anhui Zhongan Real Estate Development Co., Ltd.("Anhui Zhong'an Property Development"). He is in charge of its operation and management. He joined the Group since 1997. Prior to joining the Group, he was the accountant and deputy finance manager of Xiaoshan Material Bureau from 1985 to 1993 and the manager of Hangzhou Xiaoshan Hongsen Material Co., Ltd. from 1994 to 1996. He served as the deputy general manager (in charge of finance) in Anhui Zhong'an Property Development in January 2003. He was responsible for the on-site technology supervision, construction and cost control of the project in Yisheng in February 2004. In March 2006, he was promoted to be the deputy manager of Zhejiang Zhong'an Property Development, and in charge of financial operation. Mr. Dong received his college diploma in Beijing University of Geoscience. He has over 11 years of experiences in property operation and management.

Yang Youwei, aged 58, is the general manager of Zhejiang Huijun Property Co., Ltd. (浙江匯駿置業有限公司). He is in charge of its operation and management. He joined the Group in February 2006. Prior to joining the Group, he served as a section chief in the International Business Department of Construction Bank, Shanghai Branch during 1979 to 1989. During such period, he was assigned to work in International Leasing Co., Ltd (a Sino-Japan Joint Venture) and United Finance Corporation (a Sino-French Joint Venture). From 1989 to 2005, he was the managing director of Hong Kong Huashen Co., Ltd, which was engaged in international trade and property development. Mr. Yang received his Bachelor Degree in Business Administration at Shanghai University.

Company Secretary and Qualified Accountant

Lai Po Sing, 41, is the Financial Controller, Qualified Accountant and Company Secretary of the Company. He joined the Group in January 2008. Mr. Lai graduated from the Chinese University of Hong Kong with a Bachelor Degree in Business Administration. He also holds a degree of Master of Business Administration from the University of Manchester in the United Kingdom. He is a fellow Certified Public Accountant in Hong Kong. He is also a fellow member of the Association of Chartered Certified Accountants and an associate member of Institute of Chartered Accountants in England and Wales. Prior to joining the Group, he worked for international accounting firms in Hong Kong for about 4 years. He also acted as the financial controller and company secretary for two listed companies in Hong Kong for a total of about 6 years. He has over 17 years' experience in internal auditing, external auditing, taxation, finance and accounting.

The directors (the "Directors") of Zhong An Real Estate Limited (the "Company") herein present their first report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007.

Reorganisation and basis of preparation

The Company was incorporated as an exempted company with limited liability on 13 March 2007 under the Companies Law of the Cayman Islands. Pursuant to the reorganisation (the "Reorganisation") as disclosed in the prospectus of the Company dated 31 October 2007 (the "Prospectus"), to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the then companies comprising the Group on 17 October 2007. The basis of preparation of the audited financial statements are set out in Note 2.1 to the consolidated financial statements.

Following completion of the Reorganisation and the global offerings, the Company's shares were listed on the Main Board of the Stock Exchange on 13 November 2007.

Principal activities

The Company's principal activity is investment holding. The principal activity of the Group is property development, leasing and hotel management. The nature of the principal activity has not changed during the year under review.

Segment information

Over 90% of the Group's consolidated sales and contribution to results are derived from the PRC and mainly from the business of property development for the year ended 31 December 2007 and are set out in Note 4 to the consolidated financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2007 and its consolidated balance sheet as at 31 December 2007, together with the balance sheet of the Company as at 31 December 2007, are set out in the financial statements on pages 35 to 41.

As the Company was recently listed on the Stock Exchange, the board of Directors of the Company (the "Board') does not recommend the payment of dividend for the period from 13 March 2007 (date of incorporation of the Company) to 31 December 2007.

Summary of financial information

A summary of the consolidated financial results and assets, liabilities and minority interests of the Group, is set out on page 112. This summary does not form part of the audited financial statements.

Property and equipment

Details of movements in the property and equipment of the Group and the Company during the year under review are set out in note 13 to the consolidated financial statements.

The valuation of the Group's properties were approximately RMB11,456 million at 31 August 2007, details of which were disclosed in the property valuation of the prospectus of the Company.

The additional depreciation that would be changed against the consolidated income statement of the Group had those properties been stated at such valuation will be approximately RMB127,057 for the year ended 31 December 2007.

Share capital

Details of the movements in the Company's issued share capital during the year under review are set out in note 21 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 22 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2007, the Company's retained profits amounted to RMB26,549,000 and the Company's share premium amounted to RMB3,094,116,000. With the sanction of an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law of the Cayman Islands.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major customers and suppliers

The sales attributable to the five largest customers of the Group accounted for less than 30% of the total Group's consolidated revenue for the year under review.

The purchases attributable to the five largest suppliers accounted for 32% of the total Group's consolidated purchases for the year. The largest supplier of the Group accounted for 12% of the total Group's consolidated purchases for the year.

None of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers.

Directors

The Directors as at 31 December 2007 and up to the date of this report were as follows:

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Mr. Heng Kwoo Seng

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors are independent.

Directors' interests in contracts

Save for the transactions as disclosed in notes 1 and 28 to the consolidated financial statements, no Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year under review.

Directors' and senior management's biographies

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 25 of the annual report.

Directors' service contracts

Each of Mr. Shi Kancheng, Mr. Zhang Jiangang, Mr. Lou Yifei and Ms. Shen Tiaojuan has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 1 November 2007.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Director's interests and short positions in securities

As at 31 December 2007, the interests and short positions of a Director 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 Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Number of shares held and nature of interest in the Company:

Name of Director	Capacity	Number and class of securities held	Approximate percentage of interest	Long/short position
Mr. Shi Kancheng	Interest of controlled corporation (Note)	1,457,000,000 shares of HK$0.1 each in the capital of the Company	72.85%	Long

Note: These shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 31 December 2007, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report and in the Prospectus, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company, its holdings companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

Contract of significance

Save as disclosed in the Prospectus and the transactions as disclosed in note 1 and 28 to the consolidated financial statements, no controlling shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during the year.

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

As at 31 December 2007, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Number of shares held	Percentage of the Company's issued share capital	Long/short position
Whole Good Management Limited	1,457,000,000	72.85% (Note)	Long

Note: These shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 31 December 2007, no person, other than a Director and chief executive of the Company, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Related party and connected transactions

Details of significant related party and connected transactions of the Group are set out in note 28 to the consolidated financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Listing Rules during the period from 13 November 2007 (the date of the listing of the Company's shares on the Stock Exchange) to 31 December 2007.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

Charitable contributions

During the year under review, the Group made charitable contributions totalling RMB1,007,505 (2006: RMB865,000).

Post balance sheet event

Details of a significant post balance sheet event are set out in note 35 to the consolidated financial statements.

Auditors

Ernst & Young retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 28 March 2008

ERNST & YOUNG
安永會計師事務所

To the shareholders of Zhong An Real Estate Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the accompanying financial statements of Zhong An Real Estate Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 35 to 104, which comprise the consolidated and company balance sheets as at 31 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 (the "Directors") are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certificated Public Accountants
Hong Kong

28 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenue	5	**330,043**	672,733
Cost of sales		**(165,701)**	(401,536)
Gross profit		**164,342**	271,197
Other income	5	**60,661**	2,676
Selling and distribution costs		**(26,309)**	(18,894)
Administrative expenses		**(77,709)**	(36,504)
Other expenses		**(4,469)**	(5,259)
Increase in fair value of investment properties	14	**405,776**	32,974
Finance costs	6	**(37,224)**	(43,114)
Profit before tax	7	**485,068**	203,076
Income tax	9	**(51,596)**	(112,501)
Profit for the year		**433,472**	90,575
Attributable to:			
Equity holders of the Company	11	**391,306**	81,966
Minority interests		**42,166**	8,609
		433,472	90,575
Earnings per share attributable to ordinary equity holders of the Company (RMB)	12		
Basic		**0.26**	0.06
Dividends	10	**–**	–

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**37,151**	21,037
Investment properties	14	**958,913**	149,900
Properties under development	15	**997,961**	1,175,003
Goodwill	16	**63,928**	63,928
Deferred tax assets	17	**21,738**	9,025
		2,079,691	1,418,893
Current assets			
Completed properties held for sale		**212,820**	303,745
Properties under development	15	**1,433,404**	–
Prepayments, deposits and other receivables	19	**920,746**	288,612
Pledged deposits	20	**196**	38,000
Cash and cash equivalents		**3,038,517**	130,073
		5,605,683	760,430
Total assets		**7,685,374**	2,179,323
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the Company			
Issued capital	21	**190,808**	–
Reserves	22	**3,663,485**	201,427
		3,854,293	201,427
Minority interests		**81,681**	46,155
Total equity		**3,935,974**	247,582

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
EQUITY AND LIABILITIES (continued)			
Non-current liabilities			
Interest-bearing bank and other borrowings	23	**854,716**	385,500
Deferred tax liabilities	17	**71,864**	57,927
		926,580	443,427
Current liabilities			
Trade payables	24	**406,155**	330,211
Bills payable	25	**196**	–
Other payables and accruals	26	**283,268**	66,194
Advances from customers	27	**1,301,721**	677,686
Interest-bearing bank and other borrowings	23	**438,197**	297,780
Tax payable	9	**393,283**	116,443
		2,822,820	1,488,314
Total liabilities		**3,749,400**	1,931,741
Total equity and liabilities		**7,685,374**	2,179,323
Net current assets/(liabilities)		**2,782,863**	(727,884)
Total assets less current liabilities		**4,862,554**	691,009

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 December 2007

		Attributable to equity holders of the Company											
	Note	Issued capital RMB'000 Note 21(A)	Share premium account RMB'000 Note 21(B)	Contributed surplus RMB'000 Note 22(a)	Capital reserve RMB'000 Note 22(b)	Statutory surplus reserve RMB'000 Note 22(c)	Statutory public welfare fund RMB'000 Note 22(d)	Statutory reserve fund RMB'000 Note 22(c)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006		–	–	117,618	182	4,370	2,185	961	–	65,943	191,259	39,648	230,907
Profit for the year		–	–	–	–	–	–	–	–	81,966	81,966	8,609	90,575
Appropriation to statutory surplus reserve		–	–	–	–	8,619	–	–	–	(8,619)	–	–	–
Transfer from statutory public welfare fund		–	–	–	–	2,185	(2,185)	–	–	–	–	–	–
Appropriation to statutory reserve fund		–	–	–	–	–	–	1,138	–	(1,138)	–	–	–
Deemed distribution to a shareholder	22(e)	–	–	(78,300)	–	–	–	–	–	–	(78,300)	–	(78,300)
Increase in minority interests		–	–	–	–	–	–	–	–	358	358	(358)	–
Capital contributions by minority shareholders		–	–	–	–	–	–	–	–	–	–	14,400	14,400
Acquisition of an additional equity interest in a subsidiary		–	–	–	6,144	–	–	–	–	–	6,144	(16,144)	(10,000)
At 31 December 2006 and 1 January 2007		–	–*	39,318*	6,326*	15,174*	–*	2,099*	–*	138,510*	201,427	46,155	247,582
Profit for the year		–	–	–	–	–	–	–	–	391,306	391,306	42,166	433,472
Foreign currency translation differences		–	–	–	–	–	–	–	(26,804)	–	(26,804)	–	(26,804)
Acquisition of an additional equity interest in a subsidiary	32(b)	–	–	–	3,440	–	–	–	–	–	3,440	(11,440)	(8,000)
Disposal of a subsidiary	33	–	–	–	–	–	–	–	–	–	–	(200)	(200)
Capital contributions by minority shareholders		–	–	–	–	–	–	–	–	–	–	5,000	5,000
Issue of shares for initial public offering		51,805	3,403,547	–	–	–	–	–	–	–	3,455,352	–	3,455,352
Share issue expenses		–	(170,428)	–	–	–	–	–	–	–	(170,428)	–	(170,428)
Capitalisation issue		139,003	(139,003)	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	46,474	–	4,005	–	(50,479)	–	–	–
At 31 December 2007		190,808	3,094,116*	39,318*	9,766*	61,648*	–*	6,104*	(26,804)*	479,337*	3,854,293	81,681	3,935,974

* These reserve accounts comprise the consolidated reserves of RMB3,663,485,000 (2006: RMB201,427,000) in the consolidated balance sheet.

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Profit before tax		**485,068**	203,076
Adjustments for:			
Depreciation	7,13	**5,627**	3,404
Amortisation of land use rights	7,15	**2,087**	2,087
Gain on disposal of a subsidiary	7,33	**(4)**	–
Gain on disposal of items of property and equipment	5	**(62)**	–
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition	7	**(19,689)**	–
Increase in fair value of investment properties	14	**(405,776)**	(32,974)
Dividend income from short-term investments	5	**(6,481)**	–
Finance costs	6	**37,224**	43,114
Interest income	5	**(27,262)**	(2,595)
		70,732	216,112
Increase in properties under development		**(809,838)**	(8,286)
(Increase)/decrease in completed properties held for sale		**90,925**	(157,677)
Increase in prepayments, deposits and other receivables		**(425,108)**	(125,873)
Increase in trade payables		**75,915**	104,598
Increase/(decrease) in bills payable		**196**	(1,143)
Increase/(decrease) in other payables and accruals		**(236,054)**	8,865
Increase in advances from customers		**624,035**	12,350
Cash generated from/(used in) operating activities		**(609,197)**	48,946
Interest received	5	**27,262**	2,595
Interest paid	6	**(94,530)**	(76,045)
Income tax and land appreciation tax paid		**(63,446)**	(37,254)
Net cash outflow from operating activities		**(739,911)**	(61,758)

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Cash flows from investing activities			
Acquisition of a subsidiary	32(a)	**(232,223)**	(22,608)
Acquisition of an additional equity interest in a subsidiary	32(b)	**(7,500)**	(10,000)
Disposal of a subsidiary	33	**(21)**	–
Purchases of investment properties		**(7,588)**	–
Purchases of items of property and equipment		**(22,667)**	(4,632)
Proceeds from disposal of items of property and equipment		**1,316**	–
Dividend income from short-term investment	5	**6,481**	–
Decrease in pledged deposits		**37,804**	27,143
Net cash outflow from investing activities		**(224,398)**	(10,097)
Cash flows from financing activities			
Capital contributions by minority shareholders		**5,000**	14,400
Proceeds from issue of shares		**3,284,924**	–
New interest-bearing bank and other borrowings		**1,022,413**	724,280
Repayment of interest-bearing bank and other borrowings		**(412,780)**	(830,463)
Net cash inflow/(outflow) from financing activities		**3,899,557**	(91,783)
Net increase/(decrease) in cash and cash equivalents		**2,935,248**	(163,638)
Cash and cash equivalents at beginning of year		**130,073**	293,711
Effect of foreign exchange rate changes, net		**(26,804)**	–
Cash and cash equivalents at end of year		**3,038,517**	130,073
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**3,038,517**	130,073

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

Balance Sheet

31 December 2007

	Notes	2007 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	18	**473,577**
Current assets		
Amounts due from subsidiaries		**1,148,684**
Prepayments, deposits and other receivables	19	**11,412**
Cash and cash equivalents		**1,652,663**
		2,812,759
Total assets		**3,286,336**
EQUITY AND LIABILITIES		
Equity		
Equity attributable to equity holders of the Company		
Issued capital	21	**190,808**
Reserves	22	**3,056,340**
		3,247,148
Current liabilities		
Amounts due to subsidiaries		**23,132**
Other payables and accruals	26	**16,056**
		39,188
Total equity and liabilities		**3,286,336**
Net current assets		**2,773,571**
Total assets less current liabilities		**3,247,148**

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes on pages 42 to 104 form an integral part of the consolidated financial statements.

1. Corporate information and reorganisation

Zhong An Real Estate Limited (the "Company") is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In preparation for the listing of the Company on the Main Board of the Hong Kong Stock Exchange, the Company and its subsidiaries (the "Group") underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

– Prior to the commencement of the Reorganisation, Mr. Shi Kancheng (alias Shi Zhongan) ("Mr. Shi") directly held a 90% equity interest of Zhejiang Zhong'an Property Development Co., Ltd. ("Zhejiang Zhong'an") and Anhui Zhong'an Real Estate Co., Ltd. ("Anhui Zhong'an"), companies established in the People's Republic of China (the "PRC"). In addition, Mr. Shi wholly owned two overseas entities, namely, Ideal World Investments Limited ("Ideal World") and Zhong'an (Canada) Ltd. ("Canada Zhong'an").

– On 23 June 2006, pursuant to an agreement entered into between Mr. Shi and Qirui Enterprise Management (Hangzhou) Co., Ltd. ("Qirui"), a wholly-owned subsidiary of Ideal World, Mr. Shi transferred his 90% equity interest in Zhejiang Zhong'an to Qirui. As a result, Ideal World held a 90% equity interest of Zhejiang Zhong'an, and hence indirectly owned Zhejiang Zhong'an's subsidiaries.

– On 15 August 2006, Zhejiang Zhong'an acquired from Mr. Shi his 58.4% equity interest in Anhui Zhong'an. Thereafter, Anhui Zhong'an became a subsidiary of Zhejiang Zhong'an.

– On 12 March 2007, Ideal World acquired a 95% equity interest in Anhui Zhong'an Real Estate Development Co., Ltd. ("Anhui Zhong'an Property Development") from Canada Zhong'an. Afterwards, Ideal World became the immediate holding company of all other subsidiaries in the Group.

– Mr. Shi transferred 1,000,000 nil-paid shares of the Company to Whole Good Management Limited ("Whole Good"), an investment company wholly owned by Mr. Shi, at nil consideration on 17 October 2007.

– On 17 October 2007, the Company acquired the entire issued share capital of Ideal World from Mr. Shi in consideration of the allotment and issue of 1,000,000 new shares of HK$0.10 each of the Company, credited as fully paid, to Whole Good, and crediting as fully paid the existing 1,000,000 nil-paid shares held by Whole Good. Following this transfer, the Company became the ultimate holding company of the Group.

1. Corporate information and reorganisation (continued)

The Group is principally engaged in property development, leasing and hotel management. The Group's property development projects during the year are all located in Zhejiang and Anhui provinces, the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi, Chairman and Chief Executive Officer of the Company.

2.1 Basis of presentation

The consolidated financial statements have been prepared on a continuing basis as if the Reorganisation had been completed as at the beginning of the financial years presented. The acquisition of Ideal World and other subsidiaries pursuant to the Reorganisation were regarded as a business combination under common control, because the Company, Ideal World and other subsidiaries set out in note 18 are ultimately controlled by the same party, Mr. Shi before and after the Reorganisation. The combined income statements, balance sheets, cash flow statements and statements of changes in equity of the companies now comprising the Group have been prepared as if the Reorganisation had been completed as at the beginning of the financial years presented, or from the respective dates of establishment/ incorporation of the companies (where this is a shorter period), to the extent of interests held by the Company's shareholders.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS", which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of presentation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Comparative amounts have not been presented for the Company's balance sheet and the notes thereto because the Company was not in existence on 31 December 2006.

Except as described in the introduction paragraph of this note, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 Impact of new and revised International Financial Reporting Standards

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

- IFRS 7 — Financial Instruments: Disclosures
- IAS 1 — Amendment – Presentation of Financial Statements – Capital Disclosures
- IFRIC 8 — Scope of IFRS 2
- IFRIC 9 — Reassessment of Embedded Derivatives
- IFRIC 10 — Interim Financial Reporting and Impairment

2.2 Impact of new and revised International Financial Reporting Standards (continued)

The principal effects of adopting these new and revised IFRSs are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations, comparative information has been revised where needed.

IAS 1 Amendment – Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 34 to the consolidated financial statements.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued equity instruments to its employees, the interpretation has had no effect on these financial statements.

IFRIC 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation has had no impact on the financial position or performance of the Group.

2.3 Impact of issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs and IFRIC Interpretations, that have been issued but are not yet effective, in these financial statements.

- IAS 23 (revised) — Borrowing Costs[1]
- IFRS 8 — Operating Segments [1]
- IFRS 2 — Share-based Payments–Vesting Conditions and Cancellations[1]
- IFRS 3R — Business Combinations and IAS 27R Consolidated and Separate Financial Statements[5]
- IAS 1 — Revised Presentation of Financial Statements[1]
- Amendments to IAS 32 and IAS 1 — Puttable Financial Instruments[1]
- IFRIC 11 — IFRS 2-Group and Treasury Share Transactions[2]
- IFRIC 12 — Service Concession Arrangements[4]
- IFRIC 13 — Customer Loyalty Programmes[3]
- IFRIC 14 — IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

IAS 23 (revised) Borrowing Costs

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group currently capitalises the borrowing costs which are directly attributable to the construction of the Group's projects, the revised standard is unlikely to have any financial impact on the Group.

IFRS 8 Operating Segments

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009, should its adoption is applicable to the Group.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

2.3 Impact of issued but not yet effective International Financial Reporting Standards (continued)

IFRIC 12 Service Concession Arrangements

IFRIC 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, IFRIC 13 and IFRIC 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

IFRS 2 Share-based Payments–Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

2.3 Impact of issued but not yet effective International Financial Reporting Standards (continued)

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in a subsidiary are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, after reassessment, is recognised immediately in the income statement.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets, completed properties held for sale, properties under development, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives for this purpose are as follows:

	Years of depreciation	Residual value
Properties	20 years	5%-10%
Machinery	10 years	5%
Office equipment	5 years	5%
Motor vehicles	5 years	5%

3. Summary of significant accounting policies (continued)

Property and equipment and depreciation (continued)

When parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress ("CIP") represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs during the period of construction. CIP is reclassified to the appropriate category of property and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, the property is transferred to investment property, and any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

3. Summary of significant accounting policies (continued)

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the balance sheet date are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the balance sheet date are classified as non-current assets.

Completed properties held for sale

Completed properties held for sale are stated in the balance sheet at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

3. Summary of significant accounting policies (continued)

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Recognition of revenue" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3. Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Recognition of revenue" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility.

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Impairment losses on debt instruments are reversed through the income statements, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. Summary of significant accounting policies (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities, including trade payables, bills payable, other payables and accruals, and interest-bearing loans and borrowings, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3. Summary of significant accounting policies (continued)

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the income statement as incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised directly in equity in the same or a different period.

Current tax is provided at rates applicable to entities in the Mainland China on the income for statutory financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3. Summary of significant accounting policies (continued)

Recognition of revenue

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to the purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectibility of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

Property leasing income derived from the leasing of the Group's investment properties is recognised on a time proportion basis over the lease terms.

Property management fees derived from the provision of property maintenance and management services are recognised upon the rendering of services.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as expenses when incurred.

3. Summary of significant accounting policies (continued)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB") which is the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas companies are currencies other than the RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into RMB at the exchange rate ruling at the balance sheet date, and their income statements are translated into RMB at the weighted average rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas companies are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the period.

3. Summary of significant accounting policies (continued)

Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. Summary of significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Judgements (continued)

(iii) *Classification between investment properties and properties held for sale*

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development whatever the properties are intended for sale and/or to be held to earn rentals and/or for capital appreciation after its completion. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

(i) *Estimation of fair value of investment properties*

Investment properties were revalued as at 31 December 2007 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(ii) *Net realizable value of properties under development and completed properties held for sale*

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

3. Summary of significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was RMB63,928,000 (2006: RMB63,928,000). More details are given in note 16.

(iv) PRC corporate income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

(v) PRC land appreciation tax ("LAT")

The Group is subject to LAT in Mainland China. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2007 was RMB21,738,000 (2006: RMB9,025,000). The amount of unrecognised tax losses at 31 December 2007 was RMB18,085,000 (2006: RMB20,424,000). Further details are contained in note 9 and note 17 to the financial statements.

3. Summary of significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(vii) Impairment of other receivables

Impairment of other receivables is made based on assessment of the recoverability of other receivables. The identification of impairment of other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have impact on the carrying value of the receivables and doubtful debt expenses/write-back of doubtful debt in the period in which such estimate is changed.

(viii) Useful lives and impairment of property and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property and equipment. This estimate is based on the historical experience of the actual useful lives of items of property and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor's actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

4. Segment information

The Group's turnover and profit for the financial year ended 31 December 2007 were mainly derived from the property development business. The principal assets employed by the Group and the Group's property development projects are both located in Mainland China. Accordingly, no analysis by business and geographical segments is presented.

5. Revenue and other income

Revenue, which is also the Group's turnover, represents income from the sale of properties, leasing, hotel operation and management fee income during the year, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue and other income is as follows:

	2007 RMB'000	2006 RMB'000
Revenue		
Sale of properties	318,662	704,141
Leasing income	11,002	5,186
Management fee income	4,077	3,213
Revenue from hotel operations	14,502	–
Less: Business tax and surcharges	(18,200)	(39,807)
	330,043	672,733
Other income		
Interest income	27,262	2,595
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition (note 32(a))	19,689	–
Dividend income from short-term investments	6,481	–
Government grants	3,794	–
Gain on foreign exchange differences	3,080	–
Gain on disposal of items of property and equipment	62	–
Others	293	81
	60,661	2,676

6. Finance costs

	2007 RMB'000	2006 RMB'000
Interest on bank loans	**72,869**	38,067
Interest on other loans	**21,661**	37,978
Total interest	**94,530**	76,045
Less: Interest capitalised in properties under development *	**(57,306)**	(32,931)
	37,224	43,114
* Average interest rate of borrowing costs capitalised	**7.33%**	6.02%

7. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2007 RMB'000	2006 RMB'000
Cost of properties sold		**165,701**	401,536
Depreciation	13	**5,627**	3,404
Amortisation of land use rights	15	**2,087**	2,087
Minimum lease payments under operating leases			
– Office premises		**3,094**	233
Auditors' remuneration		**1,972**	207
Staff costs including			
Directors' remuneration (note 8):			
– Salaries and other staff costs		**21,332**	13,508
– Retirement benefits scheme contributions (1)		**1,330**	726
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**1,032**	1,025
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition arising from acquisition of a subsidiary	5, 32(a)	**(19,689)**	–
Gain on disposal of a subsidiary	33	**(4)**	–
Changes in fair value of investment properties	14	**(405,776)**	(32,974)

(1) Retirement benefit scheme contribution

As stipulated by the relevant PRC regulations, the Group participates in a defined contribution retirement plan. All employees are entitled to an annual pension equal to a fixed proportion of the average salary amount within the geographical area of their last employment at their retirement date. The Group is required to make contributions to the local social security bureau at rates raging from 15% to 24% of the standard salaries set by the local authorities annually. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above. The Group has no right to forfeit the contributions made by the Group on behalf of its employees.

8. Directors' and employees' remuneration

Directors' remuneration

	2007 RMB'000	2006 RMB'000
Fees	50	–
Other emoluments:		
Salaries, bonuses and benefits in kind	1,366	844
Retirement benefits scheme contributions	12	12
	1,428	856

Details of the emoluments of the Directors of the Company are set out below:

2007

	Fee RMB'000	Salaries RMB'000	Bonus RMB'000	Pension cost RMB'000	Allowances RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	61	393	3	3	460
Mr. Zhang Jiangang	–	47	274	3	3	327
Mr. Lou Yifei	–	37	233	3	3	276
Ms. Shen Tiaojuan	–	47	262	3	3	315
Total executive directors	–	192	1,162	12	12	1,378
Independent non-executive directors						
Mr. Pei Ker Wei	17	–	–	–	–	17
Mr. Wang Shuguang	8	–	–	–	–	8
Mr. Heng Kwoo Seng	25	–	–	–	–	25
Total independent non-executive directors	50	–	–	–	–	50
	50	192	1,162	12	12	1,428

8. Directors' and employees' remuneration (continued)

Directors' remuneration (continued)

2006

	Fee RMB'000	Salaries RMB'000	Bonus RMB'000	Pension cost RMB'000	Allowances RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	54	192	3	2	251
Mr. Zhang Jiangang	–	39	191	3	2	235
Mr. Lou Yifei	–	21	137	3	2	163
Ms. Shen Tiaojuan	–	35	167	3	2	207
Total executive directors	–	149	687	12	8	856
Independent non-executive directors						
Mr. Pei Ker Wei	–	–	–	–	–	–
Mr. Wang Shuguang	–	–	–	–	–	–
Mr. Heng Kwoo Seng	–	–	–	–	–	–
Total independent non-executive directors	–	–	–	–	–	–
	–	149	687	12	8	856

There was no arrangement under which a Director waived or agreed to waive any remuneration during the financial year ended 31 December 2007 (2006: Nil).

All Directors' emoluments fell within the range of nil to RMB1 million.

8. Directors' and employees' remuneration (continued)

The five highest paid employees during the financial year included two (2006: two) Directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the financial year are as follows:

	2007	2006
	RMB'000	RMB'000
Salaries and other benefits	**1,172**	894
Retirement benefits scheme contributions	**13**	29
	1,185	923

The emoluments of the non-director, highest paid employees fell within the range of nil to RMB1 million during the financial year.

During the financial year, no emoluments were paid by the Group to the Directors or any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the financial year.

Provision for the PRC income tax has been provided at the applicable income tax rate of 33% on the assessable profits of the Group's subsidiaries in Mainland China except for Anhui Zhong'an Real Estate Development Co., Ltd.

Pursuant to the approval of the local tax bureau, a subsidiary of the Company, Anhui Zhong'an Real Estate Development Co., Ltd., enjoys a preferential rate of 30%.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 December 2007 that are expected to be utilised in year 2008 and onwards have been provided at an enacted corporate tax rate of 25%.

9. Income tax (continued)

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of the state-owned prepaid land lease payments, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	2007 **RMB'000**	2006 RMB'000
Current tax:		
PRC corporate income tax for the year	**29,434**	58,571
PRC land appreciation tax for the year	**36,198**	48,806
Deferred tax:		
Relating to origination and reversal of temporary differences	**(14,036)**	5,124
Total tax charge for the year	**51,596**	112,501

9. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the country in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax	**485,068**	203,076
Tax at the statutory tax rate of 33%	**160,072**	67,015
Effect of lower enacted tax rate used for the recognition of deferred tax	**(12,553)**	–
Change in tax rate for a subsidiary	**(793)**	(351)
Expenses not deductible for tax	**3,233**	6,397
Effect of capitalisation of tax arising from transfer from properties under development to investment properties	**(128,584)**	–
Tax losses during the year not recognised	**5,968**	6,740
Provision for land appreciation tax	**36,198**	48,806
Tax effect on land appreciation tax	**(11,945)**	(16,106)
Tax charge at the Group's effective rate	**51,596**	112,501
Tax payable in the balance sheet represents:		
PRC corporate income tax	**288,365**	41,094
PRC land appreciation tax	**104,918**	75,349
	393,283	116,443

10. Dividends

No dividends have been paid or declared by the Company and its subsidiaries during the financial year (2006: Nil).

11. Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of RMB26,549,000 (2006: Nil) which has been dealt with in the financial statements of the Company (note 22).

12. Earnings per share attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of RMB391,306,000 (2006: RMB81,966,000) and the weighted average ordinary shares of 1,528,408,000 (2006: 1,457,000,000) in issue during the year after giving effect to the 543,000,000 ordinary shares issued upon the listing of the Company's shares on the Stock Exchange on 13 November 2007.

The Company's weighted average number of 1,457,000,000 ordinary shares in issue used in the basic earnings per share calculation for the year ended 31 December 2006 is determined on the assumption that these ordinary shares had been issued throughout the year, comprising:

(i) the 1 and 999,999 shares of the Company allotted and issued at nil paid upon incorporation on 13 March 2007 (note 21(a));

(ii) the 1,000,000 shares issued as consideration for the acquisition of a subsidiary on 17 October 2007 (note 18); and

(iii) the 1,455,000,000 shares allotted and issued on 17 October 2007 in connection with the Company's initial public offering.

Diluted earnings per share amount has not been presented as there were no diluting events during the financial years.

13. Property and equipment

Group

	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007						
At 31 December 2006 and at 1 January 2007:						
Cost	12,086	1,403	3,908	12,219	–	29,616
Accumulated depreciation	(2,148)	(525)	(1,006)	(4,900)	–	(8,579)
Net carrying amount	9,938	878	2,902	7,319	–	21,037
At 1 January 2007, net of accumulated depreciation	9,938	878	2,902	7,319	–	21,037
Additions	504	5	16,037	5,911	210	22,667
Acquisition of a subsidiary (note 32(a))	–	–	88	240	–	328
Depreciation provided during the year	(1,064)	(131)	(1,815)	(2,617)	–	(5,627)
Disposals	–	–	(1)	(1,253)	–	(1,254)
At 31 December 2007, net of accumulated depreciation	9,378	752	17,211	9,600	210	37,151
At 31 December 2007:						
Cost	12,590	1,408	20,010	16,281	210	50,499
Accumulated depreciation	(3,212)	(656)	(2,799)	(6,681)	–	(13,348)
Net carrying amount	9,378	752	17,211	9,600	210	37,151

13. Property and equipment (continued)

Group

	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2006						
At 1 January 2006:						
Cost	11,991	1,397	2,091	9,505	–	24,984
Accumulated depreciation	(1,160)	(389)	(510)	(3,116)	–	(5,175)
Net carrying amount	10,831	1,008	1,581	6,389	–	19,809
At 1 January 2006, net of accumulated depreciation	10,831	1,008	1,581	6,389	–	19,809
Additions	95	6	1,817	2,714	–	4,632
Depreciation provided during the year	(988)	(136)	(496)	(1,784)	–	(3,404)
At 31 December 2006, net of accumulated depreciation	9,938	878	2,902	7,319	–	21,037
At 31 December 2006:						
Cost	12,086	1,403	3,908	12,219	–	29,616
Accumulated depreciation	(2,148)	(525)	(1,006)	(4,900)	–	(8,579)
Net carrying amount	9,938	878	2,902	7,319	–	21,037

All property and equipment were carried at cost.

14. Investment properties

	2007 RMB'000	2006 RMB'000
At beginning of year	149,900	116,926
Additions	32,888	–
Transfer from properties under development (note 15)	178,432	–
Tax arising from investment properties transferred from properties under development (e)	191,917	–
Fair value adjustment (e)	405,776	32,974
At end of year	958,913	149,900

According to a notice issued by the State Administration of Tax, the PRC, a transfer from properties under development to investment properties is considered as a deemed sale and is subject to corporate income tax upon transfer. Accordingly, the Group computed the tax arising from the transfer of properties under development to investment properties, based on the fair value of the properties at the point of transfer, at the enacted tax rate of 33%. Exact amount of tax on deemed sale is subject to the Group's future clearance with the relevant tax bureau.

(a) All investment properties of the Group were revalued at the end of the year by an independent valuer, CB Richard Ellis Limited, at fair value. CB Richard Ellis Limited is an industry specialist in valuing investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and a seller in an arm's length transaction at the date of valuation, in accordance with the International Valuation Standards.

(b) The carrying values of the investment properties shown above situated on the leasehold land in Mainland China are as follows:

	2007 RMB'000	2006 RMB'000
Lease of over 50 years	–	–
Lease of between 20 and 50 years	958,913	149,900
	958,913	149,900

14. Investment properties (continued)

(c) Investment properties leased out under operating leases

The Group leases out investment properties under operating lease arrangements. All leases run for a period of one to fifteen years, with an option to renew the leases after that date, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from investment properties are as follows:

	2007	2006
	RMB'000	RMB'000
Within one year	**31,748**	6,026
In the second to fifth years, inclusive	**111,574**	17,221
After five years	**29,843**	6,487
	173,165	29,734

(d) Certain Group's investment properties amounting to RMB946,367,000 (2006: RMB120,300,000) have been pledged to banks for interest-bearing bank loans granted to the Group as disclosed in note 23(i).

(e) Included in the fair value adjustment is an amount of RMB389,650,000 (net off income tax amount of RMB191,917,000) attributable to Highlong Plaza (Office Portion) which was completed and transferred to investment properties during the year.

15. Properties under development

	2007 RMB'000	2006 RMB'000
At beginning of year	**1,175,003**	1,135,873
Additions	**1,019,449**	600,430
Acquisition of a subsidiary (note 32 (a))	**487,000**	–
Amortisation of land use rights recognised as expenses	**(2,087)**	(2,087)
Transfer to investment properties (note 14)	**(178,432)**	–
Transfer to completed properties held for sale	**(69,568)**	(559,213)
At end of year	**2,431,365**	1,175,003
Current assets	**1,433,404**	–
Non-current assets	**997,961**	1,175,003
	2,431,365	1,175,003

The Group's properties under development were located in Mainland China.

The carrying values of the properties under development situated on the leasehold land in Mainland China are as follows:

	2007 RMB'000	2006 RMB'000
Lease of over 50 years	**1,639,113**	740,374
Lease of between 20 and 50 years	**792,252**	434,629
	2,431,365	1,175,003

Certain Group's properties under development amounting to RMB1,117,186,000 (2006: RMB195,578,000) have been pledged to banks for interest-bearing bank loans granted to the Group as disclosed in note 23(ii).

16. Goodwill

The amount of goodwill recognised in the consolidated balance sheet, arising from the acquisition of a subsidiary in 2005, is as follows:

	2007 RMB'000	2006 RMB'000
Group		
At beginning and end of year	63,928	63,928

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit which is the net cash flow generated from a specific property development project for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projection is prepared for a specific property development project. The discount rate applied to the cash flow projections beyond a one-year period is 11%.

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

Revenue from property development projects	the selling price is estimated by management by reference to the average selling price of a similar property in the same area
Cost of construction	the cost of construction is estimated by the engineering department based on the projected cost to completion of the project

17. Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000
At 1 January 2006	3,268
Deferred tax credited to the income statement during the year	5,757
At 31 December 2006 and 1 January 2007	9,025
Acquisition of a subsidiary (note 32(a))	7,067
Deferred tax credited to the income statement during the year	5,646
At 31 December 2007	21,738

In accordance with the PRC laws and regulations, tax losses could be carried forward for five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

Deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Fair value adjustment of investment properties RMB'000	Total RMB'000
At 1 January 2006	(23,034)	(24,012)	(47,046)
Deferred tax charged to the income statement during the year	–	(10,881)	(10,881)
At 31 December 2006 and 1 January 2007	(23,034)	(34,893)	(57,927)
Acquisition of a subsidiary (note 32(a))	(22,327)	–	(22,327)
Deferred tax credited to the income statement during the year	5,584	2,806	8,390
At 31 December 2007	(39,777)	(32,087)	(71,864)

As mentioned in note 9, deferred tax assets and liabilities as at 31 December 2007 that are expected to be utilised in year 2008 and onwards has been provided at an enacted corporate tax rate of 25%. The effect of lower enacted tax rate used in the recognition of deferred tax assets and liabilities amounting to RMB16,040,000 has been included in the line "deferred tax credited/(charged) to the income statement" during the year.

18. Investment in subsidiaries

Company

	2007 RMB'000
Unlisted shares, at cost	100
Amount due from a subsidiary	473,477
Market value of listed shares	473,577

The amount due from a subsidiary of approximately RMB473,477,000, is unsecured, interest-free and is repayable on demand or within one year. The fair value of the amount due from a subsidiary approximates to its carrying amount.

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2007	Percentage of equity interest attributable to the Group as at 31 December 2007	2006	Principal activities
Ideal World Investments Limited	British Virgin Islands 6 November 2003	US$1	**100%**	100%	Investment holding
祺瑞企業管理（杭州）有限公司 Qirui Enterprise Management (Hangzhou) Co., Ltd. (1)	PRC 21 November 2005	US$29,800,000	**100%**	100%	Investment holding
浙江眾安房地產開發有限公司 Zhejiang Zhong'an Property Development Co., Ltd. (3)	PRC 26 December 1997	RMB50,000,000	**90%**	90%	Property development and leasing
安徽眾安房地產開發有限公司 Anhui Zhong'an Real Estate Development Co., Ltd. (2)	PRC 9 August 2001	US$5,000,000	**95%**	95%	Property development
安徽眾安實業有限公司 Anhui Zhong'an Real Estate Co., Ltd. (4)	PRC 17 January 2003	RMB57,000,000	**84.2%**	84.16%	Property development

18. Investment in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2007	Percentage of equity interest attributable to the Group as at 31 December 2007	2006	Principal activities
杭州白馬房地產開發有限公司 Hangzhou White Horse Property Development Co., Ltd. (4)	PRC 27 June 2002	RMB50,000,000	**90%**	75.6%	Property development
杭州多瑙河置業有限公司 Hangzhou Danube Real Estate Co., Ltd. (4)	PRC 7 March 2003	RMB10,000,000	**90%**	90%	Property development
上海眾安房地產開發有限公司 Shanghai Zhong'an Property Development Co., Ltd. (4)	PRC 19 January 2004	RMB10,000,000	**87.1%**	87.14%	Property leasing
浙江眾安房地產蕭山開發有限公司 Zhejiang Zhong'an Property Development Xiaoshan Co., Ltd. (4)	PRC 3 April 1997	RMB2,000,000	**81%**	81%	Property leasing
杭州眾安恒隆商厦有限公司 Hangzhou Zhong'an Highlong Commercial Buildings Co., Ltd. (4)	PRC 20 September 2005	RMB2,000,000	**89.4%**	89.42%	Property management
杭州蕭山眾安物業管理有限公司 Hangzhou Xiaoshan Property Management Co., Ltd. (4)	PRC 18 November 1998	RMB500,000	**81%**	81%	Property management
合肥義興農業開發有限公司 Hefei Yixing Agricultural Development Company Limited (4)	PRC 22 September 2005	RMB2,000,000	**–**	85.5%	Dormant

18. Investment in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2007	Percentage of equity interest attributable to the Group as at 31 December 2007	2006	Principal activities
恒利企業管理（杭州）有限公司 Henlly Enterprise Management (Hangzhou) Co., Ltd. (1)	PRC 4 December 2006	US$50,000,000	**100%**	100%	Property development
Huijun (International) Holdings Limited (a) (4)	Hong Kong 4 March 2005	HK$100,000	**100%**	N/A	Investment holding
浙江匯骏置業有限公司 Zhejiang Huijun Real Estate Co., Ltd. (a) (2)	PRC 1 April 2005	US$28,800,000	**100%**	N/A	Property development
杭州匯駿信息技術有限公司 Hangzhou Huijun Information Technology Co., Ltd. (1)	PRC 5 December 2007	US$29,800,000	**100%**	N/A	Consultation management
杭州駿杰投資管理有限公司 Hangzhou Jun Jie Investment Co., Ltd. (1)	PRC 4 December 2007	US$29,990,000	**100%**	N/A	Investment management
杭州白馬物業管理服務有限公司 Hangzhou White Horse Property Management Co., Ltd. (4)	PRC 17 December 2007	RMB1,000,000	**100%**	N/A	Property management
杭州蕭山眾安假日酒店有限公司 Hangzhou Xiaoshan Zhong An Holiday Inn Co., Ltd. (4)	PRC 28 May 2007	RMB10,000,000	**84.2%**	N/A	Hotel management
China Bright Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	N/A	Investment holding
Esteem High Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	N/A	Investment holding
Everplus Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	N/A	Investment holding

18. Investment in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2007	Percentage of equity interest attributable to the Group as at 31 December 2007	2006	Principal activities
Gain Large Enterprises Limited [(4)]	British Virgin Islands 13 November 2007	US$1	**100%**	N/A	Investment holding
Plenty Management Limited [(4)]	British Virgin Islands 13 November 2007	US$1	**100%**	N/A	Investment holding

Notes:

N/A Not yet incorporated/established or acquired by the Group.

(a) These subsidiaries were acquired by the Group in June 2007. Further details of the acquisition are included in note 32(a) to the financial statements.

(b) Type of legal entity:

(1) Wholly foreign-owned enterprise;
(2) Sino-foreign equity joint venture;
(3) Limited liability company invested by foreign invested enterprise;
(4) Limited liability company.

19. Prepayments, deposits and other receivables

	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000
Due from other related parties	**9,199**	8,292	**–**
Prepayments			
– for land acquisition	**54,878**	52,201	**–**
– for acquisition of properties	**–**	25,300	**–**
– for acquisition of a subsidiary (note 35)	**163,600**	50,000	**–**
– for projects	**–**	3,500	**–**
Advance to suppliers	**71,806**	9,735	**–**
Deposits			
– for acquisition of a subsidiary (note 32(a)(i))	**210,000**	–	**–**
– for land	**–**	80,000	**–**
– others	**4,405**	2,032	**–**
Tax recoverable	**65,034**	30,817	**–**
Other receivables	**341,824**	26,735	**11,412**
	920,746	288,612	**11,412**

19. Prepayments, deposits and other receivables (continued)

The above balances are unsecured, interest-free and have no fixed terms of repayment. The fair values of the prepayments, deposits and other receivables at the end of the financial years approximate to their corresponding carrying amounts.

20. Pledged deposits

	2007	2006
	RMB'000	RMB'000
Pledged deposits	**196**	38,000

As at 31 December 2007, the deposits were pledged to banks for bills payable facilities granted to the Group as disclosed in note 25.

As at 31 December 2006, the deposits were pledged for the Group's bank loans.

21. Share capital

Shares

	2007 '000	2006 '000
Authorised:		
4,000,000,000 ordinary shares of HK$0.10 each	HK$400,000	–
Issued and fully paid:		
2,000,000,000 ordinary shares of HK$0.10 each	RMB190,808	–

(A) Issued capital

(a) The Company was incorporated on 13 March 2007 with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. One nil-paid share of HK$0.10 was issued and allotted to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Shi on the same day. In addition, the Company issued 999,999 nil-paid shares of HK$0.10 each and allotted to Mr. Shi on the same day.

(b) On 17 October 2007, the Company increased its authorised share capital from HK$100,000 to HK$200,000 with par value of HK$0.10 each and credited as fully paid. The authorised share capital of the Company was further increased from HK$200,000 to HK$400 million by the creation of 3,998 million new shares pursuant to a resolution passed by the sole shareholder of the Company on 17 October 2007.

(c) Pursuant to the resolution of the shareholder of the Company passed on 17 October 2007, 1,455,000,000 shares of HK$0.10 each were allotted and issued, converted as fully paid at par, by way of capitalisation of the sum of HK$145,500,000 (equivalent to RMB139,003,000) standing to the credit of the share premium account, being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (d) below.

(d) In connection with the Company's initial public offering, 543,000,000 shares of HK$0.10 each were issued at a price of HK$6.67 per share for a total cash consideration, before expenses, of HK$3,621,810,000 (equivalent to RMB3,455,352,000). Dealings in these shares on the Stock Exchange commenced on 13 November 2007.

21. Share capital (continued)

(B) Share premium

The share premium of the Company represents the excess of ordinary shares paid by the shareholders over the nominal value.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is detailed in the consolidated statement of changes in equity.

22. Reserves

Group

(a) Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor. Prior to the incorporation of the Company, the contributed surplus represents the aggregate of the normal value of the paid-up capital of the subsidiaries of the Group.

(b) Capital reserve

Capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in case of acquisition of an additional minority interest of a subsidiary, the difference between the cost of acquisition and the minority interest acquired.

(c) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the PRC group companies, the subsidiaries that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC Accounting Regulations to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of their respective registered capital.

As Anhui Zhong'an Real Estate Development Co., Ltd. is a foreign investment enterprise, allocation to the SSR is not required. According to the relevant PRC regulations applicable to foreign investment enterprises, Anhui Zhong'an Real Estate Development Co., Ltd. is required to allocate certain portion (not less than 10%) of its profit after tax in accordance with PRC Accounting Regulations to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

The SSR and the SRF are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

22. Reserves (continued)

Group (continued)

(d) Statutory public welfare fund

In accordance with the Company Law of the PRC prior to 1 January 2006 and the respective articles of association of the PRC group companies, the PRC group companies are required to transfer 5% to 10% of their profit after tax, as determined in accordance with PRC Accounting Regulations to the statutory public welfare fund (the "PWF") which is non-distributable except in the event of liquidation of the PRC group companies. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the properties of the PRC group companies.

According to the revised Company Law of the PRC effective from 1 January 2006, the Company's subsidiaries which are domiciled and operate in Mainland China are not required to transfer their profit after tax to the PWF. The PWF as at 31 December 2005 was transferred to the SSR.

(e) Deemed distribution to a shareholder

The amount represents deemed distribution to a shareholder for the acquisition of a 90% equity interest in Zhejing Zhong'an Property Development Co., Ltd. and a 90% equity interest in Anhui Zhong'an Real Estate Co., Ltd. from Mr. Shi Zhongan.

Company

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2007	–	–	–	–
Profit for the year	–	–	26,549	26,549
Issue of shares	3,403,547	–	–	3,403,547
Share issue expenses	(170,428)	–	–	(170,428)
Capitalisation issue	(139,003)	–	–	(139,003)
Exchange realignment	–	(64,325)	–	(64,325)
At 31 December 2007	3,094,116	(64,325)	26,549	3,056,340

23. Interest-bearing bank and other borrowings

	2007 RMB'000	2006 RMB'000
Group		
Current:		
Bank loans – secured	**268,000**	130,000
Other loans – unsecured	**170,197**	167,780
	438,197	297,780
Non-current:		
Bank loans – secured	**854,716**	385,000
Other loans – unsecured	**–**	–
	854,716	385,500

	2007 RMB'000	2006 RMB'000
Repayable:		
Within one year or on demand	**438,197**	297,780
Over one year but within two years	**90,900**	308,000
Over two years but within five years	**265,316**	30,000
Over five years	**498,500**	47,500
	1,292,913	683,280
Current liabilities	**438,197**	297,780
Non-current liabilities	**854,716**	385,500

Except for certain short-term bank loans and other loans amounted to RMB183,000,000 and RMB170,197,000, respectively, bore interest at fixed rates, all bank loans bore interest at floating rates.

The Group's bank loans bore interest at rates ranging from 6.19% to 8.21% (2006: 5.02% to 7.03%) per annum. The Group's other loan bore interest of 5.75% per annum (2006: 5.75% to 21.60%).

Except for the unsecured other loans and certain secured bank loans aggregating to US$33,000,000 (equivalent to RMB240,316,000) which is denominated in United States dollars, all borrowings are in Renminbi.

23. Interest-bearing bank and other borrowings (continued)

The Group's bank loans are secured by:

(i) the Group's investment properties with an aggregate carrying amount of approximately RMB946,367,000 (2006: RMB120,300,000) were pledged for bank loans (note 14);

(ii) the Group's properties under development amounting to approximately RMB1,117,186,000 (2006: RMB195,578,000) were pledged for bank loans (note 15);

(iii) the Group's completed properties held for sale amounting to approximately RMB22,689,000 (2006: RMB46,228,000) were pledged for bank loans; and

(iv) the Group's other loans of RMB170,197,000 (2006: RMB50,000,000) were guaranteed by Mr. Shi (note 28).

The fair values of the interest-bearing bank loans and other borrowings at the end of the financial years approximate to their corresponding carrying amounts.

24. Trade payables

An ageing analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	2007	2006
	RMB'000	RMB'000
Within six months	**394,101**	263,518
Over six months but within one year	**7,170**	19,466
Over one year	**4,884**	47,227
	406,155	330,211

The above balances are unsecured and interest-free. The fair values of the trade payables at the end of the financial years approximate to their corresponding carrying amounts.

25. Bills payable

The maturity profile of the Group's bills payable is as follows:

	2007 RMB'000	2006 RMB'000
Within six months	196	–

The bills payable are secured by way of pledge of the Group's deposits as disclosed in note 20.

26. Other payables and accruals

	Group		Company
	2007 RMB'000	2006 RMB'000	2007 RMB'000
Due to a Director	38	13,218	–
Deposits related to construction	20,955	33,468	–
Payables for acquisition of a subsidiary	210,372	–	–
Interest expenses accrued	8,114	–	–
Other payables	43,789	19,508	16,056
	283,268	66,194	16,056

Other payables are interest-free and repayable on demand. The fair values of the other payables and accruals at the end of the financial years approximate to their corresponding carrying amounts.

27. Advances from customers

Advances from customers represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during the financial years.

28. Related party transactions

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) During the year, there were fund transfers between the Group and a Director, Mr. Shi. The maximum balance payable to Mr. Shi amounted to approximately RMB3,498,000 (2006: maximum payable of RMB13,218,000). The fund transfers were unsecured and interest-free and have no fixed terms of repayment.

(b) As at 31 December 2007, the balances of the loans from Directors are set out below:

	2007	2006
	RMB'000	RMB'000
Mr. Zhang Jiangang	**–**	1,710
Mr. Lou Yifei	**–**	50
Ms. Shen Tiaojuan	**–**	5,960
	–	7,720

The loans from Directors were unsecured and with fixed repayment term of one year.

(c) Amounts of loan interest charged by Directors during the financial year are set out as below:

	2007	2006
	RMB'000	RMB'000
Mr. Zhang Jiangang	**60**	234
Mr. Lou Yifei	**6**	2
Ms. Shen Tiaojuan	**384**	447
	450	683

The interests on loans from Directors were charged at an interest rate of 12% per annum.

(d) Compensation of key management personnel of the Group which comprises Directors and key employees of the Group has been disclosed in note 8.

(e) Other loans of RMB170,197,000 of the Group were guaranteed by a Director, Mr. Shi.

29. Capital commitments

The Group had the following capital commitments for property development expenditure at the balance sheet date:

	2007 RMB'000	2006 RMB'000
Contracted, but not provided for:		
Properties under development	437,493	418,978

30. Operating lease commitments

As lessor

The Group leases out its investment properties and certain completed properties for sale under operating lease arrangements, on terms ranging from one to fifteen years and with an option for renewal after that date, at which time all terms will be renegotiated.

At the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2007 RMB'000	2006 RMB'000
Within one year	32,854	6,349
After one year but not more than five years	113,230	17,842
More than five years	29,843	6,487
	175,927	30,678

30. Operating lease commitments (continued)

As lessee

The Group leases certain of its office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after that date, at which time all terms will be renegotiated.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007 RMB'000	2006 RMB'000
Within one year	2,396	125
In the second to fifth years, inclusive	4,399	156
	6,795	281

31. Contingent liabilities

	2007 RMB'000	2006 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	523,015	281,404

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial years in respect of the guarantee provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

32. Acquisition of a subsidiary

(a) Pursuant to a share transfer agreement dated 5 June 2007 entered into between Ideal World as transferee and Huijun Architectural Design Limited ("Huijun Design"), an independent third party, as transferor, Huijun Design agreed to transfer the 100,000 ordinary shares of par value of HK$1 each of Huijun (International) Holdings Limited ("Huijun International"), a wholly-owned subsidiary of Huijun Design, to Ideal World for a consideration of HK$100,000. In addition, the share transfer agreement was subject to the following conditions:

(i) Huijun Design assigns to the Group loans of approximately HK$218,000,000 owed by Huijun International to Huijun Design (the "Huijun shareholder's loan") for a consideration of US$28,800,000. The Group is obligated to pay the consideration to Huijun Design after completion of the development and sale of properties of Zhejiang Huijun Real Estate Co., Ltd. ("Huijun Real Estate"), a subsidiary of Huijun International established in the PRC, and the completion of liquidation of Huijun Real Estate or on an earlier date the Group may choose. Regardless of when the Group elects or is due to pay the consideration, the Group's payment obligation is subject to the return of RMB210,000,000 deposits paid by Zhejiang Zhong An as a guarantee for the payment obligation;

(ii) The Group agrees to pay a sum of RMB76,700,000 to Huijun Real Estate in respect of the amounts owed by Huijun Real Estate to third parties;

(iii) The Group agrees to pay RMB150,000,000 in respect of a loan payable to Hangzhou Jiayuan Property Development Co., Ltd., a minority shareholder of Huijun Real Estate, and the interest payable for this loan from 1 April 2007 to 30 June 2007 in the amount of RMB2.4 million; and

(iv) The Group agrees to pay RMB3,000,000 in respect of an amount owed by Huijun Real Estate to Huijun Design.

The 100,000 ordinary shares of Huijun International were transferred to Ideal World on 12 June 2007 and thereafter, Huijun International became a wholly-owned subsidiary of the Group.

32. Acquisition of a subsidiary (continued)

(a) (continued)

The fair values of the identifiable assets and liabilities of Huijun International as at the date of acquisition were:

		As at the acquisition date	
	Notes	**Fair value recognised on acquisition** RMB'000	**Carrying amount** RMB'000
Net assets acquired:			
Property and equipment	13	328	328
Deferred tax assets	17	7,067	7,067
Properties under development	15	487,000	397,693
Prepayments, deposits and other receivables		233,026	233,026
Cash and cash equivalents		37	37
Trade payables		(29)	(29)
Other payables and accruals		(233,890)	(233,890)
Deferred tax liabilities	17	(22,327)	–
		471,212	404,232
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition	5	(19,689)	
		451,523	
Satisfied by:			
Cash		232,260	
Other payable		219,263	
		451,523	

There were no intangible assets being identified separately in the acquisition. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition are recognised to the income statement during the year.

32. Acquisition of a subsidiary (continued)

(a) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	As at the acquisition date
	RMB'000
Cash consideration paid	(232,260)
Cash and cash equivalents acquired	37
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(232,223)

The fair values of Huijun International's identifiable assets, liabilities or contingent liabilities were determined only provisionally at the period end. Hence, the Company shall recognise any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date.

(b) In April 2007, Zhejiang Zhong'an Property Development Co., Ltd. acquired additional equity interests of 15% and 1% in Hangzhou White Horse Property Development Co., Ltd. ("White Horse") from Zhejiang Mingri Real Estate Development Co., Ltd. and Zhejiang Datong Real Estate Development Co., Ltd. for considerations of RMB7,500,000 and RMB500,000, respectively. The payable of RMB500,000 was offset against the balance receivable from Zhejiang Nandu Property Co., Ltd. The difference between the cost of investment and share of net assets from the additional interests in White Horse amounting to RMB3,440,000 was credited to capital reserve.

33. Disposal of a subsidiary

In 2007, the Group disposed of its equity interest in Hefei Yixing Agricultural Development Company Limited ("Yixing Agricultural") to Huaibei Kang Ju Wood Products Co., Ltd., an independent third party.

	As at the disposal date RMB'000
Net assets disposed of:	
Prepayments, deposits and other receivables	2,000
Cash and cash equivalents	21
Other payables and accruals	(25)
Minority interests	(200)
	1,796
Gain on disposal of a subsidiary	4
	1,800
Satisfied by:	
Other receivables	1,800

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	As at the disposal date RMB'000
Cash consideration received	–
Cash and cash equivalents disposed of	(21)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(21)

34. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, prepayments, deposits and other receivables, advances from customers, other payables and accruals, bills payable and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

34. Financial risk management objectives and policies (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2007			
RMB	**+50**	**(3,161)**	**(3,161)**
United states dollar	**+50**	**(777)**	**(777)**
RMB	**-50**	**3,161**	**3,161**
United states dollar	**-50**	**777**	**777**
2006			
RMB	+50	(1,490)	(1,490)
RMB	-50	1,490	1,490

34. Financial risk management objectives and policies (continued)

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for the United States Dollar bank loan as disclosed in note 27 and certain bank balances denominated in Hong Kong Dollars ("HK$") and United States Dollars ("US$"). The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$, HK$ and RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ decrease in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2007			
If HK$ weakens against US$	**5**	**73,626**	**49,329**
If HK$ strengthens against US$	**5**	**(73,626)**	**(49,329)**
If RMB weakens against US$	**5**	**(12,053)**	**(8,075)**
If RMB strengthens against US$	**5**	**12,053**	**8,075**
2006			
If HK$ weakens against US$	5	–	–
If HK$ strengthens against US$	5	–	–

34. Financial risk management objectives and policies (continued)

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with overseas banks and state-owned banks in Mainland China. The carrying amounts of the other receivables, pledged deposits and cash and cash equivalents included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its property units and has provided guarantees to secure the obligation of such purchasers for repayments. Detailed disclosures of these guarantees are made in note 31.

(d) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and has available funding through an adequate amount of committed credit facilities to meet its construction commitments.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2007					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	170,197	–	268,000	356,216	498,500	1,292,913
Trade and bills payables	406,351	–	–	–	–	406,351
Other payables and accruals	283,268	–	–	–	–	283,268
	859,816	–	268,000	356,216	498,500	1,982,532

34. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

	2006					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	167,780	–	130,000	338,000	47,500	683,280
Trade and bills payables	330,211	–	–	–	–	330,211
Other payables and accruals	66,194	–	–	–	–	66,194
	564,185	–	130,000	338,000	47,500	1,079,685

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Company

	2007					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	23,132	–	–	–	–	23,132
Other payables and accruals	16,056	–	–	–	–	16,056
	39,188	–	–	–	–	39,188

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

34. Financial risk management objectives and policies (continued)

(e) Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, advances from customers, trade, bills and other payables, accruals, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

Group

	2007	2006
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 23)	**1,292,913**	683,280
Advances from customers	**1,301,721**	677,686
Trade and bills payables	**406,351**	330,211
Other payables and accruals	**283,268**	66,194
Less: Cash and cash equivalents	**(3,038,517)**	(130,073)
Net debt	**245,736**	1,627,298
Equity attributable to equity holders	**3,854,293**	201,427
Capital and net debt	**4,100,029**	1,828,725
Gearing ratio	**6%**	89%

35. Post balance sheet event

Pursuant to the resolution of the Board of Directors and the sale and purchase agreement (the "SPA") dated 15 January 2008, Hangzhou Danube Real Estate Co., Ltd. ("Hangzhou Danube"), a subsidiary of the Company, acquired the entire equity interest of Hangzhou Zheng Jiang Real Estate Development Co., Ltd. ("Hangzhou Zheng Jiang") from a third party, Shanghai Ren Hao Gong Yi Pin Co., Ltd. ("Shanghai Ren Hao"), at a total cash consideration of RMB370,360,000. Thereafter, Hangzhou Zheng Jiang became a subsidiary of the Group. As at 31 December 2007, an amount of RMB163,600,000 was prepaid to Shanghai Ren Hao.

36. Comparative amounts

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised IFRSs during the current year, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

37. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2008.

Property Held for Investment

As at 31 December 2007

	Address	Existing use at 31 December 2007	Lease term of land
1.	Basement 1 to Level 9 and Level 11 to Level 15, Guomao Building, No. 93 Shixin Road, Chengxiang Town, Xiaohan District, Hangzhou, Zhejiang Province, China	Shops, staff quarters and portion of it is vacant	Medium (note)
2.	A retail shop unit on L1, Shanghai La Vie, No. 433 Chang Le Road, Xuhui District, Shanghai City, China	Shop	Medium
3.	Portion of Level 1, the whole of Level 2 to Level 4, Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou, Zhejiang Province, China	Shops and portion of it is vacant	Medium
4.	L1-L5, the completed retail portion in Highlong Plaza, Shanyin Road, Xiaoshan District, Hangzhou, Zhejiang Province, China	Shops and portion of it is vacant	Medium

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

Properties held for development and/or sale

December 31, 2007

	Address	Status of completion as at December 31, 2007 (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
A.	**Completed properties**							
1.	Guotai Garden, Jinji Road and Jinhui Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		86,091	178,812		90%
	– Apartment units			Properties held for sale			1,063	
	– Townhouse units			Properties held for sale				
	– Retail shop units			Properties held for sale			977	
2.	Landscape Garden, Panshui Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		87,333	155,942		90%
	– Apartment units			Properties held for sale			309	
	– Townhouse units			Properties held for sale			987	
	– Retail shop units			Properties held for sale			5,019	
3.	Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		2,979	11,131		90%
	– Retail shop units			Properties held for sale			6,297	
4.	Yipeng Building Material Market, Qinpeng Road, Yipeng Town, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		24,800	29,309		90%
	– Retail shop units			Properties held for sale			2,786	
5.	Zhong'an Garden, East Xiaoran Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		17,788	46,404		90%
	– Apartment units			Properties held for sale			744	
	– Retail shop units			Properties held for sale			1,732	

Properties held for development and/or sale

December 31, 2007

	Address	Status of completion as at December 31, 2007 (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
6.	Phase 1 and South Section of Phase 2, Vancouver City, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC		Completed		348,248	268,859		95%
	– Apartment units			Properties held for sale			3,631	
	– Townhouse units			Properties held for sale			1,364	
	– Retail shop units			Properties held for sale			31,256.68	
7.	Highlong Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed	Properties held for sale/ leasing	30,933 (note)	25,642	25,642	90%
B.	**Properties held for development**							
8.	Highlong Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC				30,933 (note)	64,017		90%
	– Level 1 to Level 5 of Shopping Center not yet completed	Completed but not yet inspected and accepted	May 2008	Properties held for leasing			13,261	
	– Serviced apartments	Under decoration	May 2008	Properties held for sale/ leasing			22,593	
9.	New White Horse Apartment, Gongren Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Main structure under decoration			62,800	221,947		90%
	– Apartment units	Main structure under decoration	May 2008	Properties held for sale			157,257	
	– Retail shop units	Main structure under decoration	May 2008	Properties held for sale			4,680	

Properties held for development and/or sale

December 31, 2007

	Address	**Status of completion as at December 31, 2007** (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
10.	Vancouver City, Phase 2 – North Section, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC	Main structure began decoration	October 2008	Under construction	84,330	73,600		95%
	– Low-rise apartment units						59,100	
	– Villas						3,000	
	– Retain shop units						9,000	
11.	Green Harbour, Phase 1A, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC		October 2008	Under construction	110,000	57,600		84.15%
	– Townhouse units	Top of main structure was sealed					56,406	
12.	Green Harbour Phase 1B & C, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC	Expected to commence construction in March 2009	October 2010	Vacant pending development	124,327	92,000	84,000	84.15%
13.	Green Harbour Phase 2, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC	Expected to commence construction in March 2009	October 2010	Vacant pending development	269,000	128,200	87,300	84.15%

December 31, 2007

	Address	Status of completion as at December 31, 2007 (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
14.	Green Harbour Phase 3-6, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC			Vacant pending development	1,438,050	555,300		84.15%
	Phase 3	Expected to commence construction in March 2009	Expected to be in October 2010				190,600	
	Phase 4	Expected to commence construction in May 2010	Expected to be in October 2011				170,000	
	Phase 5	Expected to commence construction in March 2011	Expected to be in October 2012				98,000	
	Phase 6	Expected to commence construction in June 2011	Expected to be in October 2012				83,900	
15.	A piece of land at Landscape Bay, Ning Wei Town, Hangzhou City, the PRC	Expected to commence construction in July to September 2008	Expected to be in October 2009 to June 2010	Vacant pending development	215,334	307,600		90%
	Phase 1						61,440	
	Phase 2						211,880	
16.	A piece of land for Huijun, Xihu District, Hangzhou City, Zhejiang Province, the PRC				73,514	168,657		99.7%
	– Townhouse units in Phase A	Construction of main structure was completed	Expected to be in December 2008	Under construction			14,610	
	– Phase B	Piling works in progress	Expected to be in December 2009	Under construction			113,300	
17.	A piece of land for Huifeng Plaza, Yucai Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Expected to commence construction in October 2008	Expected to be in June 2010	Vacant pending development	13,900	37,316	28,991	90%

Properties held for development and/or sale

December 31, 2007

	Address	Status of completion as at December 31, 2007 (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
18.	Vancouver City Phase 3A-3D, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC				413,600	534,036		95%
	– Phase 3A	Expected to commence construction in April 2008	Expected to be in September 2009	Vacant pending development			125,590	
	– Phase 3B	Expected to commence construction in September 2008	Expected to be in September 2010	Vacant pending development			120,110	
	– Phase 3C	Expected to commence construction in March 2009	Expected to be in September 2010	Vacant pending development			123,300	
	– Phase 3D	Expected to commence construction in March 2010	Expected to be in September 2011	Vacant pending development			122,300	
19.	Vancouver City Phase 4, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in June 2010	Expected to be in December 2012	Vacant pending development	306,020	334,560	324,000	95%
20.	Vancouver City Phase 5, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in February 2012	Expected to be in December 2014	Vacant pending development	466,935	348,570	338,000	95%
21.	Vancouver City Phase 6, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in February 2014	Expected to be in October 2017	Vacant pending development	216,620	237,920	228,000	95%

December 31, 2007

	Address	Status of completion as at December 31, 2007 (if the property is still under construction)	Expected completion date	Use as at December 31, 2007	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
22.	Reserved land for Phase A, International Office Centre, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC				92,610	696,600		100%
	– Phase A1	Expected to commence construction in August 2008	Expected to be in October 2010	Vacant pending development			129,600	
	– Phase A2	Expected to commence construction in August 2008	Expected to be in October 2010	Vacant pending development			216,000	
	– Phase A3	Expected to commence construction in September 2010	Expected to be in August 2013	Vacant pending development			258,000	

Note: Items No. 7 and 8 are located on same site.

Summary of Financial Information

A summary of the consolidated/combined income statement and of the consolidated/combined assets, liabilities and minority interests of the Group for the last four financial years prepared on the basis as hereunder stated is as set out below:

Consolidated/Combined Income Statement

	Year ended 31 December			
	Audited		Combined	
	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**330,043**	672,733	207,568	270,172
Profit before tax	**485,068**	203,076	84,792	89,366
Income Tax	**(51,596)**	(112,501)	(41,047)	(45,244)
Profit for the year	**433,472**	90,575	43,745	44,122
Attributable to:				
Equity holders of the Company	**391,306**	81,966	38,803	39,042
Minority interests	**42,166**	8,609	4,942	5,080
	433,472	90,575	43,745	44,122

Consolidated/Combined Assets, Liabilities and Minority Interests

	31 December			
	Audited		Combined	
	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**7,685,374**	2,179,323	2,066,915	1,159,404
Total Liabilities	**(3,749,400)**	(1,931,741)	(1,836,008)	(991,191)
Minority Interests	**(81,681)**	(46,155)	(39,648)	(15,757)
	3,854,293	201,427	191,259	152,456

Notes: The summary of the combined results of the Group for the year ended 31 December 2004 and 2005 were extracted from the Company's prospectus dated 31 October 2007 (the "Prospectus"). Such summary was prepared as if the group reorganisation had been completed throughout these financial years. The audited consolidated income statement of the Group for the two years ended 31 December 2007 are those set out on page 35 of this annual report.

The summary of the combined consolidated assets, liabilities and minority interests as at 31 December 2004 and 2005 were extracted from the Prospectus. Such summary was prepared on the same basis as detailed in note 1 above. The audited consolidated assets, liabilities and minority interests as at 31 December 2006 and 2007 are those set out on page 36 and 37 of this annual report.