China Properties Group Limited
中國地產集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1838

2007 Annual Report

*For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Wong Sai Chung *(Managing Director)*
Xu Li Chang

Non-executive Director

Kwan Kai Cheong

Independent Non-executive Directors

Warren Talbot Beckwith
Cheng Chaun Kwan, Michael
Luk Koon Hoo
Garry Alides Willinge
Wu Zhi Gao

COMMITTEES

Audit Committee

Warren Talbot Beckwith *(Chairman)*
Cheng Chaun Kwan, Michael
Luk Koon Hoo
Garry Alides Willinge
Wu Zhi Gao

Remuneration Committee

Dr. Wang Shih Chang, George *(Chairman)*
Luk Koon Hoo
Garry Alides Willinge

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Wong Sai Chung

QUALIFIED ACCOUNTANT

Lai Siu Hung

COMPANY SECRETARY

Yu Ling Ling

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House,
20 Pedder Street,
Central, Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
PO Box 513GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

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

Hang Seng Bank Limited
Wing Hang Bank, Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISOR

Taifook Capital Limited

CHAIRMAN'S STATEMENT

To our Shareholders,

I am pleased to announce that the Group recorded a profit of approximately HK$7,934.0 million during 2007, representing a growth of 37.2 folds over 2006.

2007 is a year of exuberance and dislocation for the real estate market in the PRC. During the year, international funds try to snap up land lots whenever they can, irrespective of whether the land is located in remote suburbs, or acquiring them with high leverage and at skyrocketing prices far ahead of the market. Such investments were then realized for profit at a stunning speed through IPO or share offering at a high price in the international capital market, with the situation bearing resemblance to the US sub-prime crisis. However, to the great disappointment of such international investors, with the implementation of macro-economic measures by the PRC government and their efforts against such market behaviour, land acquired under such circumstances became assets that cannot be realized. This is also one of the causes behind the significant fall in the share prices of domestic developers. There are players in the international capital market who have the power to lead the trend of products and determine their pricing, and as such, improper products that created losses to investors were launched with strength in the market. Nevertheless, the Group did not follow such trends and adopted a more mature and proven business model:

(1) With the aim of earning long term, stable and strong cash flow, we own an almost one-kilometre stretch of Nanjing Road in Shanghai at an appropriate price for the development of a world class commercial street which will include hotel, office and retail shops. In accordance with such a model, projects currently under construction or intended to be constructed are: Shanghai Concord City at Nanjing Road, Shanghai with a floor area of approximately 3,640,000 sq. ft.; Chongqing Concord City at the center of Chongqing with a floor area of approximately 5,300,000 sq. ft.; and the commercial street of No. 18, The Peak Road located in the downtown of Chongqing, with a floor area of approximately 800,000 sq. ft.. We have options to acquire: 50% of the equity interests in the project at Xidan Street, Beijing with a floor area of approximately 3,800,000 sq. ft.; 100% interest in the project involving land situated at the center of Wuhan with a floor area of approximately 1,100,000 sq. ft.; 100% interest in the project involving land situated at the center of Kunshan with a floor area of approximately 1,300,000 sq.ft..

(2) We have acquired and have planned to acquire sizable sites located on top of or near underground railway terminals in the downtown of major cities of the PRC such as Shanghai, Beijing, Chongqing, Tianjin and Wuhan at appropriate prices. Such sites will be developed into large-scale residential projects with prime quality but sold at middle class prices. Examples of such projects are our Shanghai Cannes with a floor area of 20,000,000 sq. ft.; and Chongqing Cannes with a floor area of 23,000,000 sq. ft..

The Group has avoided the improper models in which products are priced by certain players in the international capital market, and successfully achieved strong operating profits with low gearing in 2007. We are very pleased and encouraged by our results.

In 2008, the Group expects to book the sales of a total floor area of 5,000,000 sq. ft. from the Shanghai Cannes (over 90% was sold) and Shanghai Concord City. In addition, we intend to launch the Chongqing Cannes, the residential development of No. 18, The Peak Road in the downtown of Chongqing, and the Shanghai Cannes with an aggregate area of approximately 7,000,000 sq. ft. for pre-sale. In essence, construction work for the project at the almost one-kilometre stretch of Nanjing Road in the Shanghai Concord City, Shanghai is progressing at full speed. Preparation work is also underway for the construction of Chongqing Concord City at the center of Chongqing and the commercial street of No. 18, The Peak Road in the downtown of Chongqing.

The Group is currently negotiating for the acquisition of prime sites in Tianjin and Wuhan; however we shall only consider acquiring new land when our cash flow is at a safe level.

We shall continue adopting the above successful business model and look forward to bringing an even more remarkable return for our shareholders in 2008.

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 26, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

The Group focuses on developing and creating high quality, large scale, residential and commercial projects in strategic locations in the PRC. The Group designs the properties based on themes and concepts drawn from different cultures. The properties are designed to target at the significant and growing middle- and upper-class purchasers and consumers in the PRC, who the Group believes are attracted to a modern and upscale lifestyle and atmosphere.

The Group has in the past focused, and intends to continue to focus, on developing the following:

Large-scale theme residential communities. These are residential projects that are targeted at the growing middle class in the PRC with distinct landscape and interior design features that are based on varying themes and motifs. The selected properties/sites are connected with mass transit system and/or convenient transportation system.

Upscale theme shopping street developments. These are typically projects located on prime retail streets in major cities in the PRC which are intended to include areas for retail, residential, entertainment, cultural and recreational uses. Our aim is to make each of these projects both a focal point for the entire district in which it is located and a day-trip destination for local and non-local residents.

Currently, other than the two projects in Shanghai and certain options granted to the Group for the acquisition of properties interests located in Beijing and other cities, the Group has also acquired the entire interests in certain pieces of land at the center of and in the downtown of Chongqing for both property development and property investment purposes.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

During 2007, economic development in the PRC continued to grow rapidly with GDP attaining double-digit for the fifth consecutive year. The Group believes that the macro economic measures together with the implementation of the National Public Housing policy, laid the foundation for a healthy property market in the PRC in the long term. With the property market becoming more regulated, the future of the PRC's property market is promising.

Overview of the Mainland Property Market in Shanghai

Auction prices of high quality land situated in prime locations of Shanghai reached record highs in 2007. Following 2 years of steady growth, the property market in Shanghai became robust in 2007. Transaction volumes of residential property increased by approximately 25.4% when compared to that of 2006, while the average transaction price of residential property increased by approximately 17.2%.

During the year, new projects for "A" grade commercial building in Shanghai were limited, whereas the demand for the floor area of financial institutions and insurance companies increased rapidly and pushed up the average rental significantly.

Vacancy rates for prime retail properties in Shanghai was approximately 5% in 2007 and decreased by 30% when compared with that of 2006. Amongst these, retail properties in Jingan area have the lowest vacancy rate. Prime retail properties in Jingan and Luwan areas are always the sought after locations and therefore average rentals were the highest in 2007.

Outlook

In 2008, the Group expects to book the sales of a total floor area of 5,000,000 sq. ft. from the Shanghai Cannes (over 90% was sold) and Shanghai Concord City. In addition, we intend to launch the Chongqing Cannes, the residential development of No. 18, The Peak Road in the downtown of Chongqing, and the Shanghai Cannes with an aggregate area of approximately 7,000,000 sq. ft. for pre-sale. In essence, construction work for the project at the almost one-kilometre stretch of Nanjing Road in the Shanghai Concord City, Shanghai is progressing at full speed. Preparation work is also underway for the construction of Chongqing Concord City at the center of Chongqing and the commercial street of No. 18, The Peak Road in the downtown of Chongqing.

The Group is currently negotiating for the acquisition of prime sites in Tianjin and Wuhan; however we shall only consider acquiring new land when our cash flow is at a safe level.

We shall continue adopting the above successful business model and look forward to bringing an even more remarkable return for our shareholders in 2008.

FINANCIAL REVIEW

The Group's profit attributable to the shareholders amounted to HK$7,934.0 million in 2007 (2006: HK$207.5 million), representing the changes in fair value of investment properties (after deferred tax) of HK$6,504.0 million and the operating profit after taxation of HK$1,430.0 million, increased by 37.2 folds.

The Group's revenue of HK$2,003.0 million in 2007, increased by 121.7% over 2006, was mainly generated by the sales of residential properties and rental income from retail properties and service apartments. The Group's operating profit after taxation but before change in fair value of investment properties (after deferred tax) amounted to HK$1,430.0 million, which was well above the HK$171.6 million in last year.

The revenue from property development has reached HK$1,948.4 million in 2007, increased by 124.4% over the amount of HK$868.4 million in 2006. The increase was mainly sourced from the sales of residential properties of Shanghai Cannes. Gross profit margin of sales of residential properties increased to 56.2% as compared to 53.3% for 2006 and the average selling price was also increased by 15.1% over that of 2006.

The Group delivered a gross floor area ("GFA") of approximately 3,445,000 sq.ft. in 2007, representing an increase of 94.5% when compared to 2006. The Group delivered a majority of the residential units at Phase III of Shanghai Cannes in 2007 and expected to deliver residential units at Phase IV of Shanghai Cannes in 2008.

As at December 31, 2007, the GFA contracted for but not delivered amount to approximately 3,531,000 sq.ft., comprising mainly (a) approximately 118,000 sq.ft. of Shanghai Cannes Phase III; and (b) approximately 3,359,000 sq.ft. of Shanghai Cannes Phase IV.

During the year, the Group commenced the construction work of Phase II, Concord City at Nanjing Road, Shanghai with GFA of approximately 3,640,000 sq.ft..

The delivery of Shanghai Cannes properties in early 2007 induced the increase of the property management income to HK$20.4 million which is 66.9% over that of 2006.

Property rental income of the Group increased by 25.3% to HK$28.5 million. In addition to the residential properties under construction, the development of a themed retail street with GFA of approximately 3,000,000 sq. ft. in Shanghai Cannes is under processing.

A substantial increase in other income of HK$170.9 million (2006: HK$1.3 million) was recorded for the year. Of this total, an Income Tax refund of HK$62.9 million was received from the PRC tax authority as a result of the reinvestment of retained profits by one of our subsidiaries during the year; an increase in interest income of HK$88.0 million derived from surplus funds raised through the listing of the Company's shares on the Stock Exchange (the "Listing"), private placement and the issuance of a US$300 million fixed rate senior notes (the "Notes") during the year; and also an exchange gain of HK$14.8 million arising from the translation of a bank loan denominated in US dollar ("US$").

During the year under review, the increase in selling expenses was generally in line with the increase in revenue and representing 1.4% of the turnover. Administrative expenses in 2007 were HK$55.1 million which was down by 15.1% when compared to 2006. The decrease in administative expenses was resulted from the decrease in compensation to purchasers of properties and reduced professional and other expenses relating to the Listing but was partially offset by an increase in staff costs, and professional and other expenses incurred in complying with the Listing Regulation during the year. The Group is committed to build a stronger work team, which it considers to be the most critical element for its future development and success. The Group has allocated considerable resources in 2007 to this end which resulted in increasing staff and related costs by HK$8.8 million in strengthening both the number and caliber of staff.

Finance costs incurred for the year amounted to HK$149.7 million (2006: Nil) and was mainly arisen from the Notes issued on April 27, 2007.

As a result of the positive response to the Notes and the Placement mentioned under "Liquidity, Financial and Capital Resources", the Group maintains sufficient cash, ready to fund future acquisition and development of new projects in China.

The Group experienced fair value gains of its investment properties (after deferred tax) of HK$6,504.0 million reflecting a buoyant property market in Shanghai during 2007 and as confirmed by an independent valuation. The gains in fair value are attributable to Shanghai Concord City and Shanghai Cannes in the amounts (after deferred tax) of HK$5,896.0 million and HK$608.0 million respectively.

In 2007, the average price of commodity properties in Shanghai increased by nearly 20% compared with 2006. This price increase was higher than that in 2005 and 2006. In side of the inner ring of Shanghai, the price increase was much higher. In respect of land market, the average land price in downtown area of Shanghai increased by more than 50% between 2006 and 2007. Phase II of Shanghai Concord City is located at Nanjing Road, Jingan District. Due to its advantageous location in the core and mature commercial area of Shanghai and scarce future land supply in this area, both commercial and residential development of Phase II will have great prospects. Meanwhile, the rental in upper retail sector has mantained rapid growth in recent years. Strong demand for upper retail spaces will keep an upward trend in the coming years.

The Group's effective income tax rate decreased from 50.0% in 2006 to 17.6% in 2007 which was partly due to the fact that the tax rate used for deferred tax provision of the Group has been adjusted from 33% in 2006 to 25% in 2007 to reflect the tax rate reduction with effect from January 1, 2008 in accordance with the PRC promulgated the Law on Enterprise Income Tax by Order No. 63 of the president of the People's Republic of China. The decrease in effective income tax rate was also caused by income tax refund of HK$62.9 million which was not taxable for tax purpose and also the tax exemptions granted to a PRC subsidiary. Deferred tax provided for the year was HK$2,030.3 million and was mainly attributable to the appreciation in the fair value of the Group's investment properties. The Group's total land appreciation tax ("LAT") provision at the year end date was HK$420.7 million and the Group believes sufficient provision has been made in accordance with the requirements set forth in the relevant LAT tax laws and regulations.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

On February 23, 2007, the shares of the Company were listed on the main board of the Stock Exchange with the issuance of 450 million shares and together with the issuance of 6,537,000 shares pursuant to the exercise of the over-allotment option by Merrill Lynch International, the sole global coordinator and sole borrower and sole book runner of the Listing on March 21, 2007. The net proceeds raised from the Listing was approximately HK$1,522.7 million, while the issued share capital of the Company was approximately HK$180.7 million.

On October 3, 2007 pursuant to a placing and subscription agreement, Hillwealth placed 90,327,000 shares of the Company to an independent private investment fund at HK$4.93 per share (the "Placement"). The Company agreed to issue a total of 90,327,000 new shares of HK$0.1 each at a price of HK$4.93 per share to Hillwealth (the "Subscription"). Hillwealth is wholly owned by Mr. Wong Sai Chung. The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 15, 2007 and rank pari passu with other shares in issue in all aspects. The Placement was completed on October 15, 2007. The proceeds will be used by the Group for future acquisition and development of new projects in the PRC and as general working capital for the Group.

The Group's financial position remains strong. The gearing ratio of the Group as at December 31, 2007 was 0.55% as compared to 13.81% for 2006. The gearing ratio was calculated as bank loans, loans from related companies and fixed rate senior notes, less amounts due from related companies, pledged bank deposits and bank balances and cash, divided by total equity.

The Company issued the Notes of US$300 million on April 27, 2007. The Notes bear an annual interest rate of 9.125%. As at December 31, 2007 the carrying value of the Notes was HK$2,274.7 million. The interest charged for the year was calculated by applying an effective interest rate of approximately 9.67%. The Notes will mature on May 4, 2014. The issue of the Notes is in line with the Group's policy of stengthening its debt maturity profile and procuring substantial committed facilities for future business expansion in mainland China.

The bank loans of the Group were HK$748.6 million, of which HK$194.0 million and HK$554.6 million of the bank loans will be repayable within one year and after one year respectively. All of them were subject to variable interest rate. The bank loans were secured by our investment properties, development in progress, properties under development for sales, and properties held for sales together with pledged deposit with total carrying value of HK$10,575.5 million and HK$23.3 million respectively.

The vast majority of the Group's borrowings are denominated in RMB, with the balance in US$.

As at December 31, 2007, our bank balances and cash together with the pledged bank deposits amounted to HK$2,928.2 million (2006: HK$120.2 million) of which HK$1,974.1 million was denominated in US$. Total assets of the group were approximately HK$28,326.4 million.

The functional currency of the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

As at December 31, 2007, the Group had construction commitment contracted for but not yet provided in respect of property, plant and equipment and investment properties amounted to HK$152.9 million (2006: HK$117.5 million). The Group also had capital expenditure in respect of the acquisition of land authorized but not contracted for amounted to HK$1,310.9 million (2006: Nil).

During the year, there is no material acquisition and disposal of group companies.

The Group has not used any interest rate nor foreign currency derivative instruments to hedge its exposure to interest rate risk and foreign currency risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise. In addition, the management also monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option for the Notes if necessary.

CONTINGENT LIABILITIES

As at December 31, 2007, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$1,769.6 million (2006: HK$1,857.8 million). In 2007, we experienced seven cases of default. The total amount of guaranteed loans under default were approximately HK$3.2 million or representing 0.2% of the total guaranteed loans outstanding as at the year end date. The guarantees were secured by the Group's pledged deposits of HK$32.2 million (2006: HK$77.6 million).

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2007, the Group had approximately 533 employees in Hong Kong and the PRC. The total staff costs incurred were approximately HK$31.4 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares (including the exercise of over-allotment) in connection with its Listing, after deduction of related expenses, amounted to approximately HK$1,522.7 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future Plans And Use Of Proceeds" in the Prospectus. Up to the date of this report, approximately HK$429.0 million, HK$332.9 million, HK$177.4 million, HK$279.2 million and HK$25.5 million were utilized to settle in full the amount due under the loan note issued to Indopark Holdings Limited ("Indopark"), repay a short-term bank loan, finance the development of existing projects, finance the acquisition of new projects and function as general working capital purposes respectively. The remaining net proceeds is placed in short-term deposits with financial institutions and licensed banks in Hong Kong and in the People's Republic of China.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George, aged 74
Dr. Wang is the Chairman of our Board and has been with the Group since 1992. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the US. Dr. Wang has many years of experience in the operation and management of global conglomerates. Dr. Wang obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung. Dr. Wang also serves as a director of US Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 58
Mr. Wong is the Managing Director, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of US Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited ("CLD") (de-listed). Mr. Wong also served on the board of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in the company.

Xu Li Chang (徐禮昌), aged 68
Mr. Xu is an executive director. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. He was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 58

Mr. Kwan is a non-executive director. Mr. Kwan has joined the Group for more than ten years. He served in various positions with Merrill Lynch & Co. Inc. from 1982 to 1993, including as president of the Asia-Pacific Region. Mr. Kwan is currently the president of Morrison & Company Limited, a business consultancy firm; an independent non-executive director of Hutchison Telecommunications International Limited (also listed on the New York Stock Exchange), Sound Will Holdings Limited, Hutchison Harbour Ring Limited, SPG Land (Holdings) Limited and Win Harverky Limited, shares of which are listed on the Main Board of the Stock Exchange; a non-executive director (formerly an executive director and redesignated as non-executive director on January 22, 2007) of China Medical Science Limited and an independent non-executive director of T S Telecom Technologies Limited and JF Household Furnishings Limited, shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Kwan is an independent non-executive director of Henderson Sunlight Asset Management Limited, which manages the Sunlight Real Estate Investment Trust, and the units are listed on the Main Board of the Stock Exchange. He is also an executive director of Pacific Concord Holding Limited (de-listed), Concord Land Development Company Limited (de-listed) and a director of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in the company. From 2002 to 2005, he was a director of Winsan (Shanghai) Industrial Co. Ltd., a company which is listed on the Shanghai Stock Exchange. Mr. Kwan holds a Bachelor Degree of Accountancy (Honours) from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. Mr. Kwan completed the Stanford Executive Program in1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 68

Mr. Beckwith was appointed as an independent non-executive director on February 1, 2007. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a fellow member of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past 15 years, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed PCH and CLD, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd, a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, and is the executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

Luk Koon Hoo **（陸觀豪）,** aged 56

Mr. Luk was appointed as an independent non-executive director on February 1, 2007. He is a retired banker, and served Hang Seng Bank from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, shares of which are listed on the Main Board of the Stock Exchange. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong. He also serves as a member of the Barristers Disciplinary Tribunal Panel. He also served as a vice-president of the Hong Kong Institute of Bankers, a member of the Hong Kong Broadcasting Authority, a member of the Advisory Committee to the Securities and Futures Commission and a member of the Hong Kong Securities and Futures Appeals Tribunal Panel. He is a non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In the past, Mr. Luk also served as the deputy chairman of the Finance Committee of the Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes and the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government and Statistics Advisory Board. He was an appointed member of the Hong Kong Legislative Council from October 1992 to September 1995, and also a member of the first Election Committee of the Legislative Council. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 58

Mr. Willinge was appointed as an independent non-executive director on February 1, 2007. He is a fellow member of the Australian Institute of Company Directors and a fellow member of the Hong Kong Institute of Directors. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia in 1995. Mr. Willinge had served as Director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. Mr. Willinge was the Director, Information Technology, for the Sydney Olympic Games 2000. He also serves as an Adjunct Professor of Business Studies at Curtin University of Technology in Australia. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector. In Hong Kong, he serves as a member of the General Management Committee of the Hong Kong Management Association. He is an independent non-executive director of China Medical Science Limited and JF Household Furnishings Limited, both companies listed on the Growth Enterprise Market of the Stock Exchange.

Cheng Chaun Kwan, Michael（鄭燦焜）, aged 77
Mr. Cheng was appointed as an independent non-executive director on February 1, 2007. Mr. Cheng is currently the joint managing director of See Won Properties (BVI) Limited, a company incorporated in the British Virgin Islands, principally engaged in property investment and development in Macau. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao（吳志高）, aged 63
Mr. Wu was appointed as an independent non-executive director on February 1, 2007. Mr. Wu is a retired lecturer and property development consultant. He holds a Bachelor Degree in Mathematics from Fudan University, Shanghai. Prior to joining the Group, he held senior academic positions at the Huadong University（華東師範大學）and Shanghai Education Institute（上海教育學院）and focused on teaching marketing, which included researches on sales and marketing of property development projects. Between 1998 to 2004, Mr. Wu served as the vice principal at the Huadong University. During that period, he also assisted in the development of a residential property project for the Huadong University. For the period from 1996 to 1997, Mr. Wu also served as a vice president for Shanghai Pingan Xinlun Property Development Co. Ltd.（上海平安欣侖物業發展有限公司）, a company which provided construction, leasing and sales of office premises, as well as property management services, to the Shanghai Education Institute.

SENIOR MANAGEMENT

Chan Kwok Wai, aged 53
Head of the Design Department. Mr. Chan has more than 20 years of experience in property development. He previously held senior positions in major international property consultancy firms and property development firms. Mr. Chan has participated in several commercial and condominium development projects from the design stage and has experience in coordinating large scale real estate development in the PRC. Mr. Chan is a licentiate member of the Chartered Institute of Building and an associate member of the Institute of Engineers and Technicians.

Leung Ka Chi, aged 40
Head of Sales and Retail Operations Department. Mr. Leung holds a Bachelor Degree in Surveying from the University of Hong Kong and has more than 13 years of sales and leasing experience in the property markets of both Hong Kong and the PRC. He worked previously in a large property consultancy firm as an associate director. Since his joining our group in 2001, he has been responsible for the strategic planning for the sales of group's residential properties, and the leasing and operations of the group's commercial properties.

Zhang Zhi Jian, aged 43
Head of Sales Department, Shanghai. Mr. Zhang obtained his Master Degree in Computer Science from South China University of Technology. He has over 15 years of experience in the property markets of New Zealand and the PRC. He has worked as a project manager in New Zealand for 6 years before joining our group in 1997.

Dr. Hsieh Chen Sen, aged 43
Head of Project Management for Shanghai Concord City project. Dr. Hsieh obtained a Master Degree in Environmental Engineering and a Doctoral Degree in Civil Engineering from the Polytechnic University in New York. Dr. Hsieh has approximately 15 years project management experience in both Taiwan and the PRC.

Fan Jian Ping, aged 40
Head of Project Management for Shanghai Cannes project. Ms. Fan holds a Bachelor Degree in Industrial Economics from the Shanghai University of Finance and Economics.

Chung Yuk Fai, aged 55
Senior Architect for Shanghai Concord City project and Shanghai Cannes project. Mr. Chung holds a Bachelor Degree in Architecture from the University of Hong Kong and is a member of the Hong Kong Institute of Architects. He is a registered architect in Hong Kong and also holds the PRC class 1 registered architect qualification. Mr. Chung held senior positions previously in several international architectural firms as well as large property development corporations. He has over 25 years experience in project management and design management in Hong Kong and the PRC.

Chen Xu Lin, aged 32
Senior Project Manager, Shanghai. Mr. Chen holds a Master Degree in Project Management from University of Sydney. Mr. Chen is a registered engineer with the National Administration Board of Engineering Registration (Structural) PRC. He worked previously in a construction equipment trading company in Australia.

Yu Yong Da, aged 60
Head of Internal Control Department, Shanghai. Mr. Yu is a qualified accountant in PRC and has over 20 years of experience in accounting and finance.

Xiao Li Yun, aged 37
Head of Management Accounts Department, Shanghai. Ms. Xiao obtained her Bachelor Degree in International Economics from Nankai University in Tianjin. She joined our group in 2001 and is responsible for management accounting.

Lai Siu Hung, aged 42
Qualified Accountant and Head of Corporate Accounting Department. Mr. Lai is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Lai has over 20 years of experience in auditing, finance and accounting field and has worked for an international accounting firm for ten years. Mr. Lai also holds a Master Degree in Business Administration from the University of South Australia.

Yu Ling Ling, aged 42
Company Secretary. Ms. Yu is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 15 years of experience in the company secretarial aspect.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, successful business growth, balancing of business risk and enhancing of shareholders' value.

The Company has complied with the code provisions set out in Appendix 14, Code on Corporate Governance Practice (the "Code"), to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period since its shares have been listed on the Stock Exchange on February 23, 2007 (the "Listing") and up to the date of this report.

THE BOARD

Responsibilities

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are periodically reviewed.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times met the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman & chairman of Remuneration Committee)*
Wong Sai Chung *(Managing Director)*
Xu Li Chang

Non-executive Director

Kwan Kai Cheong

Independent Non-executive Directors

Warren Talbot Beckwith *(chairman of Audit Committee)*
Cheng Chaun Kwan, Michael *(member of Audit Committee)*
Luk Koon Hoo *(member of Audit Committee & member of Remuneration Committee)*
Garry Alides Willinge *(member of Audit Committee & member of Remuneration Committee)*
Wu Zhi Gao *(member of Audit Committee)*

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2007 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors of the Company are currently appointed with specific terms, which are subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Garry Alides Willinge, Mr. Wu Zhi Gao and Mr. Xu Li Chang shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Company's circular contains detailed information of the directors standing for re-election.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board meets in person or by means of electronic communication, at least 4 times a year, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board and Audit Committee since it's Listing and up to the date of this report is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings would be served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2007 Annual Report.

Meeting attendance since its Listing and up to the date of this report

Name of Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**
Dr. Wang Shih Chang, George	6/6	2/3	0/0
Wong Sai Chung	5/6	1/3	N/A
Xu Li Chang	0/6	N/A	N/A
Kwan Kai Cheong	4/6	3/3	N/A
Warren Talbot Beckwith	5/6	3/3	N/A
Cheng Chaun Kwan, Michael	4/6	2/3	N/A
Luk Koon Hoo	4/6	3/3	0/0
Garry Alides Willinge	5/6	3/3	0/0
Wu Zhi Gao	1/6	1/3	N/A

The Audit Committee

Composition of the Committee
Warren Talbot Beckwith *(Chairman)*
Cheng Chaun Kwan, Michael
Luk Koon Hoo
Garry Alides Willinge
Wu Zhi Gao

The Company established an Audit Committee comprises 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statement and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Since the Listing and up to the date of this report, the Audit Committee met 3 times to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment of external auditor.

The Company's annual result for the year ended December 31, 2007 has been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Committee
Dr. Wang Shih Chang, George *(Chairman)*
Luk Koon Hoo
Garry Alides Willinge

The Company established a Remuneration Committee comprises an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

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

No Remuneration Committee meeting had been held since the Listing and up to the date of this report.

The remuneration of the directors for the year ended December 31, 2007 was set out in note 11 to the consolidated financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code since its Listing and up to the date of this report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use of disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. In addition, the Group has exercised risk management procedures to identify and prioritise risks for the business to be addressed by management.

During the year ended December 31, 2007, the Board has conducted a review of the effectiveness of the system of internal control and is satisfied with the scope and effectiveness of the system.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2007.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 33 to 34.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2007 are set out below:

	Year ended December 31, 2007 HK$'000
Services rendered	
– Audit services	2,403
– Non-audit services	1,250
	3,653

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings, if necessary.

Poll results, if any, will be published on the websites of the Stock Exchange and the Company.

The Company endeavors to maintain a high level of transparency in communicating with shareholders and the investment community. Briefings and meetings with institutional investors and analysts are conducted as needed and required. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on its business on a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by directors and designated senior executives. The Company prepares to announce its results on a timely manner in accordance with the requirements under the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmans of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquires by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that after the Listing of the shares of the Company and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

After the Listing and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Kunshan Option, the Beijing Concord Option, the Beijing Cannes Option and the General Options (collectively the "Options")

After the Listing and up to the date of this report, no Options for the acquisition of the properties are exercised. The Company has appointed independent financial advisor to advise the INEDs relating to the Options. The INEDs have considered the respective status of the Options and decide that it is not a right moment for the Company to exercise the Options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

First Right of Refusal for the Properties under Options

After the Listing and up to the date of this report, the Company is not entitled to the first right of refusal for the properties under Options.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2007.

CORPORATE REORGANIZATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 14, 2005.

Pursuant to a corporate reorganization (the "Corporate Reorganization") to rationalize the structure of the Company and its subsidiaries (the "Group") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on April 22, 2006. Details of the Corporate Reorganization are set out in the prospectus dated February 9, 2007 issued by the Company (the "Prospectus").

The shares of the Company have been listed on the Stock Exchange since February 23, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2007 are set out in the consolidated income statement on page 35.

An interim dividend of HK5.5 cents per share (2006: Nil) amounting to HK$99,360,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3.2 cents per share (2006: Nil) to the shareholders whose names appeared on the Register of Member on May 20, 2008 amounting to HK$59,953,000.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEVELOPMENT IN PROGRESS

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated income statement, amounted to HK$8,672,044,000.

During the year, development in progress of approximately HK$71,988,000 was transferred to investment properties and the addition of development in progress of the Group amounted to approximately HK$244,161,000.

Details of these and other movements during the year in property, plant and equipment, investment properties and development in progress of the Group are set out in notes 14, 16 and 17 to the consolidated financial statements respectively.

In the Prospectus, certain properties were stated at a valuation of HK$318,417,000. These properties are not stated at such valuation in the consolidated financial statements for the year ended December 31, 2007. Had the properties been stated at such valuation in the consolidated financial statements, additional depreciation of approximately HK$6,829,000 would have been charged against the consolidated income statement.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for each of the five years ended December 31, 2007 is set out on page 85.

PROPERTIES

Particulars of major properties held by the Group are set out on page 86.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2007 are set out in the consolidated statement of changes in equity on page 38.

SHARE CAPITAL

On February 15, 2007 and February 22, 2007, the Company repurchased and cancelled 48,700 shares held by Indopark Holdings Limited ("Indopark") for a consideration of US$55 million and issued 1,349,048,700 shares to Hillwealth Holdings Limited ("Hillwealth") by capitalizing an amount of HK$134,904,870 standing to the credit of the share premium account of the Company respectively. The shares of the Company have been listed on the main board of the Stock Exchange on February 23, 2007 with the issuance of 450,000,000 shares on February 22, 2007. On March 21, 2007, an over-allotment option of 6,537,000 shares was exercised by Merrill Lynch International, the sole global coordinator and sole bookrunner of the Listing (the "Over-allotment").

On October 3, 2007, pursuant to a placing and subscription agreement, Hillwealth placed 90,327,000 shares of the Company to an independent private investment fund at the price of HK$4.93 per share and the Company agreed to issue a total of 90,327,000 new shares of HK$0.1 each at a price of HK$4.93 per share to Hillwealth.

Details of the movements in Company's share capital during the year are set out in note 28 to the consolidated financial statements.

Other than as disclosed above, there were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2007 were as follows:

	HK$'000
Share premium	8,247,469
Accumulated losses	(129,493)
	8,117,976

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

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

Executive directors:

Dr. Wang Shih Chang, George *(Chairman)*
Wong Sai Chung *(Managing Director)*
Xu Li Chang

Non-executive director:

Kwan Kai Cheong

Independent non-executive directors:

Warren Talbot Beckwith
Cheng Chaun Kwan, Michael
Luk Koon Hoo
Garry Alides Willinge
Wu Zhi Gao

Except for Mr. Wong Sai Chung who was appointed as the first director of the Company on March 18, 2005, all other directors were appointed on February 1, 2007.

Each of the executive directors has entered into a service agreement with the Company for a term of two years commencing February 23, 2007. Particulars of the service agreements have been set out in the Prospectus.

In accordance with article 87 of the Company's Articles of Association, Garry Alides Willinge, Wu Zhi Gao and Xu Li Chang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2007, the interests and/or short positions of the directors and chief executive and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at the date of this report, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,350,000,000 shares	71.17%	(i)

Note:

(i) These shares are held directly by Hillwealth whose entire issued capital is held by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated company	Number of shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(ii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iii)

Notes:

(ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iii) As Hillwealth owns more than 50% of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2007, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at December 31, 2007, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 33 to the consolidated financial statements. No share options were granted and outstanding for the year ended December 31, 2007 and December 31, 2006.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 36 to the consolidated financial statements.

Save as disclosed above, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2007 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2007, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

A. Connected transactions discontinued after Listing

(a) Costs sharing

Prior to the Listing, certain directors and the Group's accounting and administrative staff in Hong Kong were employed by service companies owned by Mr. Wong and his associates (other than the Group) and served both the Group and Mr. Wong and his associates (other than the Group). These employees have been transferred to the Group since February 2, 2007 in anticipation of the Listing and now work full time for the Group. During the year, part of the remuneration of these employees, directors and associated administrative expenses (such as employee related insurance premiums, provident fund contributions, other human resources costs, share of rent, rates, service fee and utilities charges) has been charged to and paid by the Group on an estimated time allocation basis.

During the year, an amount of HK$1,119,000 was paid and payable for the shared costs.

(b) Financial assistance to connected persons

Prior to the Listing and during the year, Mr. Wong and his associate (other than the Group) guaranteed the Group's bank loans and made advances to/from the Group.

Advances made were unsecured and interest-free. Advances received were also unsecured and certain balances were bearing interest at a rate equal to the cost of funds of the lending party and repayable on demand. During the year, interest expenses of HK$5,488,000 was paid. The Group did not (and neither did Mr. Wong nor his associates) charge any fee for the providing of guarantees or security. The net outstanding advances due from the Group to Mr. Wong and his associates (other than the Group) amounting to approximately HK$332.9 million as at December 31, 2006 were settled in full prior to the Listing.

B. Continuing connected transaction

Office rental

On February 8, 2007, a license agreement ("Office License") for the use of the principal place of business of the Company in Hong Kong was entered with Frank Union Limited ("Frank Union"), an associate of Mr. Wong. The Office License is effective for a period from February 16, 2007 to July 31, 2008, which is the date of expiry of the existing lease for the premises located at 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong, held by Marnav Holding Limited, an independent third party. The area subject to the Office License is approximately 50% of the total area covered by Frank Union's lease. Accordingly, under the Office License, the Company has agreed to share half of all rent, rates, service fee and utilities charges.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the Office License proportional to the area used; (ii) the rent and service charges are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers; and (iii) the Company needs not at present incur the costs and inconvenience of relocation, the directors consider the terms of the Office License to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The directors are of the view that the transactions under the Office License are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, an amount of HK$1,588,000 was paid and payable for the office rental.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the four option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the Prospectus.

The Company has received confirmation from Mr. Wong that he has complied with the terms of the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Save as disclosed above, during the year ended December 31, 2007 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 25.8% and 62.6% respectively of the Group's total purchases for the year.

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

EMOLUMENT POLICY

As at December 31, 2007, the Group had approximately 533 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately HK$31.4 million (2006: HK$27.6 million).

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 23 of the annual report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares (including the exercise of Over-allotment) in connection with the Listing, after deduction of related expenses, amounted to approximately HK$1,522.7 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future Plans And Use Of Proceeds" in the Prospectus. Up to the date of this report, approximately HK$429.0 million, HK$332.9 million, HK$177.4 million, HK$279.2 million and HK$25.5 million were utilized to settle in full the amount due under the loan note issued to Indopark, repay a short-term bank loan, finance the development of existing projects, finance the acquisition of new projects and function as general working capital purposes respectively. The remaining net proceeds is placed as short term deposits with financial institutions and licensed banks in Hong Kong and in the People's Republic of China.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules since the Listing up to December 31, 2007.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 38 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK$1,000,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 26, 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 84, which comprise the consolidated balance sheet as at December 31, 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 consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, March 26, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	7	**2,002,964**	903,335
Business tax		**(104,635)**	(46,996)
Cost of sales		**(874,204)**	(418,384)
Gross profit		**1,024,125**	437,955
Other income	7	**170,854**	1,312
Selling expenses		**(28,270)**	(12,653)
Administrative expenses		**(55,149)**	(64,929)
Finance costs	8	**(149,681)**	–
		961,879	361,685
Changes in fair value of investment properties		**8,672,044**	53,511
Profit before taxation	9	**9,633,923**	415,196
Income tax expense	10	**(1,699,969)**	(207,701)
Profit for the year and attributable to the equity holders of the Company		**7,933,954**	207,495
Dividend recognized as distributions during the year	12	**99,360**	–
Basic earnings per share	13	**HK$4.51**	HK$0.16

CONSOLIDATED BALANCE SHEET

As at December 31, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**68,352**	70,734
Prepaid lease payments	15	**4,653**	7,393
Investment properties	16	**20,276,267**	10,402,200
Development in progress	17	**2,003,481**	1,738,947
Pledged bank deposit	22	**23,295**	–
		22,376,048	12,219,274
Current assets			
Properties under development for sales	18	**2,046,776**	1,122,413
Properties held for sales, at cost	19	**434,155**	1,234,279
Other receivables	20	**564,477**	195,299
Amounts due from related companies	21	**–**	1,517,546
Pledged bank deposits	22	**32,182**	91,554
Bank balances and cash	22	**2,872,722**	28,686
		5,950,312	4,189,777
Current liabilities			
Other payables and accruals	23	**679,799**	316,709
Deposits received on sale of properties		**1,941,865**	2,786,794
Tax payable		**413,245**	246,531
Loans from related companies	24	**–**	1,850,461
Bank loans, secured-due within one year	25	**193,979**	383,816
		3,228,888	5,584,311
Net current assets (liabilities)		**2,721,424**	(1,394,534)
Total assets less current liabilities		**25,097,472**	10,824,740
Non-current liabilities			
Bank loans, secured-due after one year	25	**554,667**	397,891
Fixed rate senior notes	26	**2,274,742**	–
Deferred tax liabilities	27	**4,826,013**	3,227,587
		7,655,422	3,625,478
		17,442,050	7,199,262

	NOTE	**2007** **HK$'000**	2006 HK$'000
Capital and reserves			
Share capital	28	**189,686**	100
Share premium and reserves		**17,252,364**	7,199,162
Total equity		**17,442,050**	7,199,262

The consolidated financial statements on pages 35 to 84 were approved and authorized for issue by the Board of Directors on March 26, 2008 and are signed on its behalf by:

Dr. Wang Shih Chang, George
DIRECTOR

Wong Sai Chung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Special reserve * HK$'000	General reserve *** HK$'000	Other reserve ** HK$'000	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At January 1, 2006	95	–	–	778,662	–	2,455,562	48,324	3,305,347	6,587,990
Exchange differences arising on translation and income recognized directly in equity	–	–	–	–	–	–	28,752	–	28,752
Profit for the year	–	–	–	–	–	–	–	207,495	207,495
Total recognized income for the year	–	–	–	–	–	–	28,752	207,495	236,247
Issue of shares on private placement	5	387,695	–	–	–	–	–	–	387,700
Share issue expenses	–	(12,675)	–	–	–	–	–	–	(12,675)
	5	375,020	–	–	–	–	–	–	375,025
At December 31, 2006	100	375,020	–	778,662	–	2,455,562	77,076	3,512,842	7,199,262
Exchange differences arising on translation	–	–	–	–	–	–	840,510	–	840,510
Surplus on revaluation of property, plant and equipment	–	–	6,410	–	–	–	–	–	6,410
Income recognized directly in equity	–	–	6,410	–	–	–	840,510	–	846,920
Profit for the year	–	–	–	–	–	–	–	7,933,954	7,933,954
Total recognized income for the year	–	–	6,410	–	–	–	840,510	7,933,954	8,780,874
Transfer to general reserve	–	–	–	–	47,408	–	–	(47,408)	–
Dividend paid	–	(99,360)	–	–	–	–	–	–	(99,360)
Shares repurchased	(5)	(429,694)	–	–	–	–	–	–	(429,699)
Issue of shares by capitalization	134,905	(134,905)	–	–	–	–	–	–	–
Shares issued through an initial public offering	45,654	1,597,880	–	–	–	–	–	–	1,643,534
Issue of shares through placement and top-up subscription	9,032	436,280	–	–	–	–	–	–	445,312
Share issue expenses	–	(97,873)	–	–	–	–	–	–	(97,873)
	189,586	1,272,328	–	–	47,408	–	–	(47,408)	1,461,914
At December 31, 2007	189,686	1,647,348	6,410	778,662	47,408	2,455,562	917,586	11,399,388	17,442,050

* Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganization ("Corporate Reorganization") to rationalize the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

** Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporation Reorganization.

*** As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") the subsidiaries established in the PRC shall set aside 10% of their net profit to the general reserve before the distribution of the net profit each year. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**9,633,923**	415,196
Adjustments for:		
Amortization of prepaid lease payments	**239**	383
Depreciation of property, plant and equipment	**1,493**	2,499
Change in fair value of investment properties	**(8,672,044)**	(53,511)
Gain on disposal of available-for-sale investments	**–**	(129)
Finance costs	**149,681**	–
Interest income	**(87,989)**	(278)
Loss on disposal of property, plant and equipment	**1,323**	–
Operating cash flows before movements in working capital	**1,026,626**	364,160
(Increase) decrease in properties under development for sales	**(796,934)**	738,949
Decrease (increase) in properties held for sales	**850,095**	(897,859)
Increase in other receivables	**(343,887)**	(52,306)
Increase in other payables and accruals	**308,471**	160,830
(Decrease) increase in deposits received on sale of properties	**(1,046,470)**	220,974
Cash (used in) generated from operations	**(2,099)**	534,748
Peoples Republic of China ("PRC") taxes paid	**(265,587)**	(74,728)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(267,686)**	460,020
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,710)**	(2,776)
Additions to investment properties	**–**	(8,708)
Additions to development in progress	**(190,465)**	(349,656)
Advance to related companies	**–**	(425,208)
Decrease in pledged bank deposits	**42,698**	28,877
Interest received	**87,989**	278
Proceeds from disposal of available-for-sale investments	**–**	25,003
Transfer of controlling interests in subsidiaries	**–**	(42)
NET CASH USED IN INVESTING ACTIVITIES	**(63,488)**	(732,232)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2007

	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**2,088,846**	387,700
Share issue expenses	**(97,873)**	(12,675)
Interest paid	**(164,461)**	(94,322)
Payment on redemption of loan issued upon repurchase of shares	**(429,699)**	–
Proceeds from issue of fixed rate senior notes	**2,340,000**	–
Fixed rate senior notes issue expenses	**(56,849)**	–
Dividend paid	**(99,360)**	–
New bank loans raised	**455,816**	489,045
Repayment to related companies	**(332,915)**	(41,482)
Repayments of bank loans	**(530,315)**	(433,962)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**3,173,190**	294,304
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,842,016**	22,092
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**28,686**	6,852
Effect of foreign exchange rate changes	**2,020**	(258)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**2,872,722**	28,686

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability. Its ultimate and immediate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is located at 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

Pursuant to the Corporate Reorganization in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on April 22, 2006 by issuing shares in exchange for the entire share capital of Cheergain Group Limited ("Cheergain"). Details of the Corporate Reorganization are set out in the prospectus dated February 9, 2007 ("Prospectus") issued by the Company.

The shares of the Company have been listed on the Stock Exchange since February 23, 2007 (the "Listing").

The Group resulting from the Corporate Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Corporate Reorganization had been in existence throughout the year ended December 31, 2006 or since their respective dates of incorporation or establishment or date of acquisition, whichever is the shorter period, in accordance with the respective equity interests in the individual companies attributable to the controlling shareholder throughout the year ended December 31, 2006.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property investment and property development in the PRC. The principal activities of its principal subsidiaries are set out in note 37.

The functional currency of the Company and the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning January 1, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. The relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The adoption of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment is required.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC)-Int 12	Service concession arrangements[3]
HK(IFRIC)-Int 13	Customer loyalty programmes[4]
HK(IFRIC)-Int 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognized when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

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

Service income is recognized when services are provided.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings originally classified as investment property carried at fair value is transferred to property, plant and equipment at a deemed cost equal to its fair value at the date of change in use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

Where an item of property, plant and equipment is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Prepaid lease payments

Prepaid lease payments are carried at cost and amortized over the lease term on a straight-line basis. Where property interest including prepaid lease payment is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Investment properties

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

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

Leasehold land held for construction of properties for rental purpose is classified as an investment property and is stated at fair value. Changes in fair value of the leasehold land held for construction of properties for rental purpose are recognized directly in profit or loss for the year in which changes take place. Costs for construction of investment properties, which comprise construction costs, borrowing costs capitalized and professional fees, are classified as development in progress and are stated at cost less any identified impairment losses until construction is complete, at which time they are reclassified to investment properties (see accounting policy for development in progress below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development in progress

Development in progress, representing costs for construction of investment properties and properties for future owner-occupied purpose, is carried at cost less any identified impairment losses. Costs comprise construction costs, borrowing costs capitalized, amortization of leasehold land held for construction of properties for future owner-occupied purpose and professional fees incurred during the development period. Upon completion of construction, costs for the construction of investment properties and owner-occupied properties are transferred to investment properties and property, plant and equipment respectively.

When the leasehold land and buildings are in the course of development for owner-occupied purpose, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease terms. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under development. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realizable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realizable value takes into account the price ultimately expected to be realized, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalized according to the Group's accounting policy and professional fees incurred during the development period. On completion, the properties are transferred to properties held for sale.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realizable value.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policy adopted in respect of loan and receivables is set out below.

Effective interest method

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

Interest is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including other receivables, amounts due from related companies, pledged bank deposits and bank balances are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of other receivables could include the Group's past experience of collecting payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including bank loans, other payables and accruals and loans from related companies are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

For ordinary shares repurchased by the Company, the issued share capital of the Company was reduced by the nominal value of those shares and the difference between the consideration paid and the nominal value of those shares is recognized in share premium.

Fixed rate senior notes

The notes issued by the Group that contain both liability and early redemption option component whose economic characteristics and risk are not closely related to those of the host liability contract are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognized at fair value.

In subsequent periods, the liability component of the notes is carried at amortized cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognized in the consolidated income statement immediately.

Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in the consolidated income statement immediately.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

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

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

Impairment losses on assets

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Income tax expense

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

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

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

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

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

Retirement benefit costs

Payments to the defined contribution retirement benefit schemes and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognized in the consolidated financial statements are disclosed below.

Estimate of fair value of investment properties

As describe in note 16, investment properties were revalued as at December 31, 2007 on a market value existing use basis 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 estimation the Group's management 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. Where there are any changes in the assumptions on the market conditions in the PRC, the estimate of fair value of investment properties may be affected.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of properties under development for sales and properties held for sales

Properties under development for sales and properties held for sales are stated at the lower of the cost or net realizable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realizable value is estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price that arising from any changes to the market conditions in the PRC, there may be impairment loss recognsied on the properties under development for sales and properties held for sales.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. Significant judgement is required determining the amount of land appreciation and its related taxes. The Group recognizes these liabilities based on management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 25 and 26, equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues and the issue of new debt or the redemption of the existing debt.

The Group's overall strategy remains unchanged during the current year.

Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,999,175**	1,644,923
Financial liabilities		
Amortised cost	**3,680,247**	2,921,654

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, pledged bank deposits, bank borrowings, other receivables, other payables and accruals, amounts due to and from related companies and fixed rate senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain bank loans and fixed rate senior notes which are denominated in United States dollars and Hong Kong dollars as disclosed in notes 25 and 26 respectively. The Group has not used any derivative contracts to hedge its exposure to currency risk. A significant depreciation in the RMB against United States dollars and Hong Kong dollars may have a material impact on the Group's results.

As at each balance sheet date, certain financial assets and financial liabilities of the Group were denominated in United States dollars and Hong Kong dollars which is the currency other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	2007 **HK$'000**	2006 HK$'000
Bank balances and cash	**1,974,079**	803
Borrowings	**151,312**	339,053
Fixed rate senior notes	**2,274,742**	–

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

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Sensitivity analysis

The Group is mainly exposed to the currency of Hong Kong dollars and United States dollars and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% change in foreign currency rates.

If the exchange rate of RMB against Hong Kong dollars and United States dollars has been increased/ decreased by 5%, the Group's profit for the year ended December 31, 2007 would increase/decrease by HK$22,135,000 (2006: HK$17,102,000).

Interest rate risk management

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on bank deposits and bank loans which are carried at prevailing market interest rates. The directors consider the Group's exposure to interest rate risk on bank deposits is not significant as interest bearing bank balances are within short maturity periods.

The Group's fair value interest rate risk relates primarily to its fixed rate bank loans and fixed rate senior notes (see notes 25 and 26 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should need arises. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option for the fixed rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease/increase by HK$7,488,000 (2006: decrease/ increase by HK$7,831,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Liquidity risk

The directors of the Group expect the Group to have adequate source of funding to finance the Group and manage the liquidity position. To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalent to fulfill the normal liquidity needs and to keep banking facilities available to the Group to prevent temporary liquidity shortfall.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity tables

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

	Weighted average effective interest rate	**Less than 1 year** HK$'000	**Between 1 and 5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000	**Carrying amount** HK$'000
As at December 31, 2007						
Other payables	N/A	656,859	–	–	656,859	656,859
Fixed rate senior notes	9.125%	213,525	854,100	2,625,886	3,693,511	2,274,742
Variable interest rates borrowings	7.36%	244,981	604,562	–	849,543	748,646
		1,115,365	1,458,662	2,625,886	5,199,913	3,680,247
As at December 31, 2006						
Other payables	N/A	289,486	–	–	289,486	289,486
Loans from related companies (interest bearing)	5.58%	648,582	–	–	648,582	643,094
Loans from related companies (non-interest bearing)	N/A	1,207,367	–	–	1,207,367	1,207,367
Fixed and variable interest rates borrowings	6.85%	428,796	403,948	–	832,744	781,707
		2,574,231	403,948	–	2,978,179	2,921,654

Credit risk

As at December 31, 2007, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; and
- the contingent liabilities as disclosed in note 29.

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

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

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values except for the fixed rate senior notes of which the fair value is disclosed in note 26.

6. SEGMENT INFORMATION

The Group is principally engaged in the property development and property investment in the PRC. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development	–	developing and selling of properties in the PRC
Property investment	–	leasing of investment properties
Other	–	provision of building management and construction consultancy services

Consolidated income statement

For the year ended December 31, 2007

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
External sales	**1,948,363**	**28,458**	**26,143**	**–**	**2,002,964**
Inter-segment sales	**–**	**–**	**256,599**	**(256,599)**	**–**
Total	**1,948,363**	**28,458**	**282,742**	**(256,599)**	**2,002,964**
Inter-segment sales are charged at prevailing market rates.					
Segment result	**964,340**	**20,219**	**(3,217)**		**981,342**
Unallocated other income					**170,854**
Unallocated corporate expenses					**(40,636)**
Change in fair value of investment properties	**–**	**8,672,044**	**–**		**8,672,044**
Finance costs					**(149,681)**
Profit before taxation					**9,633,923**
Income tax expense					**(1,699,969)**
Profit for the year					**7,933,954**

6. SEGMENT INFORMATION (CONTINUED)

Consolidated balance sheet

As at December 31, 2007

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Total HK$'000
ASSETS				
Segment assets	**2,872,012**	**22,410,657**	**3,266**	**25,285,935**
Unallocated corporate assets				**3,040,425**
Total assets				**28,326,360**
LIABILITIES				
Segment liabilities	**2,493,866**	**5,682**	**9,512**	**2,509,060**
Unallocated corporate liabilities				**8,375,250**
Total liabilities				**10,884,310**

Other information

For the year ended December 31, 2007

	Property development HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	**–**	**244,161**	**3,710**	**247,871**
Depreciation of property, plant and equipment	**–**	**2,764**	**1,493**	**4,257**
Amortization of prepaid lease payments	**–**	**–**	**239**	**239**
Loss on disposal of property, plant and equipment	**–**	**–**	**1,323**	**1,323**

6. SEGMENT INFORMATION (CONTINUED)

Consolidated income statement

For the year ended December 31, 2006

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Total HK$'000
Revenue	868,416	22,706	12,213	903,335
Segment result	391,546	17,656	(2,476)	406,726
Unallocated other income				1,312
Unallocated corporate expenses				(46,353)
Change in fair value of investment properties	–	53,511	–	53,511
Profit before taxation				415,196
Income tax expense				(207,701)
Profit for the year				207,495

Consolidated balance sheet

As at December 31, 2006

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Total HK$'000
ASSETS				
Segment assets	2,476,683	12,191,934	2,197	14,670,814
Unallocated corporate assets				1,738,237
Total assets				16,409,051
LIABILITIES				
Segment liabilities	3,047,380	11,854	6,304	3,065,538
Unallocated corporate liabilities				6,144,251
Total liabilities				9,209,789

6. SEGMENT INFORMATION (CONTINUED)

Other information

For the year ended December 31, 2006

	Property development HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	–	428,274	2,776	431,050
Depreciation of property, plant and equipment	–	1,382	2,499	3,881
Amortization of prepaid lease payments	–	–	383	383

As all of the revenue and operating results of the Group are derived in the PRC, an analysis of revenue and operating results of the Group by geographical location is not presented.

All significant identifiable assets and liabilities of the Group are located in the PRC. Accordingly, no geographical segmental analysis is presented.

7. REVENUE AND OTHER INCOME

	2007 HK$'000	2006 HK$'000
Revenue		
Sales of properties	**1,948,363**	868,416
Property rental income	**28,458**	22,706
Property management income	**20,379**	12,213
Construction consultancy services income	**5,764**	–
	2,002,964	903,335
Other income		
Forfeiture of tenants' deposits	**451**	396
Interest on bank deposits	**87,989**	278
Net exchange gains	**14,783**	–
Tax refund (Note)	**62,857**	–
Others	**4,774**	638
	170,854	1,312
Total income	**2,173,818**	904,647

Note: Pursuant to the relevant laws and regulations in the PRC, a tax refund was granted to a subsidiary for capitalizing its accumulated profits.

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**52,284**	56,528
Loans from related companies	**5,488**	37,794
Effective interest expense on fixed rate senior notes	**147,941**	–
Other borrowing costs	**1,667**	–
Total borrowing costs	**207,380**	94,322
Less: Amount capitalized in development in progress and properties under development for sales	**(57,699)**	(94,322)
	149,681	–

9. PROFIT BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 11)	**1,339**	276
Other staff costs	**30,039**	27,362
Total staff costs	**31,378**	27,638
Less: Amount capitalized in development in progress and properties under development for sales	**(12,341)**	(13,515)
	19,037	14,123
Auditor's remuneration	**2,403**	963
Amortization of prepaid lease payments	**239**	383
Depreciation of property, plant and equipment	**4,257**	3,881
Less: Amount capitalized in development in progress	**(2,764)**	(1,382)
	1,493	2,499
Loss on disposal of property, plant and equipment	**1,323**	–
Cost of properties sold (included in cost of sales)	**852,896**	405,798
Professional and other expenses incurred relating to the Listing (Note)	**3,340**	30,315
Compensation to purchasers of properties (included in administrative expenses)	**3,784**	13,772
Gain on disposal of available-for-sale investments	**–**	(129)
Gross rental income from investment properties	**(28,458)**	(22,706)
Less: Direct operating expenses from investment properties that generated rental income during the year	**8,239**	5,050
	(20,219)	(17,656)

Note: Pursuant to Hong Kong Accounting Standard 32, the transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are directly attributable to the issuing of new shares as disclosed in note 28. The remaining costs are recognized as an expense when incurred.

10. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current taxation:		
Enterprise income tax in the PRC for the year	**309,261**	74,728
Land appreciation tax ("LAT") in the PRC	**142,900**	90,806
	452,161	165,534
Deferred tax (note 27)		
Current year	**2,030,253**	42,167
Attributable to a change in tax rate	**(782,445)**	–
	1,247,808	42,167
	1,699,969	207,701

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shanghai municipal government, the subsidiaries, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Jingan Concord"), Shanghai Minhang Concord Property Development Co., Ltd. ("Minhang Concord") and Shanghai Yingduoli Property Management Company Limited ("Property Management Co"), are subject to a tax rate of 33% on their assessable profits for the year.

A subsidiary, Shanghai Baili Construction Management and Consultancy Company Limited ("Construction Management Co"), is subject to a tax rate of 33%. Pursuant to the relevant laws and regulations in the PRC, Construction Management Co is exempted from PRC income tax for two financial years starting from April 4, 2005 (date of its establishment), followed by a 50% reduction for the next three years.

A subsidiary, Shanghai Zhengtian Construction Management and Consultancy Company Limited ("Construction Consultancy Co"), is subject to a tax rate of 33%. Pursuant to the letters issued by the relevant PRC tax authority on July 25, 2006, Construction Consultancy Co, under article 8 of "Rule of the PRC on Enterprises Income Tax Law of the People's Republic of China on Enterprises with Foreign Investment and Foreign Enterprises" (中華人民共和國外商投資企業和外國企業所得税法實施細則), is exempted from PRC income tax for two financial years, starting from the first profit making year, followed by a 50% reduction for the next three years, provided that more than 50% of the revenue of Construction Consultancy Co is generated from productive services pursuant to the "Notice in respect of the Preferential Tax Treatment applicable to Foreign Investment Enterprise which engages in both Productive and Non-Productive Services" (國家税務總局關於外商投資企業兼營生產性和非生產性業務如何享受税收優惠問題的通知). The first profit making year of Construction Consultancy Co is 2006.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

10. INCOME TAX EXPENSE (CONTINUED)

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries from January 1, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled, resulting in a deferred tax credit of approximately HK$782,445,000 reported in the current year.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

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

	2007 **HK$'000**	2006 HK$'000
Profit before taxation	**9,633,923**	415,196
Tax at PRC enterprise income tax rate of 33%	**3,179,195**	137,015
Tax effect of expenses not deductible for tax purpose	**6,661**	9,846
Tax effect of income not taxable for tax purpose	**(20,743)**	–
LAT	**142,900**	90,806
Tax effect of LAT	**(47,157)**	(29,966)
Effect of tax exemptions granted to a PRC subsidiary	**(84,677)**	–
Decreasing in opening deferred tax liability resulting from a decrease in applicable tax rate	**(782,445)**	–
Differential tax rate on temporary difference of subsidiaries	**(693,765)**	–
Tax expense for the year	**1,699,969**	207,701

11. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2007 **HK$'000**	2006 HK$'000
Fees	**1,063**	–
Salaries and allowances	**276**	276
Retirement benefit scheme contributions	**–**	–
	1,339	276

11. DIRECTORS' EMOLUMENTS (CONTINUED)

Directors' emoluments (continued)

The emoluments paid to the directors were as follows:

For the year ended December 31, 2007

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors:					
Dr. Wang Shih Chang, George	–	–	–	–	–
Mr. Wong	–	–	–	–	–
Xu Li Chang	–	276	–	–	276
	–	276	–	–	276
Non-executive director:					
Kwan Kai Cheong	204	–	–	–	204
Independent non-executive directors:					
Warren Talbot Beckwith	204	–	–	–	204
Cheng Chaun Kwan, Michael	204	–	–	–	204
Luk Koon Hoo	204	–	–	–	204
Garry Alides Willinge	204	–	–	–	204
Wu Zhi Gao	43	–	–	–	43
	859	–	–	–	859
	1,063	276	–	–	1,339

For the year ended December 31, 2006

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive director:					
Xu Li Chang	–	276	–	–	276

11. DIRECTORS' EMOLUMENTS (CONTINUED)

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2006: five) were as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and allowances	**2,995**	3,595
Retirement benefit scheme contributions	**43**	60
	3,038	3,655

Their emoluments were within the following bands:

	2007 **Number of employees**	2006 Number of employees
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–
	5	5

During both years, no remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

12. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend recognized-HK5.5cents (2006: Nil) per share	**99,360**	–

Subsequent to December 31, 2007, the directors proposed a final dividend of HK3.2 cents (2006: Nil) per share be paid to the shareholders of the Company whose names appear on the Register of Members on May 20, 2008. This final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2007 HK$'000	2006 HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**7,933,954**	207,495

	2007 '000	2006 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,760,321**	1,330,006

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the capitalization issue of 1,349,048,700 shares on February 22, 2007. The details of the capitalization issue are set out in note 28.

There were no diluted earnings per share as there were no dilutive potential shares outstanding during the year and as at the balance sheet date.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000 (Note)	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At January 1, 2006	50,497	17,676	977	10,469	4,186	83,805
Exchange adjustments	2,798	663	40	402	165	4,068
Additions	–	–	126	1,659	991	2,776
At December 31, 2006	53,295	18,339	1,143	12,530	5,342	90,649
Exchange adjustments	3,854	854	35	906	386	6,035
Additions	–	–	–	1,052	2,658	3,710
Transfer to investment properties	–	(6,540)	–	–	–	(6,540)
Disposal	–	–	(1,133)	(899)	–	(2,032)
At December 31, 2007	57,149	12,653	45	13,589	8,386	91,822
DEPRECIATION						
At January 1, 2006	3,696	3,178	560	6,040	1,918	15,392
Exchange adjustments	252	147	25	126	92	642
Provided for the year	1,382	799	146	963	591	3,881
At December 31, 2006	5,330	4,124	731	7,129	2,601	19,915
Exchange adjustments	442	215	23	574	225	1,479
Provided for the year	1,372	547	–	1,412	926	4,257
Transfer to investment properties	–	(1,472)	–	–	–	(1,472)
Disposal	–	–	(709)	–	–	(709)
At December 31, 2007	7,144	3,414	45	9,115	3,752	23,470
CARRYING VALUES						
At December 31, 2007	50,005	9,239	–	4,474	4,634	68,352
At December 31, 2006	47,965	14,215	412	5,401	2,741	70,734

Note: On initial recognition, the leasehold land and buildings were classified as investment properties carried at fair value, the leasehold land and buildings were transferred to property, plant and equipment during the year ended December 31, 2003.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land	Over the lease terms
Buildings	4.5%
Others	18%-19%

There was no property, plant and equipment pledged at December 31, 2007. At December 31, 2006 certain of the Group's buildings with a carrying value of approximately HK$5,069,000 were pledged to secure certain banking facilities granted to the Group.

The leasehold land is located in the PRC under medium-term lease.

15. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises land use rights in the PRC as follows:

	2007 **HK$'000**	2006 HK$'000
Long lease	**766**	759
Medium-term lease	**3,887**	6,634
	4,653	7,393

There was no land use rights pledged at December 31, 2007. At December 31, 2006 certain of the Group's land use rights with a carrying value of approximately HK$2,821,000 were pledged to secure certain banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
FAIR VALUE		
Properties held for rental purpose		
At beginning of the year	**1,006,700**	941,200
Exchange adjustments	**99,650**	18,764
Transfer from property, plant and equipment and prepaid lease payments	**14,300**	–
Transfer from development in progress	**71,988**	52,360
Transfer from leasehold land held for construction of properties for rental purpose	**42,500**	20,100
Net change in fair value recognized in the consolidated income statement	**516,329**	(25,724)
At end of the year	**1,751,467**	1,006,700
Leasehold land held for construction of properties for rental purpose		
At beginning of the year	**9,395,500**	9,287,900
Exchange adjustments	**1,016,085**	39,757
Additions	**–**	8,708
Transfer to properties held for rental purpose	**(42,500)**	(20,100)
Net change in fair value recognized in the consolidated income statement	**8,155,715**	79,235
At end of the year	**18,524,800**	9,395,500
Total	**20,276,267**	10,402,200

The fair values of the Group's investment properties were arrived at on the basis of a valuation carried out on the year end date by Jones Lang Lasalle Sallmanns Limited. Jones Lang Lasalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation methods adopted based on the "First Edition of the HKIS Valuation Standards on Properties" published by the Hong Kong Institute of Surveyors, were mainly the direct comparison approach by making reference to comparable sales transaction as available in the relevant market.

16. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above situated on leasehold land in the PRC as follows:

	2007 **HK$'000**	2006 HK$'000
Long lease	**3,097,600**	2,031,700
Medium-term lease	**17,178,667**	8,370,500
	20,276,267	10,402,200

Certain of the Group's investment properties with a carrying value of approximately HK$7,233,086,000 (2006: HK$4,094,650,000) were pledged to secure certain banking facilities granted to the Group.

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

17. DEVELOPMENT IN PROGRESS

	2007 **HK$'000**	2006 HK$'000
At cost		
At beginning of the year	**1,738,947**	1,325,579
Exchange adjustments	**92,361**	46,162
Additions	**244,161**	419,566
Transfer to properties held for rental purpose	**(71,988)**	(52,360)
At end of the year	**2,003,481**	1,738,947

Certain of the Group's development in progress with a carrying value of approximately HK$1,086,410,000 (2006: HK$808,025,000) were pledged to secure certain banking facilities granted to the Group.

18. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2007 HK$'000	2006 HK$'000
At cost		
At beginning of the year	**1,122,413**	1,835,568
Exchange adjustments	**120,664**	60,308
Additions	**803,699**	526,380
Transfer to properties held for sales	**–**	(1,299,843)
At end of the year	**2,046,776**	1,122,413
Properties under development for sales of which:		
– will be realized within twelve months	**1,930,760**	339,499
– will not be realized within twelve months	**116,016**	782,914
	2,046,776	1,122,413

Certain of the Group's properties under development for sales with a carrying value of approximately HK$1,985,121,000 (2006: HK$951,185,000) were pledged to secure certain banking facilities granted to the Group.

The carrying amount of properties under development for sales situated on land use rights in the PRC as follows:

	2007 HK$'000	2006 HK$'000
Long lease	**1,930,760**	1,009,698
Medium-term lease	**116,016**	112,715
	2,046,776	1,122,413

19. PROPERTIES HELD FOR SALES

Certain of the Group's properties held for sales with a carrying value of approximately HK$270,914,000 (2006: HK$253,862,000) were pledged to secure certain banking facilities granted to the Group.

20. OTHER RECEIVABLES

Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement. Consideration under pre-sales contracts will be fully received prior to the delivery of the properties to the purchasers. There were no trade receivables as at December 31, 2006 and 2007.

	2007 HK$'000	2006 HK$'000
Prepayment of business taxes and other PRC taxes	**177,214**	137,863
Other receivables, deposits and prepayments (Note)	**387,263**	57,436
	564,477	195,299

Note: The amount included deposits on purchase of leasehold land of approximately HK$277,333,000 (2006: Nil).

21. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from PCH Group at December 31, 2006 were of non-trade nature, interest-free, unsecured and repayable on demand.

Particulars of the amounts due from PCH Group are as follows:

	2007 HK$'000	2006 HK$'000
Balances at the beginning of the year	**1,517,546**	1,088,412
Balances at the end of the year	**–**	1,517,546
Maximum balances outstanding during the year	**1,517,546**	1,517,546

The ultimate shareholder of the related companies is Mr. Wong.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The following bank deposits have been pledged to secure:

	2007 HK$'000	2006 HK$'000
Bank loans of the Group	**23,295**	13,940
Bank loan procured by the purchasers of the Group's properties under development for sales (Note 29(b))	**32,182**	77,614
	55,477	91,554

At December 31, 2007, pledged bank deposits with an aggregate amount of HK$23,295,000 were pledged to secure long-term bank loans while the remaining portion is to secure short-term bank loans. All pledged bank deposits at December 31, 2006 were pledged to secure short-term bank loans.

The pledged bank deposits carry effective interest rates which range from 0.72% to 2.88% (2006: 0.72% to 1.62%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Bank balances carry interest at market rates which range from 0.72% to 6.0% (2006: 0.72% to 1.15%).

The aggregate amount of pledged bank deposits, bank balances and cash amounting to approximately HK$100,553,000 (2006: HK$119,419,000) as at December 31, 2007 were denominated in RMB which is not freely convertible into other currencies.

23. OTHER PAYABLES AND ACCRUALS

	2007 HK$'000	2006 HK$'000
Accruals for construction costs	**540,956**	230,868
Other payables and accruals	**138,843**	85,841
	679,799	316,709

24. LOANS FROM RELATED COMPANIES

The loans from PCH Group at December 31, 2006 were unsecured and repayable on demand. At December 31, 2006, HK$643,094,000 bore interest at effective interest rates of 5.58%. The remaining balances were non-interest bearing. The amount together with amounts due from related companies were settled prior to the Listing.

25. BANK LOANS, SECURED

	2007 HK$'000	2006 HK$'000
The bank loans are repayable as follows:		
On demand or within one year	**193,979**	383,816
More than one year, but not exceeding two years	**554,667**	397,891
More than two years, but not exceeding five years	**–**	–
	748,646	781,707
Less: Amount due within one year shown under current liabilities	**(193,979)**	(383,816)
	554,667	397,891

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or repricing dates) are as follows:

	2007 HK$'000	2006 HK$'000
Fixed-rate borrowings:		
Within one year	**–**	44,762

The Group has variable-rate borrowings which carry interest at London Inter-Bank Offered Rate + 2% and The People's Bank of China 1-3 year loan base rate + 10%. Interest is repriced every three months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**7.96% to 8.31%**	7.25% to 10.50%
Variable-rate borrowings	**6.93% to 8.31%**	6.10% to 7.37%

The Group's borrowings were all denominated in RMB except for the bank loans of approximately HK$151,476,000 (2006: HK$340,470,000) which were denominated in United States dollar, other than the functional currency in use by the Group.

26. FIXED RATE SENIOR NOTES

On April 27, 2007 the Company issued fixed rate senior notes of principal US$300 million (approximately HK$2,340,000,000) in aggregate, which contain two components, liability and early redemption options.

The notes bear interest at the fixed rate of 9.125% per annum. The interest charged for the year was calculated by applying an effective interest rate of approximately 9.675%. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by the Company's subsidiaries other than those established under the laws of the PRC.

At any time before May 4, 2011, the Company may redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 4, 2010, the Company may redeem up to 35% of the principal amount of the notes using net cash proceeds from certain equity offerings at a redemption price of 109.125% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date.

On or after May 4, 2011, the Company may, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the twelve-month period commencing on May 4 of the years indicated below:

12-month period commencing in the year	**Percentage**
2011	104.56250%
2012	102.28125%
2013 and thereafter	100.00000%

The directors of the Company consider that the fair value of the redemption options at the date of issuance of the notes and at December 31, 2007 is insignificant.

The notes have been listed on the Singapore Exchange Limited since May 4, 2007. The market value of the notes at December 31, 2007 was US$253,500,000 (approximately HK$1,977,300,000).

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the current and prior years:

	Fair value adjustment of investment properties	Other temporary differences	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2006	2,922,866	235,734	3,158,600
Exchange adjustments	24,057	2,763	26,820
Charge to consolidated income statement (note 10)	17,659	24,508	42,167
At December 31, 2006	2,964,582	263,005	3,227,587
Exchange adjustments	331,596	19,022	350,618
Attributable to change in tax rate	(718,687)	(63,758)	(782,445)
Charge (credit) to consolidated income statement (note 10)	2,168,011	(137,758)	2,030,253
At December 31, 2007	4,745,502	80,511	4,826,013

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalized in development in progress, properties under development for sale and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the year and at the balance sheet date.

28. SHARE CAPITAL

	Par value of each ordinary share HK$	Number of shares	Share capital HK$'000
Ordinary shares			
Authorized:			
At January 1, 2006	1	380,000	380
Share subdivision		3,420,000	–
At December 31, 2006	0.1	3,800,000	380
Increase of authorized share capital on February 5, 2007 (Note a)		4,996,200,000	499,620
At December 31, 2007	0.1	5,000,000,000	500,000
Issued and fully paid:			
At January 1, 2006	1	1	–
Issue of shares upon Corporate Reorganization (Note b)	1	95,129	95
Share subdivision		856,170	–
Issue of shares on private placement		48,700	5
At December 31, 2006	0.1	1,000,000	100
Shares repurchased (Note c)		(48,700)	(5)
Issue by capitalization of the share premium account (Note d)		1,349,048,700	134,905
Issue of shares through initial public offering (Note e)		456,537,000	45,654
Issue of shares through placement and top-up subscription (Note f)		90,327,000	9,032
At December 31, 2007	0.1	1,896,864,000	189,686

Notes:

(a) On February 5, 2007, the Company passed a resolution such that the authorized share capital of the Company is to be increased by creation of a further 4,996,200,000 new ordinary shares of HK$0.1 each.

(b) For the purpose of the consolidated financial statements, the share capital of the Group as at January 1, 2006 represented the share capital of the Company as if the shares issued upon the Corporate Reorganization (and before the shares to Indopark Holdings Limited ("Indopark")) on April 22, 2006, had existed at that date.

(c) On February 5, 2007, the Company and Indopark, an independent third party, entered into an agreement pursuant to which the Company agreed to repurchase and Indopark agreed to sell a total of 48,700 shares of HK$0.1 each of the Company at a total repurchase price of US$55 million (approximately HK$429,699,000) which was satisfied by the issue of a loan note in the same amount to Indopark. The loan note was guaranteed by Pacific Concord Holding Limited ("PCH"), a company in which Mr. Wong has controlling interests. On February 15, 2007, the Company cancelled those shares repurchased from Indopark and Indopark ceased to be a shareholder of the Company. The loan note guaranteed by PCH was released and settled on the listing date.

28. SHARE CAPITAL (CONTINUED)

(d) Pursuant to a written resolution of the shareholders of the Company passed on February 5, 2007, the directors were authorized to capitalize an amount of HK$134,904,870 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,048,700 shares of HK$0.1 each for allotment and issue to Hillwealth.

(e) On February 22, 2007, 450,000,000 new ordinary shares of the Company of HK$0.1 each were issued at HK$3.6 per share for cash through an initial public offering by way of placement and public offer.

On March 21, 2007, the over-allotment option was exercised and 6,537,000 new ordinary shares of the Company of HK$0.1 each were issued at HK$3.6 per share for cash.

(f) On October 3, 2007, pursuant to a placing and subscription agreement, Hillwealth placed 90,327,000 shares of the Company to an independent private investment fund at the price of HK$4.93 per share (the "Placement") and the Company agreed to issue a total of 90,327,000 new shares of HK$0.1 each at a price of HK$4.93 per share to Hillwealth (the "Subscription"). The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 15, 2007 and rank pari passu with other shares in issue in all aspects. The Placement and the Subscription was completed on October 15, 2007.

29. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities of the Group are as follows:

	2007 **HK$'000**	2006 HK$'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**1,769,556**	1,857,803

Notes:

(a) The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on sale of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated balance sheet.

(b) The guarantees were secured by the Group's pledged deposits of HK$32,182,000 (2006: HK$77,614,000).

30. OTHER COMMITMENTS

	2007 **HK$'000**	2006 HK$'000
Construction commitment contracted for but not provided in respect of property, plant and equipment and investment properties	**152,888**	117,492
Capital expenditure authorized but not contracted for in respect of acquisition of land	**1,310,933**	–

31. OPERATING LEASE COMMITMENTS

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007 **HK$'000**	2006 HK$'000
Within one year	**20,496**	17,046
In the second to fifth year inclusive	**81,699**	69,266
After five years	**20,960**	30,303
	123,155	116,615

The properties are expected to generate rental yields of average 1% to 4% on an ongoing basis. All the properties held have committed tenants from 3 to 10 years.

32. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately HK$3,799,000 (2006: HK$2,380,000).

33. SHARE OPTION SCHEMES

PCH operated a share option scheme (the "PCH Share Option Scheme") since February 28, 1997 for the purpose of providing incentive and rewards to eligible participants who contribute to the success of PCH and its subsidiaries (including the Group). Options were granted to certain directors of the Company and employees of the Group. During the period from January 1, 2002 to October 22, 2003, no options were granted or exercised by the option holders. Pursuant to a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance, all the outstanding options under the PCH Share Option Scheme were cancelled on October 22, 2003. No further options have been granted under the PCH Share Option Scheme since October 22, 2003. On February 25, 2006, PCH terminated the PCH Share Option Scheme.

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group to whom the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

33. SHARE OPTION SCHEMES (CONTINUED)

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No option has been granted since adoption of the Scheme.

34. TRANSFER OF CONTROLLING INTERESTS IN SUBSIDIARIES

On June 29, 2006, PCH Group transferred 100% of the issued share capital of Charm World International Limited ("Charm World") and its subsidiary for a consideration of HK$50,000 to the Group.

The net assets of Charm World and its subsidiary, Construction Consultancy Co., as at the date of the transaction are as follows:

	Transfee's carrying amount before combination and fair value HK$'000
Net assets transferred:	
Amounts due from related companies	3,926
Bank balances and cash	8
Loans from related companies	(3,884)
Total net assets aquired and consideration satisfied by cash	50
Net cash arising on transfer:	
Cash consideration paid	(50)
Bank balances and cash transferred	8
Net cash outflow of cash and cash equivalents in respect of the transfer of controlling interest in subsidiaries	(42)

Charm World and its subsidiary did not contribute any significant revenue and profit to the Group between the date of transfer and the balance sheet date.

35. MAJOR NON-CASH TRANSACTIONS

Prior to the Listing and during the year ended December 31, 2007, the Group has set off the amounts due from related companies of approximately HK$1,517,546,000 with loans from related companies.

On April 22, 2006, the Company transferred the entire issued share capital of Cheergain from Hillwealth by the allotment and issue of 95,129 shares of HK$1 each in the Company and paying up of the 1 Nil paid share of HK$1 in the Company issued to Hillwealth.

36. RELATED PARTY TRANSACTIONS

The Group had material transactions during the year with the PCH Group as follows:

Nature of transactions	Notes	**2007 HK$'000**	2006 HK$'000
Recharge of administrative expenses	(a)	**1,119**	12,560
Interest expenses	(b)	**5,488**	37,794
Office premises expenses	(c)	**1,588**	–

Notes:

(a) The expenses mainly comprise staff costs, office rent, rate and building service charges, utilities, travelling costs and other sundry administrative expenses. The expenses were recharged to the Group based on the estimated time of the directors and employees of the PCH Group spent on each of the projects. The recharge of the expenses was discontinued after the Listing.

(b) This represents interest charged on the loans from PCH Group, details of the loans are set out in note 24.

(c) On February 8, 2007, the Group has entered into an office licence agreement with a subsidiary of PCH (the "Lessor") to share half of all rent, rates, service fee and utility charges of an office premises. The agreement is effective from February 16, 2007 to July 31, 2008. The Group has the right to terminate the agreement on one month's prior notice. Under the terms of the head lease by which the Lessor leases the property, it is required to obtain consent from its landlord for the entering into the office license agreement. The consent from the landlord was obtained on December 19, 2007.

There was no guarantee given by PCH Group or any director at December 31, 2007. At December 31, 2006, PCH Group and a director guaranteed the Group's bank loans amounting to HK$736,944,000. PCH Group and the director did not charge the Group for such guarantees provided.

On June 29, 2006, PCH Group transferred 100% of the issued share capital of Charm World and its subsidiary for a consideration of HK$50,000 to the Group.

Compensation of key management personnel

The remuneration of the executive directors during the year was set out in note 11.

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors.

37. LIST OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2007 are as follows:

Name of the subsidiary	Country/place of incorporation/ establishment	Issued and fully paid registered and paid-up capital	Proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Jingan Concord #	PRC	US$68,000,000*	100%	Property development and investment
Minhang Concord #	PRC	US$99,600,000**	100%	Property development and investment
Property Management Co ##	PRC	RMB500,000	100%	Property management service
Construction Management Co #	PRC	US$500,000	100%	Provision of construction consultancy service
Construction Consultancy Co #	PRC	US$500,000	100%	Provision of construction consultancy service

* The total registered capital of Jingan Concord is US$68,000,000. At December 31, 2006, there was unpaid registered capital of US$17,000,000. Pursuant to the approval issued by 上海市外國投資工作委員會 (translated in English as Shanghai Foreign Investment Committee ("SFIC")) on March 18, 2005, the unpaid registered capital of US$17,000,000 should be paid on or before March 15, 2008. Its shareholders contributed the required registered capital of US$15,400,000 and US$1,600,000 on June 5, 2007 and June 7, 2007 respectively.

** The total registered capital of Minhang Concord as at December 31, 2006 was US$30,070,000. On June 11, 2007, the total registered capital was increased to US$45,150,000. Its shareholder contributed the registered capital of US$15,080,000 into Minhang Concord on June 15, 2007. On July 15, 2007, the total registered capital of Minhang Concord was further increased to US$99,600,000 by capitalization of its undistributed profits of US$54,450,000.

\# Wholly foreign owned enterprises registered in the PRC.

\## A limited liability company registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the director, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. POST BALANCE SHEET EVENTS

The following events took place subsequent to the year end date:

i. The Company repurchased its own shares of 23,335,000 through the Stock Exchange and paid an aggregate consideration of approximately HK$97.3 million.

ii. The Group acquired several pieces of land in Chongqing for property development and property investment purposes with an aggregate consideration of approximately HK$2,100.3 million. The consideration included a deposit on purchase of leasehold land of approximately HK$106.7 million and a capital expenditure commitment of approximately HK$1,310.9 million which are disclosed in notes 20 and 30 respectively.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Revenue	536,496	252,705	1,248,290	903,335	**2,002,964**
Profit before taxation	2,149,555	1,873,102	329,013	415,196	**9,633,923**
Taxation	(746,248)	(644,890)	(183,672)	(207,701)	**(1,699,969)**
Profit for the year	1,403,307	1,228,212	145,341	207,495	**7,933,954**
Attributable to:					
Equity holders of the Company	713,363	1,137,430	137,899	207,495	**7,933,954**
Minority interests	689,944	90,782	7,442	–	**–**
	1,403,307	1,228,212	145,341	207,495	**7,933,954**
Earnings per share					
Basic	HK$0.56	HK$0.88	HK$0.11	HK$0.16	**HK$4.51**

ASSETS AND LIABILITIES

	As at December 31,				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
Total assets	12,172,296	15,022,205	15,186,153	16,409,051	**28,326,360**
Total liabilities	(6,580,291)	(8,201,988)	(8,598,163)	(9,209,789)	**(10,884,310)**
	5,592,005	6,820,217	6,587,990	7,199,262	**17,442,050**
Equity attributable to equity holders of the Company	4,920,514	6,400,571	6,587,990	7,199,262	**17,442,050**
Minority interests	671,491	419,646	–	–	**–**
	5,592,005	6,820,217	6,587,990	7,199,262	**17,442,050**

Note: The results of the Group for each of the three years ended December 31, 2005 and the assets and liabilities of the Group as at December 31, 2003, 2004 and 2005 are extracted from the Company's prospectus dated February 9, 2007.

PARTICULARS OF MAJOR PROPERTIES

As at December 31, 2007

Properties held by the Group as at December 31, 2007 are as follows:

Location	Type	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Portion of Phases 1, 2 and 3 of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R&C	219,364	100	Completed	N/A
Portion of Phase 4 of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R&C	766,884	100	Construction in progress	2008
Portion of Phase 1 of Concord City Sites 1 and 7 Yong Yuan Road Nanjing Road West Jingan District Shanghai The PRC	R&C	52,794	100	Completed	N/A
Majority Portion of Phase 2 of Concord City Sites 3, 4 and 5 Yong Yuan Road Nanjing Road West Jingan District Shanghai The PRC	R&C	338,074	100	Construction in progress	2009
Huashan Building No. 2004 Nanjing Road West Jingan District Shanghai The PRC	C	7,340	100	Planning for renovation	2008

Notes:

Types of properties: R-Residential, C-Commercial
N/A: Not applicable