中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

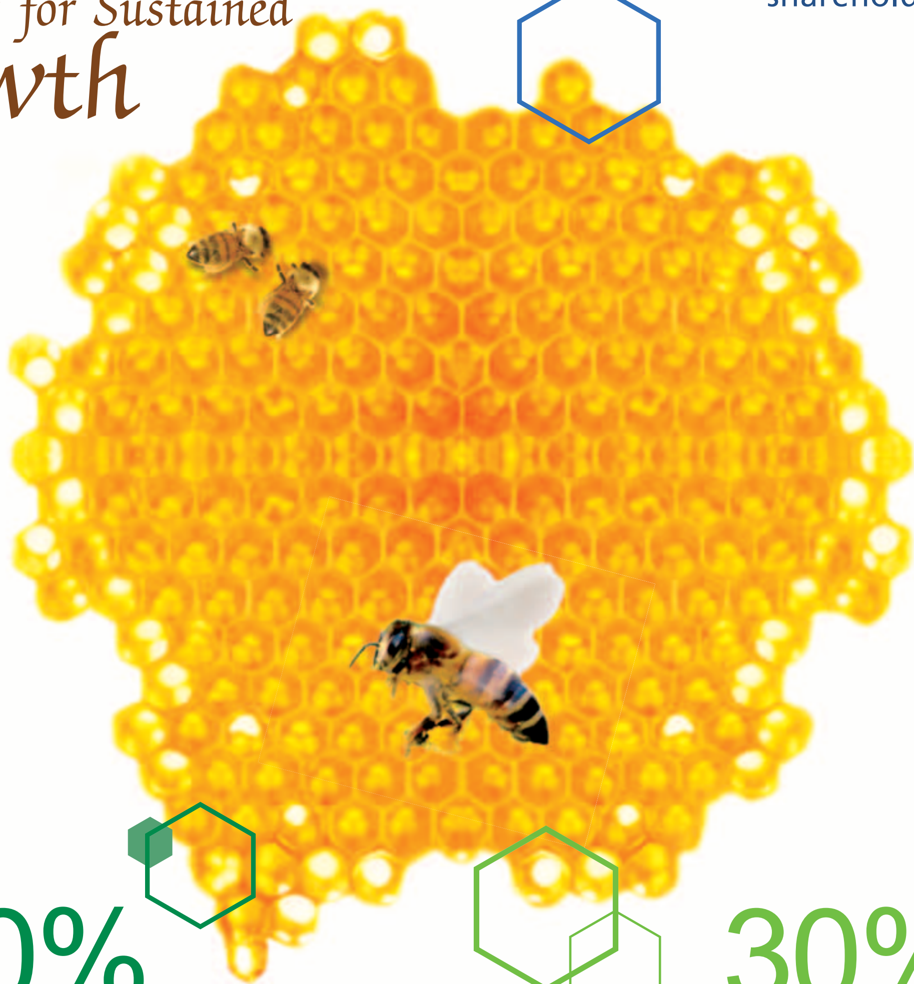
Stock Code : 688

. . . . Sharpening Capabilities for sustained growth. . . .

2007 ANNUAL REPORT

Sharpening
Capabilities for Sustained Growth

+76%
Increase in profits attributable to shareholders



20%
Average return on shareholders funds

30%
Net gearing ratio

Our Gratitude to All Shareholders

Shareholders, China Overseas honours you
Expressing our sincere gratitude
For your encouragement, support and recognition.

In the ever-changing world of PRC real estate
We outshine our competitors
Vision far-seeing
Mission beyond reproach.

Shareholders' interests come first
Our ambition burns with an unquenchable fire
Bringing value, harmony and a winning outcome for all
Sharpening capabilities for sustained growth
We achieve miracles.

Committing ourselves
With unremitting resolve to a prosperous future
Our illustrious heritage, the pioneering spirit
Are the unshakeable foundation
Upon which we build
An evergreen enterprise for our exalted shareholders.

Contents

Board of Directors, Honourable Chairman and Committees

Chairman

Kong Qingping

Honourable Chairman

Sun Wen Jie#

Executive Directors

Hao Jian Min *Vice Chairman and Chief Executive Officer*
Xiao Xiao *Vice Chairman*
Wu Jianbin
Chen Bin
Zhu Yijian
Luo Liang
Wang Man Kwan, Paul

Independent Non-Executive Directors

Li Kwok Po, David
Lam Kwong Siu
Wong Ying Ho, Kennedy

Authorized Representatives

Kong Qingping
Hao Jian Min
Xiao Xiao *(Alternate authorized representative to Hao Jian Min)*
Wu Jianbin *(Alternate authorized representative to Kong Qingping)*

Audit Committee

Li Kwok Po, David*
Lam Kwong Siu
Wong Ying Ho, Kennedy

Remuneration Committee

Hao Jian Min*
Li Kwok Po, David
Lam Kwong Siu
Wong Ying Ho, Kennedy

Nomination Committee

Kong Qingping*
Zhu Yijian
Li Kwok Po, David
Lam Kwong Siu
Wong Ying Ho, Kennedy

\# *not a director of the Company*
* *Committee Chairman*

Corporate and Shareholders' Information

Corporate Information

Registered Office

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

Qualified Accountant

Wang Man Kwan, Paul

Company Secretary

Keith Cheung, Solicitor

Registrar

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2861 0285
E-mail : is.enquiries@hk.tricorglobal.com

Legal Advisor

JSM

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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

Shareholders' Information

Share Listing

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

Stock Code

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

Bond
SEHK : China OVSN1207
Code : 2521
Bloomberg : EF0142101
Reuters : KY022045903 CINS-G2155ZAA2

Warrants
SEHK : CHI OVERS W0808
Code : 415
Bloomberg : 415HK
Reuters : 0415.HK

Investor Relations

For any enquiries, please contact:
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Telephone : (852) 2823 7978
Facsimile : (852) 3527 0342
E-mail : jiang_yongjin@cohl.com

Public Relations

For any enquiries, please contact:
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Telephone : (852) 2823 3695
Facsimile : (852) 2865 5939
E-mail : carrie_cheng@cohl.com

Financial Calendar for 2006/07

Interim results announcement	: 16 August 2007
Interim dividend paid	: 3 October 2007
Final results announcement	: 20 March 2008
Share register closed	: 6 June 2008 to 12 June 2008 *(both days inclusive)*
Annual general meeting	: 12 June 2008
Final dividend payable	: 26 June 2008

Corporate Structure

China Overseas Land & Investment Limited

Design

Mainland China,
Hong Kong, Macau
Canada, Japan, etc.

Property Development*

Mainland China,
Hong Kong, Macau

Property Management

Mainland China,
Hong Kong, Macau

Property Investment

Mainland China,
Hong Kong

Infrastructure Business

Mainland China

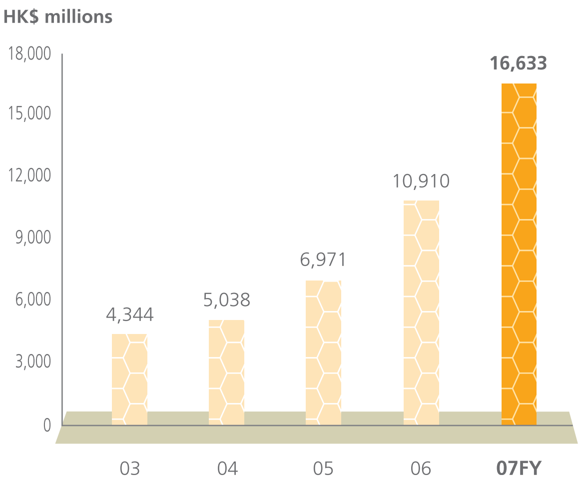
* *Property development in 19 major cities in mainland China, Hong Kong and Macau includes Beijing, Shenzhen, Nanjing, Changchun, Xi'an, Suzhou, Chengdu, Foshan, Zhongshan, Shanghai, Guangzhou, Ningbo, Chongqing, Hanzhou, Zhuhai, Tianjin, Dalian, Shenyang, Qingdao, Hong Kong and Macau.*

Financial Highlights

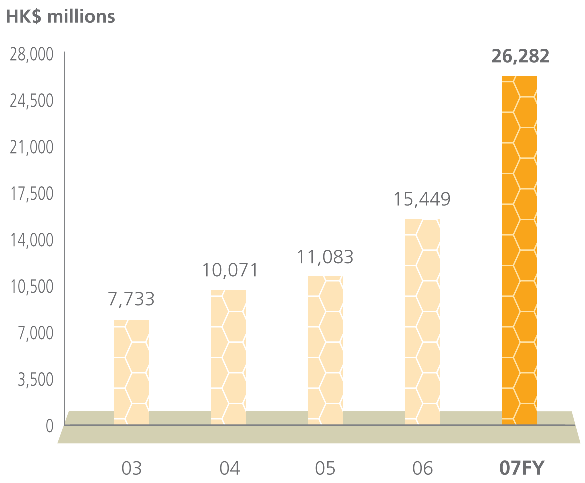
For the year ended 31 December	2007	2006	Change *(%)*
Financial Highlights *(HK$'000)*			
Turnover	**16,632,553**	10,910,234	+52.4
Profit attributable to equity shareholders of the Company	**4,179,579**	2,370,750	+76.3
Proceeds from sales of properties	**15,438,311**	9,773,279	+58.0
Financial Ratios			
Net debt to shareholders' funds *(%)*	**30.2**	34.0	-11.3*
Interest cover *(times)*	**15.0**	8.1	+85.4**
Dividend payout *(%)*	**22.2**	29.6	-25.0*
Financial Information per Share *(HK cents)*			
Earnings	**56.9**	35.5	+60.1
Dividends	**12**	10	+20.0
– Interim dividend	**5**	4	+25.0
– Final dividend	**7**	6	+16.7
Equity attributable to equity shareholders	**339.4**	220.5	+53.9
Land Reserves *(million sq.m.)*			
Development land bank	**23.58**	15.23	+54.8

Notes: *Change in percentage points
**Change in number of times

Turnover



Equity attributable to Equity Shareholders



Chairman's Statement

Kong Qingping
Chairman

"It is my pleasure to report to the shareholders that the audited consolidated profit after taxation and minority interests of the Group for the year ended 31 December 2007 increased by 76% to HK$4.18 billion. Earnings per share was HK56.9 cents, an increase of 60%. The total shareholders' funds increased by 70% to HK$26.3 billion. Net asset per share was HK$3.4, an increase of 54% from year 2006, and average return on shareholders funds reached 20%. The Board recommends the payment of a final dividend of HK7 cents per share for year 2007."

I have pleasure to report to the shareholders that:

Annual Results

The profit after taxation and minority interests of the Group for the year ended 31 December 2007 amounted to HK$4.18 billion, representing an increase of 76% from the profit of HK$2.37 billion in last year. Earning per share was HK56.9 cents, representing an increase of 60% from HK$35.5 cents per share last year.

Payment of Dividend

The Board recommended a payment of a final dividend of HK7 cents per share. Together with the interim dividend of HK5 cents per share, the total dividend for year 2007 amounted to HK12 cents per share, representing an increase of 20% compared with the total dividend of HK10 cents per share for the previous year.

Business Review

The world economy was good for year 2007 but uncertainty factors started to arise in the middle of the year. Economic development in China continued to grow rapidly with GDP growth of 11%. The economic development in Hong Kong and Macau was also good.

In year 2007, the Group adhered to its strategic plan and devoted its efforts and resources to accelerate the development of real estate business in China and achieving historic record high for its various major business benchmarks. The turnover of the China real estate business increased by 29.4% to HK$12.30 billion, the operation profit margin increased by 80% to 45.1%, thus resulting in the gross profit contribution increased by 79.9% to HK$4.82 billion. The completion of the la Cite' project in Macau brought in profit contribution of HK$1.71 billion. The performance of other businesses in the Group was also good. The Group's turnover increased by 52.4% to HK$16.63 billion, the consolidated net profit increased by 76.3% to HK$4.18 billion. The consolidated net profit of the Group sustained an increase of over 40% for five consecutive years, fulfilling its commitments to the investors. During the year, the share price of the Company's share performed well and once reached the historic high of HK$21.00 (equivalent to a market capitalization of HK$160 billion), thus enhancing value for the shareholders of the Company. The share of the Company was the first PRC property development stock admitted to the Hang Seng Index. This demonstrates the recognition by the investors of the Company's branding value and industry leading status.

Land

The Group continued to be optimistic about the China real estate market. As at 31 December 2007, the Group had a total land for development over 23.6 million sq.m. (attributable interest of 21.8 million sq.m.) to be developed in the near future or under development in 21 cities/districts including Mainland cities, Hong Kong and Macau, enough for meeting its development requirement which is set in such a way to ensure annual profit increase of over 20% in the coming 4 to 5 years.

With the improvement in the capital and debt structure of the Group, 27 parcels of land were newly acquired in 2007 in 14 mainland cities and most of them were located in Chengdu, Changchun, Chongqing, Hangzhou, Shenyang and Qingdao. The newly acquired land provides an aggregate gross floor area ("GFA") of 10.30 million sq.m. (attributable interest of 8.84 million sq.m.). By entering into Zhuhai, Dalian, Qingtao, Shenyang and Tianjin which are major cities considered of good potential, the Group has thus further consolidated its establishment in the Pearl River Delta Economic Zone and Yangzi River Delta Economic as well as strengthening its establishment in the Bohai Rim Region.

In Hong Kong, the Group acquired a piece of land in Stanley at a price of HK$525 million. The site is planned for development of luxury houses for a total GFA of 3,530 sq.m..

Management Philosophy and Brand Value

The operation scale and territory of the Group continue to increase to meet the continuous strong demand of the market. The Group will actively modify its development philosophy. Through improving every detail in each and every phase of the development cycle, the development rate of projects can also be accelerated while the quality of products be enhanced. Furthermore, the Group will also include different cooperation models such as joint venture, cooperation with funds or merger and acquisition as supplements to its organic growth. These new strategies aim to attain sustainable growth in an ever-changing and increasingly competitive market. Joint ventures with big property developers outside China or real estate funds are applicable to influential big projects and that results in teaming up of strong parties and integration of strengths. During the year, cooperation with the JP Morgan Real Estate Fund in the Shanghai Jian Guo Dong Ru #65 project and cooperation with the Wharf Group in the two Chongqing projects confirmed the favourable result of such strategy. The investment vehicles of the Group in these projects are treated as jointly controlled entities.

Holding on the Company's philosophy of "Excellent Integrity, Eternal and Excellent Products" (誠信卓越、精品永恒), the Group continues to implement its nationwide business development strategy in major cities of China, and strengthen its brand influence. No matter what market it is in, the Group pursues to provide quality products and services to the customers.

Property Development

The Group achieved another record sales of HK$22.30 billion in year 2007, (including share of sales in syndicated projects), an increase of 57.2% from 2006. Total GFA of properties sold was 2.16 million sq.m., an increase of 25.3% from 2006.

Total sales of properties in China remained robust, amounting to HK$21.83 billion, an increase of 70.7% from the previous year; GFA sold was 2.15 million sq.m., representing an increase of 29.0% from 2006.

There are 24 projects completed in China for occupation during the year. Total GFA of these projects amounted to 1.65 million sq.m.. 73.2% of which has been sold out by the end of 2007, corresponding to an area of 1.20 million sq.m., and raising HK$11.02 billion.

Further, sales of properties held for sale was satisfactory. 340,000 sq.m. was sold at an amount of approximately HK$4.69 billion. At the end of 2007, properties held for sale remained at a low level of 620,000 sq.m..

The la Cite' project in Macau was completed for occupation. 88% of the GFA were sold resulting in sales turnover of HK$3.03 billion. Property sales in Macau and Hong Kong amounted to about HK$0.46 billion, including pre-sales of HK$0.23 billion from the project In-house and Hey Home in Hong Kong.

Property Investment

Occupancy rate of the Group's properties in Hong Kong and Guangzhou was satisfactory. The Group has 100,000 sq.m. of investment properties. The total rental income for the period was HK$124 million, representing an increase of 18.7% from 2006; segment result amounted to HK$550 million which included an increase in fair value of properties of HK$443 million. Operating profit was HK$105 million, representing an increase of 21.5% as compared to that of prior year.

Property-Related Business

Following the acquisition of both Hua Yi Designing Consultants Company Limited and China Overseas Property Management Company Limited in China, the Group has completed its one-stop business chain comprising all elements from design, development, sales, property management and customer service. This enables the Group to provide comprehensive and integrated services of premium quality.

Group Finance

The Group adheres strictly to the principle of prudent financial policy. Finance, treasury and fund raising activities of the Group are subject to centralized management and supervision. The Group aims to lower financing costs while maintaining a reasonable gearing ratio. The bonus warrants issued in 2006 to the shareholders of the Company were exercised by July 2007 and raised about HK$3.6 billion in equity. In August 2007, further bonus warrants were issued to shareholders which if exercised in full will raise HK$7.69 billion in equity. As at the end of 2007, HK$4.54 billion had been raised, of which HK$3.85 billion was from the Company's controlling shareholder, China Overseas Holdings Limited. In August 2007, the Group arranged a five-year clean syndication loan to raise HK$3.5 billion in Hong Kong, which was the biggest in amount and cheapest in financing costs for the Group. As at 31 December 2007, outstanding bank loans and guaranteed notes payable of the Group were about HK$14.17 billion and about HK$2.33 billion (USD300 million) respectively; cash on hand amounted to approximately HK$8.57 billion. Together with available banking facilities of about HK$5.44 billion, the total funds available to the Group amounted to approximately HK$14.01 billion. Shareholders' funds in the Company increased from HK$15.45 billion at the end of 2006 to HK$26.28 billion at the end of 2007. Notwithstanding the fact that the Group has been growing rapidly and increasing its land reserve significantly, the net gearing ratio showed a slight decrease from the previous year's ratio of 34% to a lower level of about 30%. This demonstrates that the Group is able to strike a balance between prudent financial management and business expansion.

Human Resources

The Group firmly believes that human resource is the most valuable asset in the organization. The human resources department has formulated a system whereby personal development, working atmosphere and motivation for staff are all taken care of. The Group pursues to build a "learning style" enterprise. The Group aims at creating a challenging yet harmonious and caring working environment to its staff members. It promotes life-long learning and provides training, promotion and development opportunities to its staff.

During the year, the Group continued to recruit fresh graduates from famous universities in the mainland under the "Sons of the Sea" scheme (「海之子」計劃). Over 1,000 talents have been recruited in the past 7 years and some of them have been promoted to managers. The China Overseas Management School provided a 1-year business management course for 44 middle management staff. The course will effectively enhance their skills and techniques as well as their management capability and eventually work effectiveness.

The Group believes that people is the key element in an organization and is willing to share the operation results of the corporation with its staff. To take care of the health of staff and to improve quality of family life of staff, the Group implemented 5-day week working hours.

Corporate Governance

The Group strives to improve corporate governance standard in order to give the maximum protection to the interest of all the stakeholders of the Group. In the past year, the Group uses its best endeavor to promote corporate transparency, to enhance efficiency of the Board and the various committees under the Board and to perfect the internal controls and risk management of the Group.

The Group will continue to take actions which are beneficial to the interests of the shareholders of the Company, such as increasing the participation of the independent non-executive directors in the Board meetings and ensuring that all Directors can properly discharge their duties as director.

Corporate Citizenship and Awards

Corporate Citizenship

The Group places high emphasis on carrying out its corporate social responsibility. It strives to attain a win-win structure for the corporation, its shareholders, business associates, staff members and the community.

In the course of developing a property project, in the stage of design and work execution high emphasis is placed on environmental protection and safety factors. The core design concept for the fourth generation products of "China Overseas Property" are based on "environment protection, leading technology and merging into the local culture and behaviors". The Group keeps adhering to the concept of energy and resources conservation, environmental protection and sustainable development. The Group will do its best to build a green community and have started several research projects on green construction. As a property developer, the Group has major contribution towards the economic development, infrastructure building, environment enhancement and provision of job opportunities in the urban areas.

Further to the donation to build the China Overseas Qinglong Hope School located in Shaanxi in 2006, the Group donated money to build the another China Overseas Sanquan Hope School in Chongqing in 2007. Also, the Group organizes and supports staff members to participate in community services and charitable activities. The volunteer teams take care of the aged and the poor by visiting them and enrich their social lives with amusement shows and activities.

In recognition of its outstanding contribution to corporate citizenship, China Overseas (中國海外) won an award given by the Steering Committee of the Third Chinese Enterprises Corporate Citizenship Forum (第三屆中國企業社會責任高峰論壇組織委員會).

Awards

In 2007, the Group received numerous awards. Among them, China Overseas Property (中海地產) was acknowledged 4 times in a row by "China Real Estate Top 10 Research Team" as number one in term of integrated strength among the top 100 China real estate enterprises, with the brand value of China Overseas Property increased by 80% to RMB8.623 billion, and was also elected as "#1 China Blue Chip Real Estate Developer" and as "Top 20 Branded Enterprises". Seven projects developed by China Overseas Property were awarded Jian Tian Yao (詹天佑) awards for its excellent quality, design and management.

Prospects

Macro Economy

The Group believes that the global economy will maintain a steady growth amid some uncertain factors. The sub-prime crisis will lead to credit crunch and intensify stock market volatility. But economic development in emerging markets will continue to grow rapidly in 2008 and the long-term fundamentals remain intact. The Chinese Government has shifted its monetary policy "from prudent to tight" in 2008. That will also stimulate market volatility, tighten funding and increase cost of funds. In the long term, however, this is beneficial to the stable development of the Mainland property market.

Economic development in both Hong Kong and Macau will continue to benefit from the booming economic development in China and also the respective successful economic transformation of Hong Kong as an international financial and trading centre and Macau as an entertainment and leisure centre.

Following the trend and situation of the market in which the Group is operating, the Group will continue to grow rapidly and to surpass the past success. At the same time, the Group will continue to actively taking up its corporate social responsibility by allocating more resources and assistance to poverty alleviation, study subsidy, environment protection, customer service and staff welfare. Better internal and external business environment will hence be created. The Group was the first Hong Kong corporation to respond to the call of Oxfam and donated HK$2 million to the China snowstorm victims in January 2008. Staffs of the Group were also encouraged to show their support.

Business Growth

The China economy has been strong with GPD growth of over 10% for five consecutive years. Urbanization and modernization create strong effective demand for houses. The future of the China property market is hence promising. The widespread effects of the macro-control measures are gradually seen. Together with the implementation of the National Public Housing policy, these will bring new challenges to the mainland property developers. "Strong mainland property developers manage to enhance their financial capabilities through fund raising in the A share market in the Mainland or IPOs in Hong Kong. With the property market getting more regulated, Hong Kong property developers have expedited their pace in developing the mainland property market. The overall market is hence getting more competitive." All in all, elimination process will be more obvious. This is beneficial to the long- term development of property developers with strong consolidated capabilities.

It is expected that the Hong Kong property market will continue to perform well, particularly in the luxury sector. The Group will develop well its existing projects in Hong Kong and Macau while actively looking for new investment opportunities.

Market Leading Status

The Group will continue to excel and balance its nationwide development strategy, seek to expand its leading status in terms of turnover, profit and brand value, and to increase its market share in all territories. Through various effective corporate and brand promotion activities, the image of the Group as a market leader in the elite and high-end products will be enhanced.

Sustainable Project Development

The Group will continue to adopt innovative sales concepts and means to step up its marketing and sales magnitude and to enhance its cash flow. It is expected that 53 new residential projects with a total GFA of 3.5 million sq.m. will be available for pre-sale in 2008. It is planned that total GFA sales for 2008 will be 4 million sq.m..

Better Business Structure

The Group will continue to build a more competitive business structure with residential development as the main stream and investment property as the supplement. The Group will place more emphasis on investment property which can provide a stable long term return and increase the Group's capability to balance market risk. It will balance resources allocation for short-term and long-term investment and increase gradually its weighting on investment property. A professional team on investment property will be gradually built up to ensure stable growth of income from investment property and enhancement in the value of investment properties. The target is to have the profit contribution from investment property exceeding 20% of the total profit by year 2010. The Beijing China Overseas Property Tower was completed in June 2007 and the shopping areas were fully leased out. The Beijing China Overseas Plaza will be completed in 2009. Investment property area of the Group will then be increased by 170,000 sq.m..

Infrastructure Business Restructure

The Group will continue to honor its commitment and to look for the most appropriate way to dispose of its infrastructure businesses at reasonable price.

Land Replenishment

As the leading enterprise in property development, the Group has set up a development plan and goals for long-term growth. It will focus its resources to increase prime land bank through various channels and to improve its territorial expansion and business structure. The existing ample high-quality land for development of the Group is an important element for the Group's profit growth and sustainable development.

It is intended that the replenishment of land for development for 2008 will not be less than 4.5 million sq.m.. In 2008, the Group has acquired 6 pieces of land with GFA of 1.96 million sq.m. (attributable interest of 1.43 million sq.m.). The Group's attributable interest in the total land reserve has been increased to over 23 million sq.m.. The Group will take into account its funding capability, market opportunities and impact of macro-control measures on China real estate market to adjust its land policy accordingly.

Multi-Growth Models

In addition to promoting multi-growth models, the Group is exploring the possibility of setting up its own real estate fund. Through the establishment of new fund raising platform and new cooperation model with real estate investors, the Group can enhance its capability to develop big projects.

Effective Management

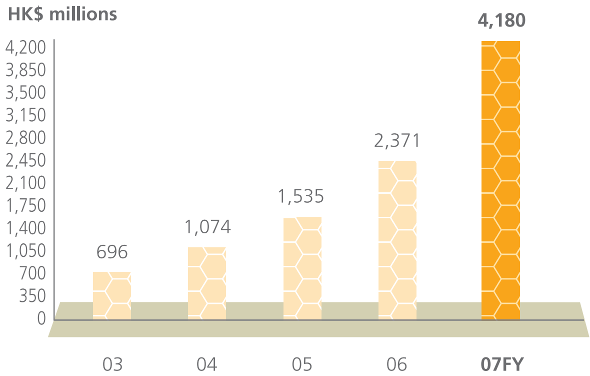
As the operation scale and market competition increase, conflict between operation management, resources allocation and risk control intensify. Resources protection, team building and risk management are more closely attended to. In the past few years, the Group has established effective and systematic models to manage its strategy planning, operation, finance and human resources. These are beneficial to centralizing resources, developing main business, enhancing management capability and competitiveness as well as team building. The core competitiveness of the Group has thus been significantly enhanced. In accelerating the pace of development, at the same time, the Group would improve its internal control and better regulate its business behavior. To cope with the complicated and ever-changing market environment, the Group is actively studying ways and means to perfect its risk management system (including the establishment of the Joint Risk Management Committee).

Prudent Financial Management

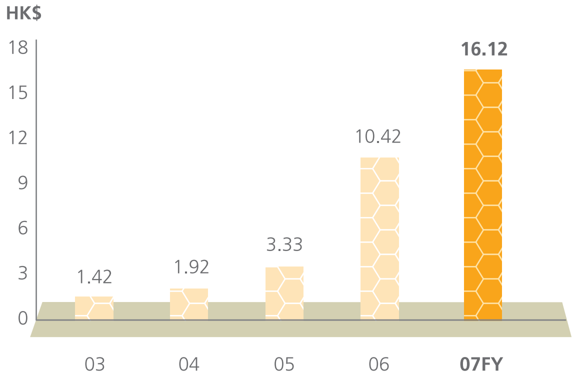
The Group will continue to improve its finance and treasury management capability and to be innovative in our financing, and to capture opportunities arise in the international and Hong Kong capital market as well as in the China capital market. More attention will be paid to asset protection, accelerating sales, cash flow management and effective liquidity risk control.

The Group will continue to promote the implementation of the ERP system, enhance communication between project and financial department. These all aim at enhancing operation efficiency.

Growth in Net Profit



Share Price as at year-end date



Business Prospect

The Board is confident about the prospect of the Group. Through its diligent work in the last few years, the Group has stepped up on a new platform for building an evergreen enterprise. Strong and persistent profit growth in six consecutive years, excellent share price performance and the admission of the Company's share to the Hang Seng Index demonstrate the recognition of the investment community of the Group's performance and capability. Such recognition makes the Group more aware of its responsibility to accomplish its mission. The Group foresees exciting growth in the future. With its solid foundations, international vision and exposure plus excellent brand name and financial strength, the Group is well positioned to capitalize on the opportunities arise. Through its diligent work and persistent innovation, the Group can maintain its pioneer position in the China real estate industry, thereby seek to achieve the target of over 20% annual increase in net profit. After analyzing the trend of the global economy, the market situation and internal condition, the Board has decided that the overall tone for the Group is to strengthen and consolidate its well established base and competitive edges and to achieve sustainable high quality and balanced growth (穩中求進，厚積薄發).

Mission

The Group insists on bringing out the best value of its human resources. The Group emphasizes on establishing a satisfactory operation and working environment. The Group is committed to enhance shareholders value, raise its standard on corporate governance, moral value and corporate citizenship and improve its core competitiveness through persistent innovation. The ultimate goal is to attain a win-win outcome for the Group, its shareholders, business associates, staff members and the community. The Board will endeavor to develop the Group into an evergreen enterprise.

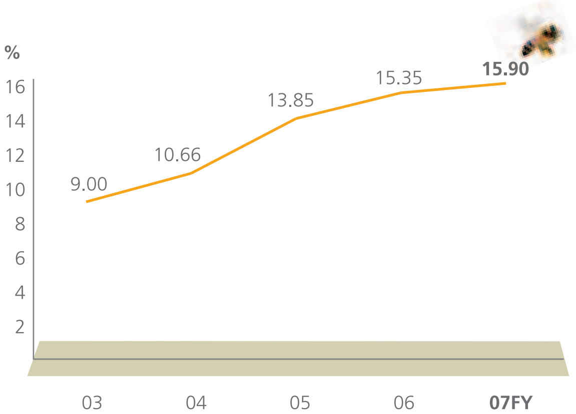
Appreciation

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

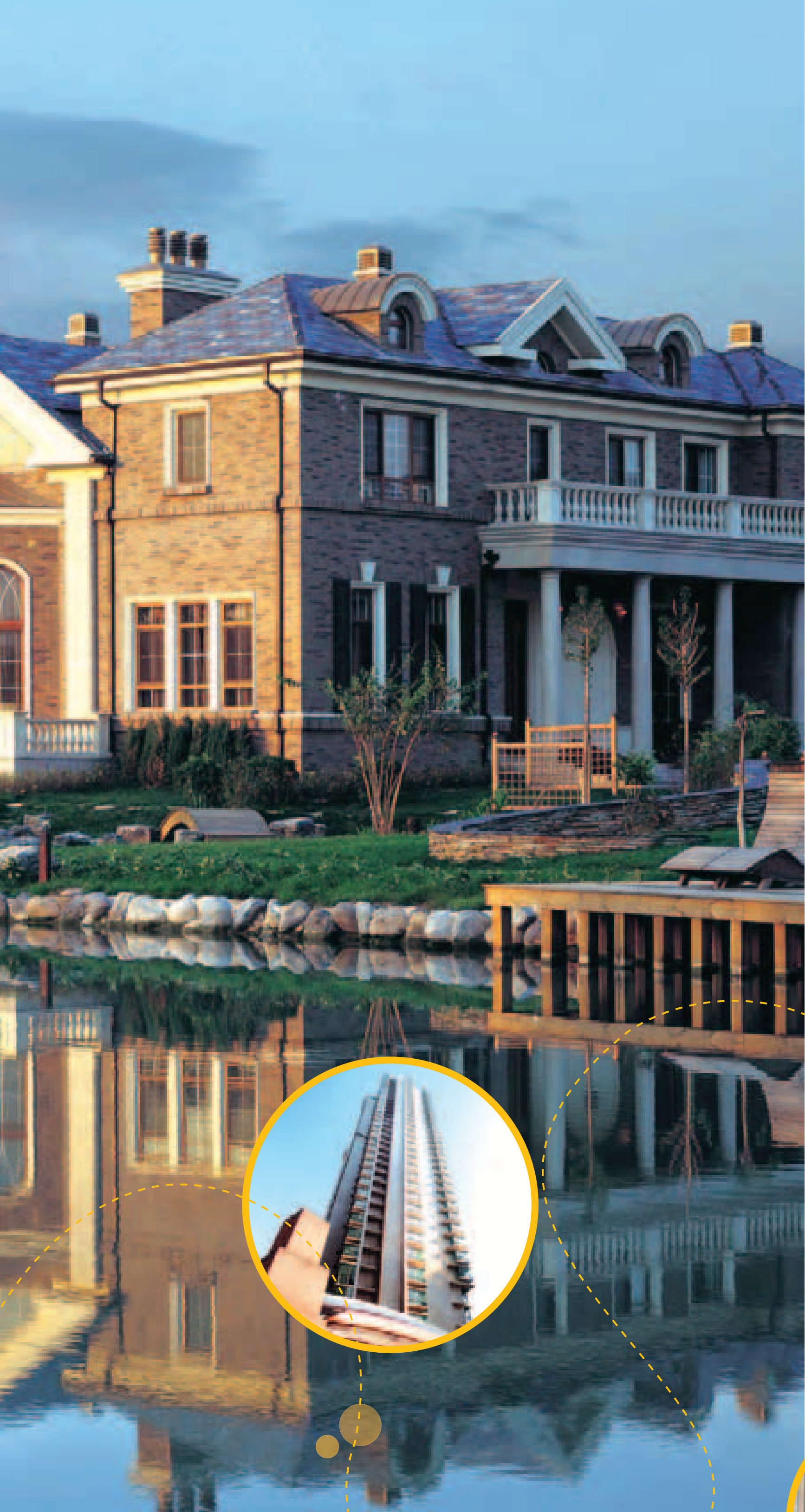
Kong Qingping
Chairman

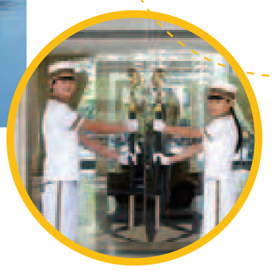
Hong Kong, 20 March 2008

Return on Equity in the past 5 years



Management Discussion and Analysis





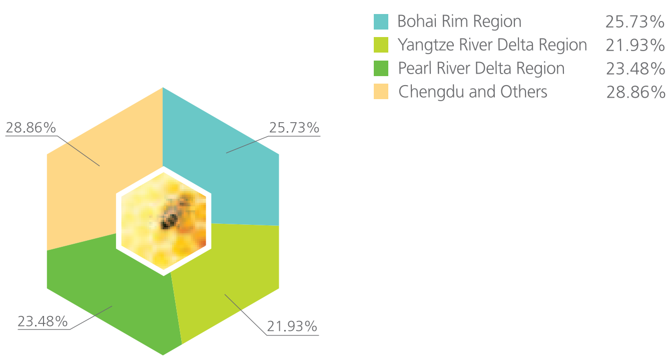
Land Reserves

Annual Summary

- 27 parcels of land were acquired by the Group in 14 mainland cities in 2007, amounting to a total GFA of 10,300,000 sq.m. (attributable interest of 8,840,000 sq.m..
- The Group entered five mainland cities, Zhuhai, Qingdao, Dalian, Shenyang and Tianjin by acquiring 10 parcels of land.
- One parcel of land was acquired in Hong Kong, providing a GFA of 3,530 sq.m..
- As at 31 December 2007, total GFA for development amounted to 23,580,000 sq.m. (attributable interest 21,760,000 sq.m.).

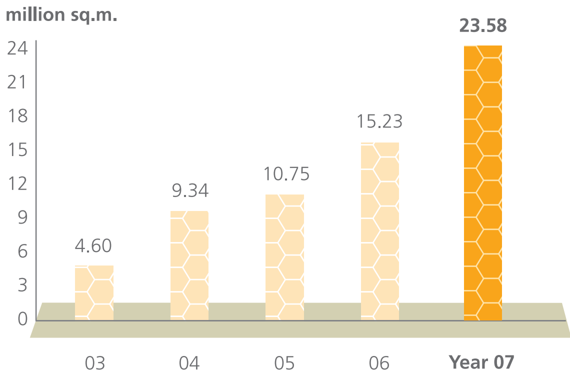
The Group continued to acquire premium land reserves in key economic developing cities/districts in mainland China in 2007. The Group acquired 27 parcels of land in 14 mainland cities, which provided additional GFA of approximately 10,300,000 sq.m., in which attributable part was 8,840,000 sq.m. to its land reserves, mostly located in Chengdu, Changchun, Chongqing, Hangzhou, Shenyang and Qingdao. The Group entered five mainland cities with strong economic growth potential — Zhuhai, Qingdao, Dalian, Shenyang and Tianjin; thus strengthening further the nation wide strategy. The newly acquired land parcels are in premium locations which are either located in city CBDs or districts with great development potential. Moreover, the Group also acquired one parcel of land in Stanley Bay, Hong Kong, which provided a GFA of 3,530 sq.m..

Breakdown of Land Reserves of the Group by City (%)

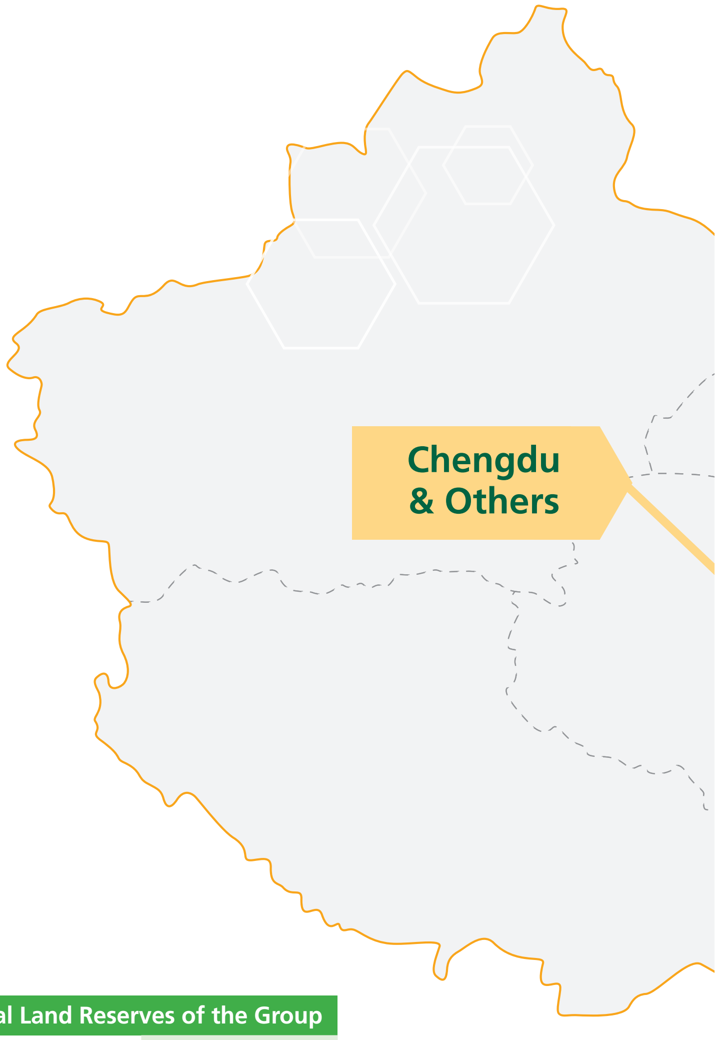


As at 31 December 2007, the Group had total land reserves of over 23,580,000 sq.m., in which attributable part was 21,760,000 sq.m. in 19 mainland China cities/districts, Hong Kong and Macau, which is sufficient to support the Group's profit growth rate of over 20% in the coming four to five years. The land reserves are situated in the burgeoning Pearl River Delta Economic Zone (23%), Yangtze River Delta Economic Zone (22%), Bohai Rim region (26%) and North-eastern Region and Western Region (29%), which have substantial economic scale and strong economic growth potential. In recent years, the Group expanded its scale by actively increasing land reserves in major provincial capitals and key cities. By utilising the opportunities of a fast growing property market in these cities, the Group can effectively avoid market risks brought about by macro-control measures and build a solid foundation for the sustainable growth strategy in the future. In addition to mainland China, the Group currently reserves a small portion of its land resource in Hong Kong and Macau to support the Group's moderate development strategy there.

2003–2007 Growth in Land Reserves



National Coverage of the Group

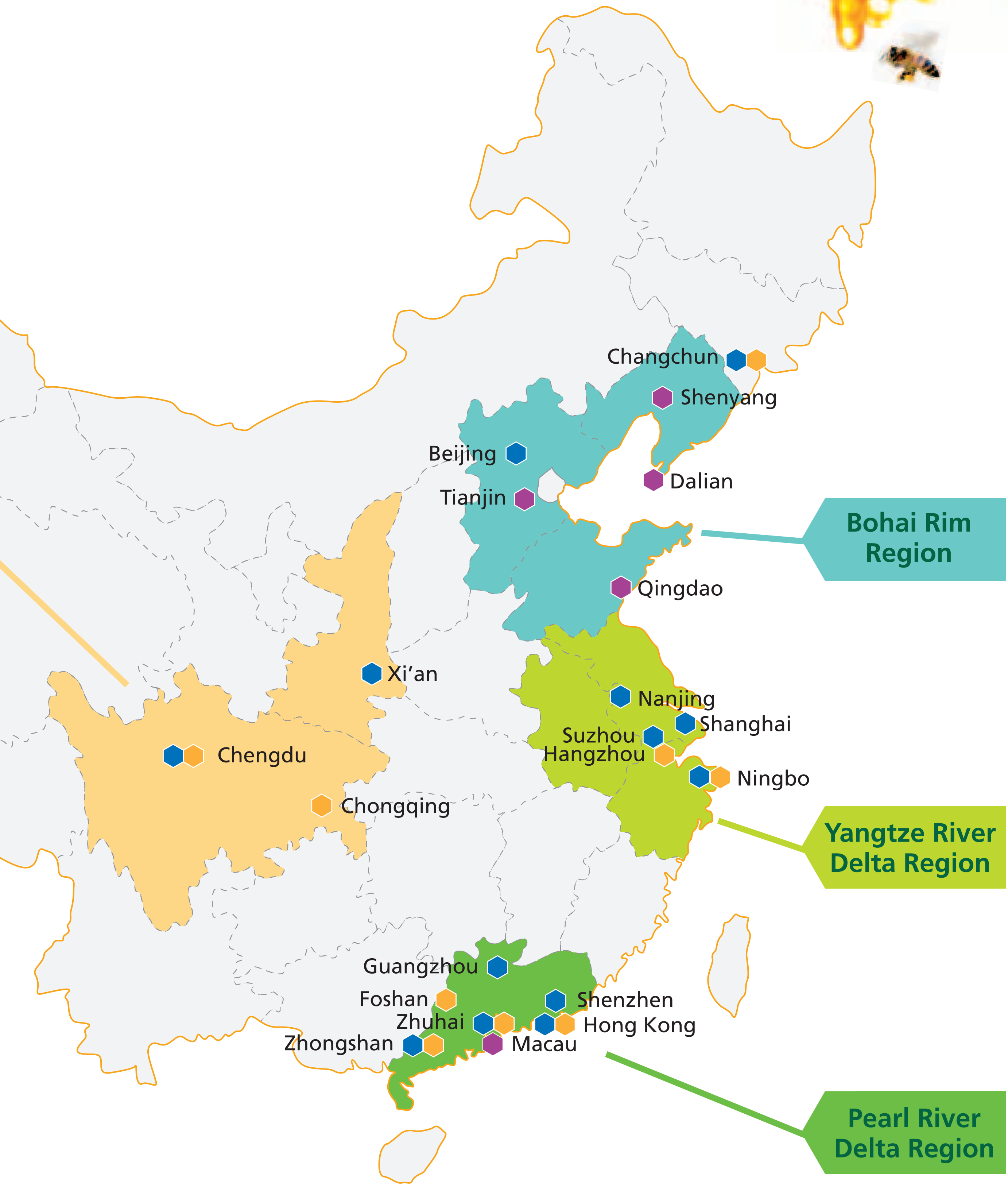


New Land Acquired in 2007

District	Project Name	Land Area ('000 sq.m.)	Total GFA ('000 sq.m.)
Chongqing	Jiangbei Project	93	470
	Danzishi Project	545	2,099
	Sub-total	**638**	**2,569**
Changchun	China Overseas City	501	1,020
	Puyang Street	104	416
	Tao Yuan Road Project	89	178
	Sub-total	**694**	**1,614**
Shenyang	Changbai Island	471	1,500
	Sub-total	**471**	**1,500**
Zhuhai	Silver Pit Lot	108	232
	North Hengqin Fuxiang	153	151
	National Land Reserve 2007-02	86	387
	Sub-total	**347**	**770**
Chengdu	Hi-Tech Park Lot No. 31	151	512
	Hi-Tech Park Lot No. 1-1	64	256
	Sub-total	**215**	**768**
Qingdao	No. 7 West Yinchuan Road	58	253
	Jiaonan Haiwang Road	86	235
	Northern District Wu's Village	43	229
	Sub-total	**187**	**717**
Hangzhou	Three Mound	33	76
	New Three Mound	50	168
	West Lake Zhuantang No. 50 & 51	104	267
	Sub-total	**187**	**511**
Ningbo	Yizhou High Education Park Lot No. 1	198	390
	Sub-total	**198**	**390**
Shenzhen	Moon Bay	84	125
	Sports New City	58	215
	Sub-total	**142**	**340**
Dalian	Shahekou District Project	87	165
	Seven Wisdom Village	44	132
	Sub-total	**131**	**297**
Shanghai	Zhabei District B1&B2	44	165
	Zhabei Lot No. 190	24	82
	Sub-total	**68**	**247**
Foshan	Nanhai Guicheng A15	76	246
	Sub-total	**76**	**246**
Suzhou	Lot No. 2006-B-19	48	205
	Sub-total	**48**	**205**
Tianjin	Nankai Hongqi Project	19	125
	Sub-total	**19**	**125**
Hong Kong	No. 6 Stanley Beachroad	4	4
	Sub-total	**4**	**4**
	Total	**3,425**	**10,303**

Total Land Reserves of the Group

City	GFA ('000 sq.m.)
Chongqing	2,792
Chengdu	2,546
Suzhou	2,235
Foshan	2,205
Changchun	1,692
Shenyang	1,677
Beijing	1,546
Xi'an	1,470
Shenzhen	1,400
Shanghai	925
Guangzhou	807
Zhuhai	771
Qingdao	717
Ningbo	692
Nanjing	660
Hangzhou	657
Zhongshan	303
Dalian	285
Tianjin	148
Hong Kong	49
Macau	—
Total	**23,577**



Land Reserves of the Group At-a-glance
Land Parcels Added in 2007
Major Cities to be developed in the Near Future

Property Development

The Group implements a nationwide brand expansion strategy and pursues excellent products persistently. It will develop the best product of its type in different cities and provide prime products and excellent services to its customers through its professional operation and management team.

Property Development

Under the Group's operating philosophy of "Excellent Integrity, Excellent and Eternal Products"(誠信卓越、精品永恒)and through its professional management model, backed by its branding advantage in the mainland, the Group not only provides consumers with premium properties, but also improves its marketing capability, thus further enhancing the profit margin.

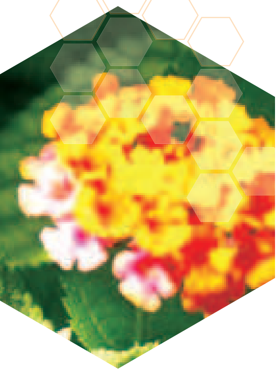
In 2007, the Group was honoured to be ranked Number One in regard to overall capability among the top 100 China Property Development Enterprises, with a brand value of 8.9 billion yuan. China Overseas Property was also awarded "2007 China 25 Top Brand Enterprises" (中國25大典範品牌企業) by the All-China Federation of Industry & Commerce and China Entrepreneur Association, and was accredited "The best China Brand Name in 2007" (2007年度最佳中國品牌) by Businessweek Magazine in the USA.

The effects of the macro-control measures started to be seen in 2007. The mainland China real estate market has gradually become stable with the growth rate of property price coming down slightly. The real estate markets in which the Group operates are running smoothly and market demand remains robust.

Annual Summary

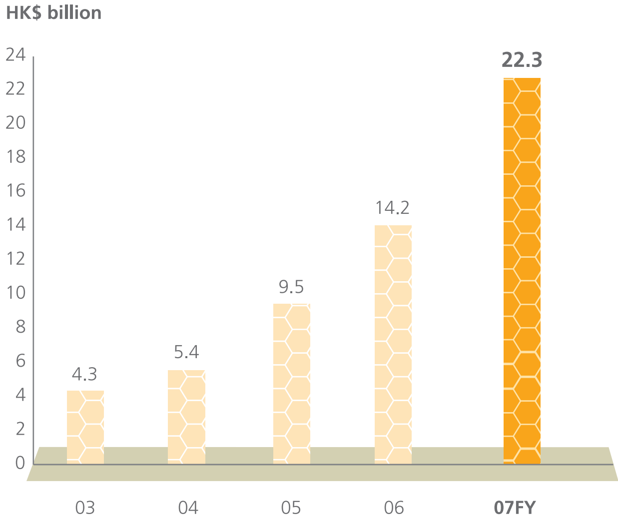
- 25 projects were completed, amounting to a GFA of 1,800,000 sq.m..
- 74% of the completed projects were sold.
- The total GFA sold amounted to 2,160,000 sq.m., raising HK$22.3 billion, an increase of 26% and 57% respectively compared with last year.

Property sales for the year were satisfactory and amounted to HK$22.3 billion, representing an increase of 57.2% over 2006. The total GFA sold amounted to 2,160,000 sq.m., representing an increase of 25.3% over last year. Sales in mainland China amounted to HK$21.8 billion, accounting for 97.9% of the total sales an increase of 70.7% over 2006. The total GFA sold in mainland China amounted to 2,152,000 sq.m., an increase of 29.0% over 2006. Sales in Macau and Hong Kong amounted to HK$460 million and GFA sold amounted to 9,000 sq.m..

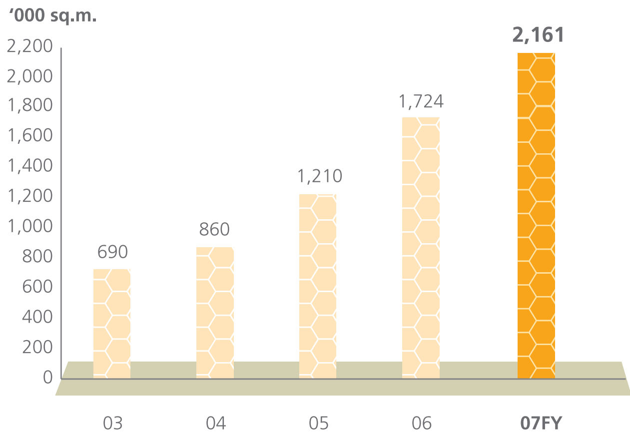


GFA Completion Estimate in 2008	
City	**Completion in GFA** *('000 sq.m.)*
Changchun	600
Shenzhen	591
Chengdu	489
Foshan	473
Suzhou	244
Beijing	235
Guangzhou	177
Chongqing	147
Zhongshan	140
Xi'an	103
Ningbo	91
Shanghai	64
Shenyang	60
Dalian	56
Hangzhou	14
Hong Kong	11
Nanjing	5
Total	**3,500**

2003-2007 Property Sales Amount Growth



2003-2007 Property Sales Area Growth



Project Development

The Group completed 25 projects during the year, amounting to a GFA of 1,800,000 sq.m.. The completed projects were mainly residential and 74% of the GFA was sold by the end of 2007. It is planned that 53 projects amounting to GFA of 3,500,000 sq.m. will be completed in 2008. Leveraging the Group's product philosophy of Creating Quality for Infinity, based on strict project management expertise and extensive cost control experience, the Group aims to maximise value for customers at every stage of the property value chain from land acquisition, product design, building, sales, property management and customer service.

Major Projects to be Completed:

1. Shenzhen: The Wesley
2. Shenzhen: Royal Green
3. Macau: la Cité
4. Chengdu: Dragon Peninsula
5. Changchun: Villa Venezia

Major Projects under Development:

Foshan: Golden Sand Coast

Land area:	408,835 sq.m.
GFA:	1,134,816 sq.m.
Number of units:	8,868
Estimated date of completion:	November 2010
Brief introduction:	Situated along the Zhu Jiang and will be built into an international community with lots of greeneries

Chongqing: One North Riviera

Land area:	164,501 sq.m.
GFA:	202,086 sq.m.
Number of units:	1,431
Estimated date of completion:	December 2009
Brief introduction:	Comprised of houses along the river and also low-rise and high-rise apartments

Chengdu: Orchid Garden

Land area:	73,401 sq.m.
GFA:	330,376 sq.m.
Number of units:	2,549
Estimated date of completion:	October 2008
Brief introduction:	Mainly low-rise and high-rise garden community

Changchun: One South Lake

Land area:	56,428 sq.m.
GFA:	89,450 sq.m.
Number of units:	292
Estimated date of completion:	December 2008
Brief introduction:	High end low-rise apartments in the city centre

Xi'an: International Community

Land area:	639,669 sq.m.
GFA:	1,459,826 sq.m.
Number of units:	12,000
Estimated date of completion:	December 2008
Brief introduction:	Comprised of houses, low-rise and high-rise apartments beside the Qu Jiang Cultural Centre of Xian

Nanjing: The Arch

Land area:	23,077 sq.m.
GFA:	89,555 sq.m.
Number of units:	1,742
Estimated date of completion:	December 2009
Brief introduction:	High-rise hotel apartment with high class renovation

Shenzhen: Olympic City Phase One

Land area:	118,799 sq.m.
GFA:	372,320 sq.m.
Number of units:	3,708
Estimated date of completion:	December 2008
Brief introduction:	Multi-storey and high-rise apartments in the Da Yuan New Town

Foshan: Blossom Riverine

Land area:	117,173 sq.m.
GFA:	233,682 sq.m.
Number of units:	1,500
Estimated date of completion:	December 2009
Brief introduction:	High and low-rise and high-rise apartment with some houses

Hangzhou: Mt Riviera

Land area:	47,735 sq.m.
GFA:	117,869 sq.m.
Number of units:	1,071
Estimated date of completion:	December 2009
Brief introduction:	Houses and high-rise apartments close to the Qian Tang Jiang

Property Investment

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

Property Investment

The Group selectively increased investment in commercial property, mainly aiming to develop Grade A office buildings with current land reserves of the Group in core districts of cities with high investment returns, such as Beijing and Shanghai.

Completed Investment Projects

At the end of 2007, the Group had an aggregate of 98,800 sq.m. of investment properties in Hong Kong and mainland China. Total rental income for the period was HK$124 million, representing an increase of 18.7% over the previous year. Total rental income arising from Hong Kong amounted to HK$86 million, while that arising from mainland China amounted to HK$38 million, accounting for 70.0% and 30.0% of the total rental income respectively. Segment result amounted to HK$550 million which includes an increase in fair value of properties of HK$443 million. Operating profit was HK$105 million, representing an increase of 21.5% from the previous year.

China Overseas Property Tower, located in Financial Street in Beijing, was fully let and the annual rental income in 2008 is expected to reach 50 million yuan.

Annual Summary

- Long-term investment properties held amounted to 98,800 sq.m..
- Total investment properties under development is 260,000 sq.m..
- General occupancy was 80%.
- Annual rental income was HK$124 million.
- Operation profit contribution was HK$105 million.

Investment Properties Under Development

China Overseas Plaza, located in Beijing's central business district, under construction since the beginning of 2007, will provide approximately 106,200 sq.m. of Grade A office floor area and 44,100 sq.m. of commercial area. The project is running smoothly and the external works are scheduled to be completed before the Beijing Olympic Games in August 2008 and will be ready for occupation by the end of year 2008.

The project in East Jianguo Road, jointly funded by the Group and JP Morgan Greater China Property Fund, is planned to be developed into two Grade A office buildings with a GFA of 100,000 sq.m.. The project is currently at the resettlement stage and is scheduled to be completed in 2010.

Major Investment Properties under Development:

Beijing: China Overseas Plaza

Location:	Chao Yang District, CBD of Beijing, with south facing Chang An Street and the reputable International Trading Centre at the east side
Type of property:	Grade A office building with some commercial facilities
Total gross floor area:	150,300 sq.m. with 106,200 sq.m. above ground and 44,100 sq.m. under ground
Schedule:	The project was started in December 2006 and is expected to be completed in July 2009

Shanghai: East Jianguo Road Project

Location:	Northern district of 65 East Jianguo Road, Shanghai
Type of property:	2 blocks of office building
Development area:	about 100,000 sq.m.
Completion date:	Expected to be year 2011

Newly Completed Investment Properties:

Beijing: China Overseas Property Tower

Location:	Xi Cheng District of Beijing, close to Chang An Street, Xi Dan Financial Street and Beijing Financial Street. It is at premium commercial location
Type of property:	Grade A office building
Total gross floor area:	24,700 sq.m. with 16,100 sq.m. above ground and 8,600 sq.m. under ground
Schedule:	The project was started in February 2006 and completed in June 2007

Property-Related Business

Property-Related business like property management and construction design are supplements to the development of residential property and investment property. They have become important parts of the business chain, enhancing the Group's core competitiveness.


固定門
Door

Property-Related Business

Hai Kou Administrative Centre

Aviation Development Centre Phase II and III

Xiangyu Center Garden, Shenzhen

Construction Design

Incorporated in Hong Kong, Hua Yi is the only wholly foreign-owned design and consultancy company awarded a Grade-A Design Licence（甲級工程設計證書）by the PRC Ministry of Construction. The Group has significantly improved its overall design capability, and has made a positive move towards building the Group's value chain in property development. Since its establishment 20 years ago, Hua Yi has completed projects spanning more than 20 large and medium-sized cities in mainland China and overseas, including in Canada, Japan, Hong Kong and Macau. About 60 projects undertaken by Hua Yi received more than 100 awards at provincial level or higher.

In 2007 the Group enhanced its residential product development and design innovation, and completed a design management system, hence greatly improving the product competitive advantage of the Group. Seven Group projects in mainland China, were awarded Zhan Tianyou Residential Golden Awards which fully reflects that the product innovation and design capabilities of the Group have been widely acknowledged by the market.

Property Management

China Overseas Property Management in the Group has been a leading brand in the property management sector in Hong Kong and the mainland. The Group acquired from its ultimate controlling shareholder the property management business in mainland China. After consolidation of operations, China Overseas Property Management has secured a dominant market share in the domestic property management sector which will further strengthen the Group's real estate development value chain and will have a vital role in enhancing the branding advantages and asset value of the Group.

During the period, the Group recorded property management fee income of HK$359 million (HK$117 million from Hong Kong and HK$242 million from mainland China), representing an increase of 72.6% over 2006; the Group managed a total GFA of 14,683,000 sq.m. (approximately 2,950,000 sq.m. in Hong Kong, and 11,733,000 sq.m. in the Mainland), representing an increase of 162.2% over 2006. China Overseas Property Management in Hong Kong became one of the biggest partners of the Link Real Estate Investment Trust in the shopping mall and car park management sector. During the year, the property management business contributed HK$27 million to the Group's operating profit.

China Overseas Property Management in Hong Kong passed the ISO 10002 qualification by HKQAA.

Looking forward, property management business is expected to generate increased profit for the Group.

Infrastructure Investment

During the year, infrastructure and provincial facilities projects continued to generate stable profits for the Group and they recorded operating income of HK$574 million and an operating profit of HK$199 million, representing an increase of 183.3% over 2006.

The Group will not increase its infrastructure investment and is in the process of restructuring the infrastructure businesses with a view to exiting the business at a suitable time.

Premium property management services

Lai Zhou Port

Group Finance

Structure of Borrowings

The Group continues to adopt a prudent financial policy and centralizes its funding and financial management. It continues to maintain a cash-on-hand ratio of 10% and also a reasonable level of gearing. At 31 December 2007, the Group's bank loans and guaranteed notes payable were HK$14,174 million and HK$2,326 million respectively and the repayment schedule was as follows:

Repayment schedule	**2007 *(HK$ million)***	2006 *(HK$ million)*
Bank loans		
Within one year	**2,885**	673
More than one year, but not exceeding two years	**3,086**	2,582
More than two years, but not exceeding five years	**8,203**	3,465
Guaranteed notes		
7-year (US$300 million)	**2,326**	2,323
Total borrowings	**16,500**	9,043
Deduct		
Bank balances and cash	**8,570**	3,787
Net borrowings	**7,930**	5,256
Equity attributable to equity shareholders of the Group	**26,282**	15,449
Gearing ratio (%)	**30%**	34%

At 31 December 2007, bank balances and cash amounted to HK$8,570 million (31 December 2006: HK$3,787 million).

Gearing Ratios

The net current assets of the Group at 31 December 2007 increased by 71% from 2006 to HK$31.2 billion and the current ratio decreased from 2.60 times in 2006 to 2.32 times this year. The net gearing ratio of the Group was about 30%. Interest cover (measured by the ratio of operating profit to total net interest expenses including those capitalized) was 15.4 times compared with 8.4 times for the previous year, reflecting an increase in operating profit and a decrease in interest rates of Hong Kong dollar funding during the year. Notwithstanding that the Group has been growing rapidly and increasing its land reserve significantly, the net gearing ratio showed a slight decrease. This demonstrates that the Group is able to strike a balance between prudent financial management and business expansion.

Signing ceremony for the HK$3.5 billion syndication loan

Available Funds

On 23 August 2007, the Group signed a five-year HK$3.5 billion club loan agreement in Hong Kong. This loan is the largest in amount and cheapest in financing costs for the Group, thus substantially increasing the standby banking facilities and reducing the financial cost.

At 31 December 2007, the Group's bank balances and cash were HK$8.57 billion. Together with HK$5.44 billion of unutilised banking facilities, the available funds reached HK$14.01 billion. This financial strength and the stable financial structure act as strong support for the Group to explore the best commercial opportunities and to accelerate business expansion in Hong Kong, Macau and mainland China.

The proportion of each currency is listed below:

	Bank loans and guaranteed notes	**Bank balances and cash**
Hong Kong dollars	37%	30%
Renminbi	49%	55%
Macao patacas	–	5%
US dollars	14%	10%
Total	**100%**	**100%**

Credit Ratings and Bonus Issue of Warrants

In 2007, Moody's and Standard and Poor's continued to affirm the investment grade rankings of Baa3 and BBB- of the Group respectively. The bonus warrants issued in 2006 to the shareholders of the Company were exercised by July 2007 and raised about HK$3.6 billion in equity. In August 2007, the Group issued further Bonus Warrants to existing shareholders. At the end of the year, shareholders' funds of HK$4.5 billion were received of which HK$3.85 billion was from the Group's holding company, China Overseas Holdings Ltd. These issues reaffirm the Group's capability to tap funds from the capital market using different financial instruments and to strengthen the Group's financial position.

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

All the Groups' bank borrowings were made at floating rates.

As the trend of interest rates may change and the Yuan continues to appreciate, the Group will prudently consider appropriate times to enter into some currency and interest swap arrangements to hedge against such exposure.

Contingent Liabilities

At 31 December 2007, the Group's contingent liabilities relating to guarantees given and indemnities provided in respect of the credit facilities granted to certain associates amounted to HK$7 million. The Group provided buy-back guarantees to banks granting mortgage loan facilities to buyers purchasing the Group's properties in mainland China which amounted to HK$5.4 billion. In addition, outstanding counter indemnities for surety bonds issued in respect of property management contracts amounted to HK$63 million. The Group has never suffered any loss in the past in relation to permission of similar guarantees or indemnities.

Customer Service and Relationships

Customer Service

In line with its service motto, Pursuing Customer Satisfaction and Service Quality, the Group adopts a people-oriented approach in providing quality services that surpass the expectations of property owners. In Hong Kong, the Group provides quality comprehensive property and facility management services to Home Ownership Scheme, public and private housing estates, shopping arcades under the administration of The Link as well as military properties throughout Hong Kong Island, Kowloon and the New Territories. Nerine Cove, managed by China Overseas Property Services Ltd., was awarded the The Best Security Guard of Tuen Mun 2007 by the Tuen Mun District Fight Crime Committee. In addition, Ellery Terrace in Kowloon was awarded the Bronze Award in the Competition on Source Separation of Domestic Waste held by the Environmental Protection Department. Furthermore, many housing estates managed by the Group were awarded outstanding management prizes in different districts. Our quality services are widely recognised by tenants across the board.

As the Company's businesses continue to develop, the customer service departments in the PRC resolve customer concerns promptly and efficiently, thereby enhancing the brand image of China Overseas Property and its customer satisfaction. They have also served as a case study for the Company, to make improvement for its future projects.

Customer Relationships

The Group understands that customer satisfaction and loyalty are the core values of brand building, and lead to enhanced market competitiveness. Every year, the Group holds a series of marketing events on the mainland, including Listening to our Community Members which aims to understand more about customer needs. The event is highly appreciated and supported by the owners of the properties developed by the Group and is useful in enhancing the brand name of China Overseas Property.

In 2004, China Overseas Property Club (COPC) was established by the Company as a liaison group for owners of the Group's properties, merchant alliances, partners and other interested parties of China Overseas Property throughout the country. The motto of COPC is "Splendid Living, Premier Lifestyle" (精彩生活，卓越人生). Centred around the projects of the Group, COPC acts as an effective bridge connecting the community with the Group. By the end of 2007, COPC had over 120,000 private members and over 330 corporate members. Over 150 member activities have been held since its establishment. The various activities of COPC successfully improved the members' awareness of, satisfaction with and loyalty to the Group's brand name and property management services.

Regular events held by COPC

Apart from providing entertainment activities, the Group is also attentive to the needs of elderly people living alone in properties under its management. The Group often organises activities involving them, such as theatrical productions, tai chi performances, musicals and other traditional Chinese events, which bring extra enjoyment to their lives.

COPC members going on tour

la Cité International Beer Gala

In addition, the newly completed la Cité project in Macau has successfully built strong communications with owners in several ways. The property publishes la Cité World monthly, which provides up-to-date news about the property and Macau to its international prospective buyers. Moreover, many festive activities are organised as value-added services.

Directors and Organization

LUO Liang CHEN Bin ZHU Yijian WANG Man Kwan, Paul

XIAO Xiao KONG Qingping HAO Jian Min WU Jianbin

Board of Directors

Executive Directors

Mr. KONG Qingping

Chairman

Aged 52, holds a bachelor degree in Engineering from Harbin University of Civil Engineering and Architecture and a degree of Executive Master of Business Administration from Harbin Institute of Technology. Mr. Kong is a guest professor at both Harbin Institute of Technology and Hong Kong Polytechnic University and is a member of the Chartered Institute of Building (UK). Mr. Kong joined China State Construction Engineering Corporation ("CSCEC") in 1982 and was seconded to Hong Kong in 1987. He became the Executive Director and General Manager of China Overseas (Hong Kong) Limited, then subsidiary of the Group, in 1997. Mr. Kong was appointed Vice Chairman and Chief Executive of the Company from 2001 and was appointed Chairman of the Company and continues to serve as Chief Executive of the Company from March 2005. In June 2007, Mr. Kong decided he would no longer concurrently act as Chief Executive of the Company. In June 2005, he was appointed Chairman of China State Construction International Holdings Limited ("CSCIHL"), which was listed on the main board of The Stock Exchange of Hong Kong Limited in July of the same year, and designated as Non-Executive Director of CSCIHL. Mr. Kong is also the Chairman of the Nomination Committee of the Company and a director of certain subsidiaries of the Group. He is also a director of China Overseas Holdings Limited and certain of its subsidiaries, and the Vice President of CSCEC. He has more than 26 years' extensive experience in management of corporate affairs, construction projects and property development. In 2006, Mr. Kong was appointed as a member of the Expert Committee of the Ministry of Construction in Residential Development and Industrial Modernization Technology, and was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors. He is currently a Vice Chairman of the Hong Kong Chinese Enterprises Association and was appointed in January 2008 as a National Committee Member of the Chinese People's Political Consultative Conference and a Standing Committee Member of Chong Qing Committee of Chinese Political Consultative Conference.

Mr. HAO Jian Min

Vice Chairman & Chief Executive Officer

Aged 43, graduated from Shenyang Institute of Construction Engineering and is a Master of Harbin Institute of Technology and MBA of Fordham University in USA. Mr. Hao joined China State Construction Engineering Corporation in 1987 and joined the Group in 1989. He was appointed Director of a subsidiary of the Company in 2002 and certain others subsequently. Mr. Hao was appointed Executive Director of the Company in September 2005 and Vice Chairman of the Company in November 2006. Mr. Hao has been appointed as member and Chairman of the Remuneration Committee of the Company in March 2007. In June 2007, he was appointed as Chief Executive Officer of the Company. Mr. Hao is also a director of China Overseas Holdings Limited and certain of its subsidiaries. He has 21 years' experience in construction and property business.

Mr. XIAO Xiao

Vice Chairman

Aged 51, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the Group in 1990. He was appointed Director of a subsidiary of the Company in 1994 and certain others subsequently. Mr. Xiao was appointed Executive Director and Vice President of the Company in February 2005, and has been appointed Vice Chairman of the Company in March 2007. He is also a director of China Overseas Holdings Limited and has 26 years' experience in construction and property business.

Mr. WU Jianbin

Aged 45, graduated from Shanxi University of Finance and Economics (now known as School of Economic & Finance of Xi'an Jiaotong University) and is a MBA and DBA graduate from the Macau University of Science and Technology. Mr. Wu joined China State Construction Engineering Corporation in 1984 and was seconded to the Group in 1987. He was appointed Director and Financial Controller of China Overseas Holdings Limited in 2001 and appointed Executive Director and Financial Controller of the Company in 2002. He is also a director of certain subsidiaries and associates of the Group. Mr. Wu has 24 years' management experience in corporate finance, accounting and investment. He was awarded the "2006 CFO of the Year" Award jointly assessed by China CFO Magazine, China CFO International Summit Committee, Sina.com, ccfo.com.cn and China CFO Club (cfoclub.com.cn).

Mr. CHEN Bin

Aged 38, graduated from Southeast University, Senior Engineer. He joined China State Construction Engineering Corporation in 1993. Mr. Chen was seconded to the Group in 1997 and appointed a director of a subsidiary of the Company in 2001. He was appointed Assistant President of the Group in 2005. Mr. Chen has been appointed Executive Director of the Company in November 2006. He is also a director of China Overseas Holdings Limited and has about 15 years' management experience in construction business and personnel administration.

Mr. ZHU Yijian

Aged 41 and graduated from the Xi'an University of Architecture and Technology and Hong Kong Open University, holder of master degree, senior economist. He joined CSCEC in 1988 and was seconded to the Group in 1994. He was appointed assistant general manager of the Group in 2005. Mr. Zhu has been appointed as executive director and member of the Nomination Committee of the Company in March 2007. He has about 19 years' experience in corporate human resources management and staff training.

Mr. LUO Liang

Aged 43, graduated from Huazhong Polytechnic University (now known as Huazhong University of Science and Technology), holder of master degree, architect, associate professor. He joined the Group in 1999. Mr. Luo has been appointed as executive director of the Company in March 2007. Mr. Luo has about 19 years' architectural experience.

Mr. WANG Man Kwan, Paul

Fellow of the Hong Kong Institute of Certified Public Accountants
Fellow of the Association of Chartered Certified Accountants

Aged 51, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a Fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an Associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. Mr. Wang joined the Group as General Manager, Finance & Treasury Department on 16 December 2004. Subsequently, in 2005, he was appointed Executive Director and Deputy Financial Controller in February and Qualified Accountant of the Company in March respectively. Prior to joining the Group, Mr. Wang was Director and Chief Financial Officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and Chief Operating Officer of a South East Asian Group in charge of operations in China, the Philippines, Indonesia, Singapore, Dubai and Germany.

Independent Non-executive Directors

Dr. The Hon. David LI Kwok-po

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

Aged 69, joined the board of directors as an independent non-executive Director of the Company in 1992 and has served the Company for almost 15 years. Dr. Li is also the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. He is the Chairman and Chief Executive of The Bank of East Asia, Limited and he is also a director of many other companies including: **China Merchants China Direct Investments Limited, **COSCO Pacific Limited, **Guangdong Investment Limited, **The Hong Kong and China Gas Company Limited, **The Hongkong and Shanghai Hotels Limited, The Hong Kong Mortgage Corporation Limited, **PCCW Limited, **San Miguel Brewery Hong Kong Limited, **SCMP Group Ltd. and **Vitasoy International Holdings Limited. He serves on the international advisory board of Federal Reserve Bank of New York's International Advisory Committee. He is a Member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association.

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

Mr. LAM Kwong Siu

SBS

Aged 73, is the Vice Chairman of BOC International Holdings Limited, the Delegate of the National People's Congress, the Chairman of the Board of Hong Kong Federation of Fujian Associations, the Chief Supervisor of Hong Kong Fukien Chamber of Commerce, the Vice Chairman of Fujian Hong Kong Economic Co-operation, the Vice Chairman of the Chinese General Chamber of Commerce and the Treasurer of the Hong Kong Chinese Enterprises Association, and the Non-Executive Director of **Hong Kong CITIC Ka Wah Bank Limited and **Fujian Holdings Limited and **Xinyi Glass Holdings Limited. Mr. Lam is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam has over 50 years' continuous banking and finance experience. He was the Non-Executive Director of **Ananda Wing On Travel Holdings Limited (now known as Wing On Travel (Holdings) Limited). He was appointed as an Independent Non-Executive Director of the Company on 30 September 2003.

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

Dr. WONG Ying Ho, Kennedy

BBS, DCL, JP

Aged 45, is a solicitor and China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. Wong is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He was appointed as a National Committee Member of the Chinese People's Political Consultative Conference in January 2008. Dr. Wong is a director of Asia Cement (China) Holdings Corporation, Bohai Industrial Investment Fund Management Company Limited, **Goldlion Holdings Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, **International Financial Network Holdings Ltd., Pacific Alliance Asia Opportunity Fund Limited, Pacific Alliance China Land Limited and Hong Kong Airlines Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, **Computime Group Limited, **Great Wall Cybertech Limited and **i-SteelAsia Holdings Limited. He was appointed as an Independent Non-Executive Director of the Company on 5 January 2004.

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

Senior Management

Mr. DONG Daping

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

Aged 48, graduated from Harbin Architectural University, holder of master degree, senior economist. He joined CSCEC in 1983 and was seconded to the Group in 2001. He has about 25 years' corporate management experience.

Mr. GE Yafei

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

Aged 44, graduated from Tsinghua University and Beijing University of Technology, holder of master degree, senior engineer. He joined CSCEC in 1989 and was seconded to the Group in 1990. Mr. Ge has about 19 years' management experience in construction business.

Mr. ZHANG Yi

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

Aged 41, graduated from Beijing Economics University (now known as Capital Business and Economics University), holder of master degree, senior economist. He joined CSCEC in 1994 and was seconded to the Group during the year. He has about 14 years' management experience in public and investment strategy business.

Mr. QU Yonghai

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

Aged 37, graduated from Harbin Institute of Technology, senior engineer, is a MBA from Tsinghua University. He joined the Group in 1993. Mr. Qu has about 15 years' experience in purchasing and investment strategy management.

Mr. Qi Dapeng

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

Aged 38, graduated from Harbin Institute of Technology, holder of master degree, accountant. He joined the Group in 1997. Mr. Qi has about 16 years' experience in finance and corporate management.

Mr. ZHU Rong Bin

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

Aged 35, graduated from Tsinghua University of Faculty of Civil Engineering, holder of master degree, senior engineer. Mr. Zhu joined CSCEC in 1995 and was seconded to the Group in November at the same year. He has about 13 years' corporate management experience.

Mr. YAN Jian Guo

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

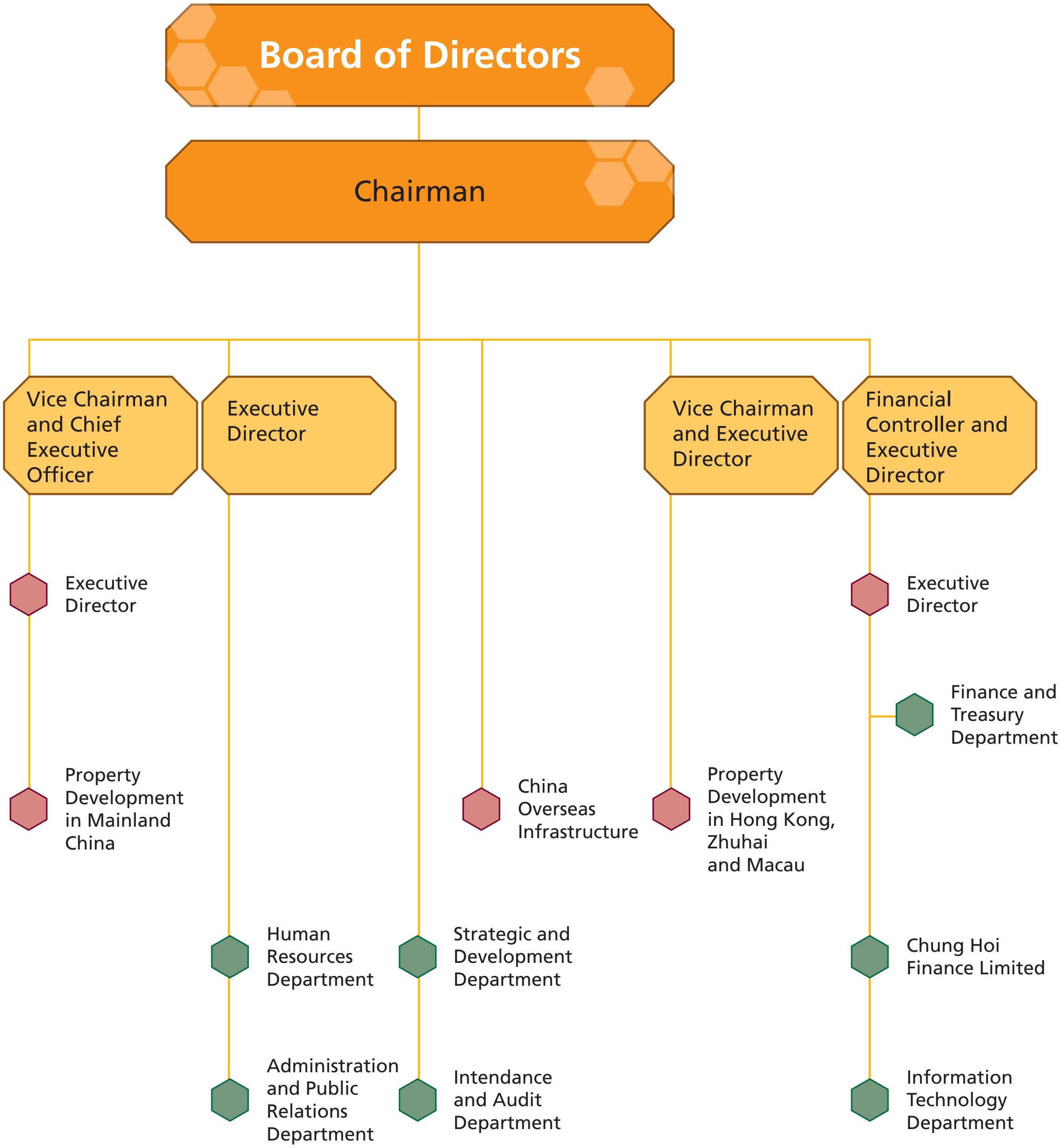
Aged 42, graduated from Peking University, holder of master degree, senior engineer. He joined CSCEC in 1989 and was seconded to the Group in 2001. Mr. Yan has about 19 years' management experience in construction business.

Mr. GUO Yong

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

Aged 45, graduated from Chongqing University, senior engineer. He joined the Group in 1993. Mr. Guo has about 24 years' management experience in construction business.

Organization Chart of China Overseas Land & Investment Limited



Corporate Citizenship

The Group places great emphasis on carrying out its corporate social responsibilities, striving to maintain a structure that fully serves its shareholders, staff members and the community. In daily business it also takes into consideration issues related to social responsibility, customer service, environmental protection and staff welfare. As a property developer, the Group makes a major contribution towards economic development, infrastructure expansion, environmental enhancement and the provision of job opportunities in urban areas. In recognition of its outstanding corporate citizenship, China Overseas (中國海外) received an award from the Steering Committee of the Third Chinese Enterprises Corporate Citizenship Forum (第三屆中國企業社會責任高峰論壇組織委員會). In recognition of its dedication to community service and strong corporate citizenship, China Overseas Property Services Ltd., a subsidiary of the Group, was, for the third consecutive year, named as a Caring Company by the Hong Kong Council of Social Service.

Community Services and Charity

Charitable Donations

The Group is a keen participant in various charitable activities. This year, it once again successfully organised a team of over 300 people to join the "Walk for Millions", the most popular charitable activity in Hong Kong. The Group also encourages its staff to take better care of the community, especially disadvantaged groups. The Group regularly organises volunteer teams to care for and help people in need.

China Overseas staff in the Walk for Millions

As well as in Hong Kong, the Group also stretches its helping hand to the mainland. Its staff contributed donations amounting to 14,000 yuan to two counties in Ningxia where drought has seriously affected the poverty level there for the past four years. In addition, the Group donated 1,420,000 yuan to a hospital in Xinjiang. The Group was the first Hong Kong corporation to respond to the call by Oxfam to help the Chinese snowstorm victims in January 2008 with a donation of HK$2 million. Group staff were also encouraged to lend their support.

Community Contribution and Services

While the Group pursues the maximum benefits for its shareholders, it also takes into consideration infrastructure building in the areas where its property projects are located. Over the past year, the Group has signed cooperation agreements with councils and associations in Xi'an and Chongqing to help the two cities to attract capital and talent and to facilitate labour force outflow, as well as in poverty alleviation. These all aim to enhance the quality of development and to promote the internationalisation of the two cities.

The Group zealously participates in training professional talent for the benefit of the community. The Group also co-organises the Mainland Property Professions Development Study Camp with eminent colleges and universities on the mainland. The purpose of the camp is to discover future elite professionals, assist them in developing vocational interest in the property business and stimulate their potential to become leaders in the future.

Volunteer Work joined by staff of the Group

Chairman and Senior Executives entering the University Forum

The Group is enthusiastic in supporting education development in both the mainland and Hong Kong. Mr. Kong Qingping, Chairman of the Group, and a visiting professor at Hong Kong Polytechnic University, delivered a public speech on the current situation, development direction and the competitiveness of enterprises in the Chinese property market.

During the year, the Group also participated in a series of public speeches delivered to students in universities (中海地產走進高校系列巡講活動) which was organised by the Economic Observer. A public speech on the topic of Strategy Development Management of China Overseas as an Evergreen Enterprise was delivered by the Chairman of the Group to lecturers and students of the Business School of Beijing Qinghua University. The Chief Executive Officer and several members of the Group's management were also invited on to the rostrums of various renowned educational institutions, including Beijing University, Shanghai Fudan University and Shanghai Jiaotong University. These events provided China Overseas executives with opportunities to share with students their experience in strategic planning, business alliance, marketing strategies and team-building. They also discussed their views on career planning and development with the students.

Mr. Kong Qingping (right), Chairman of the Group, receiving a souvenir from The Hong Kong Polytechnic University

Mr. Kong delivering a speech at The Beijing Qinghua University

Educational Subsidies

Further to making a donation to The China Overseas Qinglong Hope Primary School in Shaanxi Province in 2006, the China Overseas Charity Fund made a donation to The China Overseas Sanquan Hope Primary School in Chongqing. In particular, fifty disadvantaged students in the school are now fully subsidised by staff of the Group. The China Overseas Charity Fund plans to build one "Hope Primary School" in China every year.

Students attending the "China Overseas Class"

The China Overseas Sanquan Hope Primary School

The Group also participates in the New Great Wall Scheme which aims to help impoverished students to finish their university degrees. China Overseas Scholarships are available at nine prominent universities in China.

During the year, the Group organised a trip to visit people living in the suburbs of Qinghai Province. In order to raise public awareness, the Group held major photo exhibitions in several cities after collating the photos taken during the trip. Over 2,000 owners of China Overseas property units made various donations and other forms of assistance to help the people living in destitution.

Opening Ceremony of the charitable activity in Qinghai Province

Promoting Arts and Culture

In order to promote Chinese Arts and support cultural activities, the Group produced two major albums for its business partners, friends, and civil servants. The Group was also the title sponsor of the performance "From Ancient to Modern, As East Meets West – A Cosmopolitan Symphony".

Mr. Kong delivering a cheque to The Hong Kong Chinese Orchestra

The COB Development (Suzhou) Co., Ltd., a subsidiary of the Group, became the title sponsor of an art festival. Cooperating with one of the top artistic groups in the world, several programmes, including a piano concert by Mr. Fu Cong and the New Year Concert by a musical group from Vienna, were presented in Suzhou.

Environmental Protection

In the course of developing a property project, at the design stage and during construction, great emphasis is placed on environmental protection and safety. The core design concept for the fourth-generation products of China Overseas Property are based on environmental protection, leading technology and blending into the local culture and behaviour. The Group continues to adhere to the concepts of energy and resource conservation, environmental protection and sustainable development. The Group will do its best to build a greener community.

Research and Implementation of Environmentally Friendly Construction

The Group has made significant progress on research and implementation of environmentally friendly construction. Specific results include: China Overseas Property: Research on Environmental Friendly Construction Technology, China Overseas Property: Implementation of Environmentally Friendly Building Methods, and China Overseas Property: Guidelines for Environmentally Friendly Building Technology. The Group has successfully developed a series of properties which complied with Green Construction criteria. This means that, in certain important aspects of the six key construction and building areas, namely Land, Water, Construction Materials, Indoor, Environmental Protection Technologies, Green Construction Progress and Operation Management, the Group has reached national environmental standards in certain respects.

By using coloured glass, indoor temperature can be lowered

Green Materials

All projects use engineered flooring to reduce wood consumption. Coloured glass is used to reduce the amount of sunlight entering houses, thus lowering room temperature and hence the consumption of energy for air-conditioning.

Green Construction

Appropriate arrangements at the construction site, as well as the reduction of soil excavation, are two typical examples of the construction process the Group has adopted to minimise damage to the environment during the construction process. Also, to avoid pollution, the Group also strictly manages the handling of construction waste.

Environmental Protection Measures by Property Management

The Group supports the practice of caring for the environment by organising regular recycling of waste batteries, moon-cake boxes as well as scrap newspaper and aluminium pots. The Group is also careful about environmental protection in the daily routine of property management.

Event promoting the use of environmentally friendly shopping bags

Environmental Protection at the Office

To build up a green culture at its own offices, the Group requests every department to set up annual consumption targets for the use of cars, electricity, paper and even pencils. The targets are reviewed at the end of the year. The policy of using both sides of paper has been in place for several years.

To encourage its staff to participate in environmental protection events, the Group organised the China Overseas Environmental Protection Day which was held on the same day as the Community Chest Green Day.

Human Resources and Welfare

The Group firmly believes that human resources are the most valuable asset in any organisation. The existing human resources department has formulated a system that promotes personal development and a constructive working atmosphere, and ensures appropriate motivation for the staff. The Group holds meetings to discuss issues in human resources management every year.

China Overseas Human Resources Symposium 2007

Employees

At the end of 2007, the Group had a total of 10,766 employees, including 107 at the Group's headquarters, 1,841 in the property business, 7,620 in property management and 1,198 in the infrastructure business. By geographical location, 947 employees were working in Hong Kong and Macau, and 9,819 employees in mainland China. The middle and senior managerial staff in all business lines and departments are very stable.

Staff Training and Development

The Group aims to build a "learning style" enterprise. It promotes life-long learning and provides training, promotion and development opportunities to its staff. The Group has adopted the E-Learning scheme which provides various value-added online courses to staff. Through this enrichment scheme, staff are able to equip themselves with professional knowledge, and are given ways to develop their career. The Group also operates two training centres in both Hong Kong and Shenzhen.

The China Overseas Institute of Management

During the year, the China Overseas Institute of Management conducted a one-year training course for 44 middle management staff. The technical skills and management capabilities of the staff have been greatly enhanced.

"Sons of the Sea" and "Sea's Recruits" Scheme

Through the success of the Sons of the Sea recruitment scheme over the past seven years, the Group has recruited more than 1,000 staff from leading universities in mainland China, with some having been promoted to management. In addition, the Seas' Recruits scheme provides another platform to recruit experienced talent from all sources.

Members of the Group's management attending a EMBA lecture

"Sons of the Sea" Training Camp

"Exploring the South Pole with Dr. Lee" Family Day

Caring for Staff

The Group believes that people are the key element in any organisation, and it is always willing to share its success with staff. To take care of the health of its staff and the quality of their family life, the Group implemented a five-day working week in 2007. The Group organises gatherings and activities for festivals such as Lunar New Year and Lu Ban Festival to recognise the efforts and contributions made by its staff, and also as an opportunity to share in the company's success.

Uplifting the China Overseas Corporate Culture

The China Overseas culture emphasises that the Group is not only a platform for the creation of wealth for employees, but it is also a channel for employees to share their feelings and interests, enabling them to enjoy success in both work and life. The Sound of China Overseas is a cultural event, while the China Overseas Cup is a sports gathering. The two activities help to cultivate and strengthen corporate culture and are held alternately every year. They also enhance the sense of belonging and team cohesion among the staff, relieve the pressure of work, enhance the mental and physical health of employees, as well as enhancing communication, cooperation and understanding among different units and departments.

The China Overseas Cup Badminton Contest 2007

Investor Relations

The Group has made every effort to provide investors with the most up-to-date information about our development strategies, operation management, financial information and business progress. The Group leveraged various channels and platforms including its annual and interim results announcements, press conferences and analysts briefings, and various industry conferences to ensure the timely release of important messages. To serve its investors better, the web site was renewed to increase contents and convenience. The Group announces important events regarding results, operations and financing activities on a timely basis to investors through its website at www.coli.com.hk.

The management of the Group regularly meets with analysts, investors and the media to provide updates on latest development strategies and operations, and responds to enquiries from investors. In 2007, the management of the Group received over 300 visits from investors, arranged more than 100 investor visits to our property projects, and participated in over 100 overseas and local promotion conferences organised by leading investment banks in major cities in the United States, Europe, Singapore, Hong Kong and mainland China. Through these activities, transparency in our business operation was enhanced, corporate governance was improved, and our investors around the globe had access to the latest information from the Group in an accurate, complete and timely manner.

Major Investor Relations Activities in 2007

Month	Activities
January	Discussion Forum on Greater China (UBS, Shanghai)
February	Investors' Forum (Deutsche Bank, Beijing)
March	Announcement of the 2006 annual results • Press conference • Briefing with fund managers and analysts Asia Investment conference (Credit Suisse)
April	Roadshow to Singapore, Japan, Europe and the United States China Investors' Conference (JP Morgan, Beijing)
May	Promotion forum on China investment (CLSA)
August	Announcement of the 2007 interim results • Press conference • Briefing with fund managers and analysts Roadshow to Hong Kong, Singapore and Japan
September	Roadshow to Europe and the United States Asia Investor Conference (JP Morgan)
October	China Investment Conference in Beijing (Credit Suisse, Beijing) Investment Forum (BNP Paribas, Chongqing) Greater China Investor Conference (Citigroup, Macau)
November	Investor Conference (Goldman Sachs, Beijing) Asia-Pacific Summit (Morgan Stanley, Singapore) Investor' Forum (Daiwa Securities, Hong Kong)

Corporate Governance Report

The Board of the Company recognises the significance of corporate governance to the core interests of our shareholders and the Company has always been dedicated to pushing forward and improving corporate governance at three levels. Firstly, the Company ensures compliance with respective laws, regulations and the highest standard of ethics. Secondly, the Board of the Company continues to strengthen systematic mechanisms to ensure that all decisions are in the interests of shareholders. Lastly, the Company enhances its core competitiveness and stakeholders' value under the principles of corporate governance.

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

Corporate Governance Practice

The Company has complied throughout the year with the Provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except for the following deviations.

Code Provision A.2.1 — This Code Provision stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

During the reporting period, Mr. Kong Qingping, the Company's Chairman, decided not to concurrently act as the Chief Executive Officer so as to enhance the corporate governance standards of the Company. On the recommendation of the Nomination Committee, the Board of Directors appointed Mr. Hao Jian Min, the Company's Vice Chairman, to fill the vacancy of Chief Executive Officer with effect from 1 June 2007. Thereafter, the Company has fully complied with the Code Provision A.2.1 set out in Appendix 14 to the Listing Rules as the roles of Chairman and Chief Executive Officer of the Company have been separated and performed by different individuals.

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

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

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

Though the Independent Non-executive Directors of the Company have not been appointed for a specific term, they are subject to retirement and re-election in accordance with the Articles.

To comply with Code Provisions A.4.1 and A.4.2, an internal mechanism has been established by the Company whereby (1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and (2) any director, including Executive Chairman or Managing Director, who is not required to retire by rotation at the AGM in the third year since his appointment or last election, will be reminded to retire from office voluntarily.

The Board of Directors

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

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

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

Attendance at Board or Committee meetings during the year 2007

Name	**Board**	**Nomination Committee**	**Audit Committee**	**Remuneration Committee**
Mr. Kong Qingping	4	1	–	–
Mr. Hao Jian Min	4	–	–	1#
Mr. Xiao Xiao	3	–	–	–
Mr. Wu Jianbin	3	–	–	–
Mr. Chen Bin	1	–	–	–
Mr. Zhu Yijian	2#	0#	–	–
Mr. Luo Liang	1#	–	–	–
Mr. Wang Man Kwan, Paul	3	–	–	–
Dr. Li Kwok Po, David*	2	1	4	2
Mr. Lam Kwong Siu*	4	1	4	2
Dr. Wong Ying Ho, Kennedy*	2	1	4	2
No. of meetings during the year	4	1	4	2

* *Independent Non-executive Directors*

\# *Number of meetings attended after the date of appointment*

– *N/A*

Details of the Chairman, Executive Directors and Independent Non-executive Directors are set out in the section headed "Directors and Organisation" in the annual report. From 1 June 2007, the roles of Chairman and Chief Executive Officer of the Company have been separated and performed respectively by Mr. Kong Qingping and Mr. Hao Jian Min. Apart from formal Board meetings, the Chairman of the Board and individual directors meet regularly outside formal Board meetings and through these informal meetings together with the formal meetings the Chairman is continuously made aware of the views of the individual directors and can act where necessary to deal with any issues relating to Board effectiveness.

All Executive Directors of the Company have extensive and longstanding management experience while the Company is also confident that the expertise and experience of each Independent Non-executive Director are beneficial for affairs of the Company.

Securities Transactions by Directors

The Company has adopted a Code of Conduct on Directors' Securities Transactions (the "Securities Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The directors confirmed that they have complied with the requirements set out in the Securities Code for the year ended 31 December 2007.

Committees of the Board

The Board has established a Nomination Committee, a Remuneration Committee and an Audit Committee which operate within defined terms of reference, available on the Company's website (http://www.coli.com.hk).

Nomination Committee

The Nomination Committee comprises Mr. Kong Qingping, Chairman of the Company, Mr. Zhu Yijian, Executive Director, together with three Independent Non-executive Directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Dr. Wong Ying Ho, Kennedy, with Mr. Kong Qingping chairing the committee.

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

Remuneration Committee

The Remuneration Committee comprises Mr. Hao Jian Min, Vice Chairman and Chief Executive Officer of the Company, together with three Independent Non-executive Directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Dr. Wong Ying Ho, Kennedy, with Mr. Hao Jian Min chairing the committee.

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

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Dr. Wong Ying Ho, Kennedy, with Dr. Li Kwok Po, David, chairing the committee.

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

Interests in Shares held by the Senior Management

Name of senior management	Number of shares held	Percentage of issued share capital#
Mr. Dong Daping	356,000	0.005%
Mr. Ge Yafei	322,000	0.004%
Mr. Zhang Yi	576,000	0.007%
Mr. Qu Yonghai	322,000	0.004%
Mr. Qi Dapeng	322,000	0.004%
Mr. Zhu Rong Bin	402,000	0.005%
Mr. Yan Jian Guo	322,000	0.004%
Mr. Guo Yong	1,012,000	0.013%
Total	3,634,000	0.046%

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2007 (7,743,705,396 ordinary shares).

Board meeting in progress

Division of Management

The Board is responsible for formulating overall strategies and policies of the Company, supervising the work of the management and reviewing business performance of the Company; while the management performs their duties in managing the actual operations of businesses. During the year, the Board provided strategic guidance on the operation of the Company, reviewed and supervised the implementation of all lines of businesses.

Auditors' Remuneration

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

Deloitte Touche Tohmatsu was re-appointed as the external auditors for 2007 with shareholders' approval at the AGM. During the year, HK$7,620,000 paid to the external auditors by the Group for audit service and HK$2,600,000 for other services.

Shareholding Structure

The ten substantial shareholders of the Company as at 31 December 2007 are set out below:

Ranking	Name of shareholder	Nation or region	Number of shares held	Percentage of issued share capital
1.	China State Construction Engineering Corporation*	China	4,014,012,182	51.84%
2.	Janus Capital Management LLC	United States	198,977,066	2.57%
3.	JF Asset Management Ltd.	Hong Kong	162,665,079	2.10%
4.	Baring Asset Management Ltd.	Hong Kong	137,241,750	1.77%
5.	Halbis Capital Management Ltd.	Hong Kong	129,070,790	1.67%
6.	Standard Life Investment Ltd.	United Kingdom	79,284,000	1.02%
7.	Fidelity Investments Management Ltd.	Hong Kong	50,434,326	0.65%
8.	Threadneedle Asset Management Ltd.	United Kingdom	46,864,993	0.61%
9.	Pictet Asset Management Ltd.	United Kingdom	39,201,953	0.51%
10.	APG Investments	Netherland	38,507,043	0.50%
Total			4,896,259,182	63.24%

(Source: Reuters Financial)

The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2007 (7,743,705,396 ordinary shares).

* *Pursuant to the Securities and Futures Ordinance, China State Construction Engineering Corporation is deemed to be interested in 4,014,012,182 shares directly owned by China Overseas Holdings Limited (please refer to the section headed "Report of Directors — Substantial Shareholders' Interests in Securities").*

Internal Control

The directors of the Company are responsible for the maintenance of an effective system of internal control. The Board conducted periodic reviews of the Group's internal control system for the year ended 31 December 2007, including financial, operational and compliance control, and risk management functions.

In compliance with the Code on Corporate Governance Practices, the Board continuously reviews the effectiveness of the Company's system of internal control. The Company has initiated actions to further improve and strengthen its internal control effectiveness by paying even greater attention to the management of operational, business and policy risks, and applying functional and organisational mechanisms to conduct and evaluate relative analysis.

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 20 March 2008

Accolades & Awards 2007

Became Constituent stock of Hang Seng Index ①
China Overseas Land & Investment Ltd.

Became Constituent of Standard & Poor's Global Property 40 Index ②
China Overseas Land & Investment Ltd.

No. 1 in terms of Integrated Strength among Top 100 Real Estate Company in China ③
China Overseas Property
By China Real Estate Top 10 Research Team

"2007 China Top 10 Listed Real Estate Company" ④
China Overseas Property
By China Real Estate Top 10 Research Team

"China's Leading Company Brand in Real Estate Industry" for fourth consecutive years ⑤
China Overseas Property
By China Real Estate Top 10 Research Team

"No. 1 China Blue Chip Property Developer" ⑥
China Overseas Property
By the Economic Observer etc

品牌中國華譜獎 – 中國年度25大典範品牌 ⑦
China Overseas Property
By中國品牌節組委會

創建知名品牌(商標)推動力優秀企業 ⑧
China Overseas Property
By中國房地產商標戰略高峰論壇組委會

Top 10 Most Influential Brands in Chinese Lifestyle ⑨
China Overseas Property
By China Society for World Trade Organisation Studies etc.

Zhan Tianyou Residential Golden Awards ⑩
China Overseas Property
By China Civil Engineering Society etc.

Caring Company Logo 2007/2008 ⑪
China Overseas Property Services
By Hong Kong Council of Social Service

Financial Information

Group Financial Summary

Key Financial Information and Ratios

Financial year	2003 *HK cents*	2004 *HK cents*	2005 *HK cents*	2006 *HK cents*	**2007** ***HK cents***
Earnings per share	12.9	17.1	24.0	35.5	**56.9**
Dividends per share	5	6	7	10	**12**
— Interim dividend	2	2	3	4	**5**
— Final dividend	3	4	4	6	**7**
Equity attributable to equity shareholders per share	142.1	158.1	173.2	220.5	**339.4**
Net debt to shareholders' funds (%) Net debt / Shareholders' funds	2.9	21.4	39.2	34.0	**30.2**
Interest cover (times) Operating profit-Interest income / Net interest expenses before capitalization -Interest income	9.3	7.5	8.9	8.1	**15.0**

Key Profit and Loss Items

For the year ended 31 December	2003 *HK$'000*	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
Turnover	7,617,970	8,624,475	7,930,763	10,910,234	**16,632,553**
Operating profit	713,792	1,058,496	2,005,547	3,059,313	**6,600,722**
Profit attributable to shareholders	695,882	1,073,559	1,534,684	2,370,750	**4,179,579**

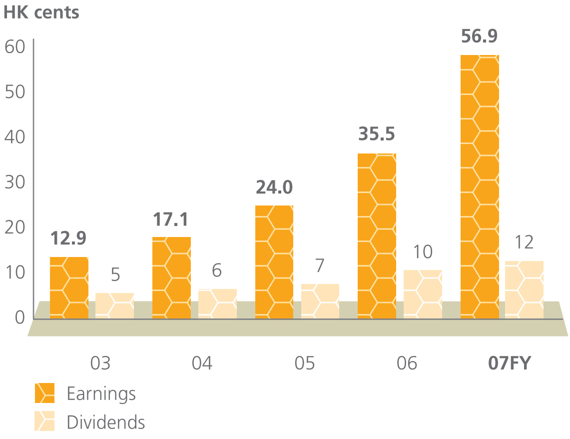
Key Balance Sheet Items

As at 31 December	2003 *HK$'000*	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
Fixed assets*	2,514,500	3,030,675	2,785,175	3,142,911	**3,846,835**
Long-term investments	683,432	1,606,384	1,717,500	2,166,857	**2,660,587**
Other non-current assets	1,826,889	2,306,180	1,342,988	853,726	**3,186,905**
Net current assets	5,566,253	7,148,162	11,728,244	18,288,562	**31,194,441**
Non-current liabilities	(3,460,660)	(4,519,008)	(6,793,661)	(9,562,647)	**(15,098,666)**
Net assets	7,130,414	9,572,393	10,780,246	14,889,409	**25,790,102**

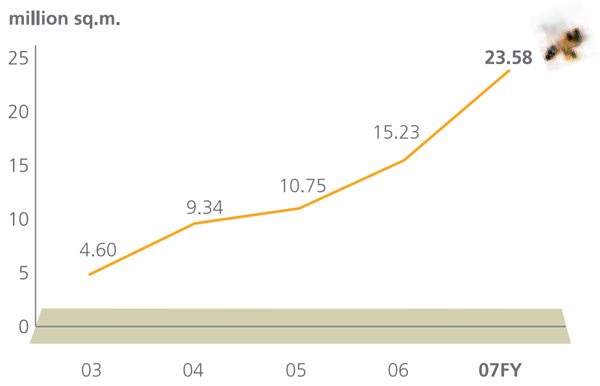
* *Including investment properties and property, plant and equipment.*

Group Financial Summary *(continued)*

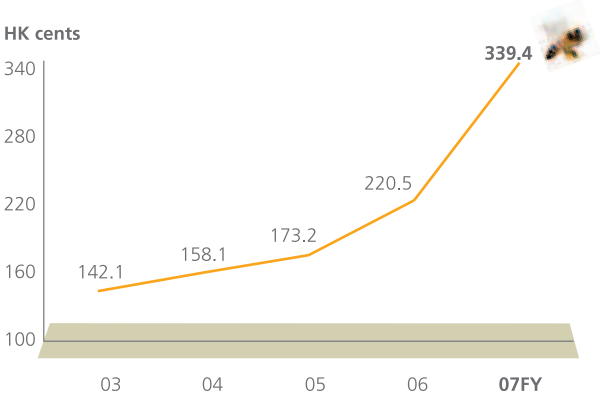
Earnings and Dividends per Share



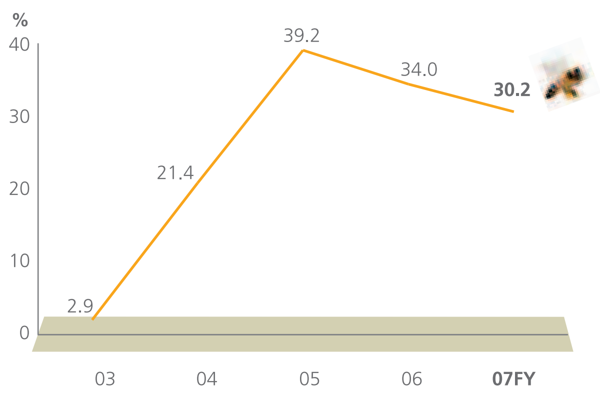
Land Reserve



Shareholders' Fund per Share



Net Debt to Shareholders' Funds



Report of Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2007.

Principal Activities

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries, associates and jointly controlled entities are set out in notes 53, 21 and 22 to the financial statements respectively.

An analysis of the Group's turnover and contribution are set out in notes 8 and 9 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 96.

An interim dividend of HK5 cents per share was paid on 3 October 2007. The board of directors recommends the payment of a final dividend of HK7 cents per share (2006: HK6 cents per share) to shareholders whose names appear on the register of members of the Company on 12 June 2008. Together with the interim dividend of HK5 cents per share (2006: HK4 cents per share), dividends for the year will amount to a total of HK12 cents per share. The final dividend will be payable on 26 June 2008.

On 18 July 2007, the Company proposed a bonus issue of warrants ("2007 Warrants") to be made in the proportion of 1 2007 Warrant for every 12 ordinary shares held by shareholders of the Company. 615,016,923 units of 2007 Warrants exercisable from 28 August 2007 to 27 August 2008 (both dates inclusive) were issued to the shareholders of the Company on 24 August 2007. Such 2007 Warrants will entitle the registered holder to subscribe in cash for 615,016,923 new shares of HK$0.10 each of the Company at an initial subscription price of HK$12.50 per share.

On 25 May 2006, the Company proposed a bonus issue of warrants ("2006 Warrants") to be made in the proportion of 1 2006 Warrant for every 8 ordinary shares held by shareholders of the Company. 811,198,451 units of 2006 Warrants exercisable from 18 July 2006 to 17 July 2007 (both dates inclusive) were issued to the shareholders of the Company on 14 July 2006. Such 2006 Warrants entitled the registered holder to subscribe in cash for 811,198,451 new shares of HK$0.10 each of the Company at an initial subscription price of HK$4.50 per share.

Share Premium and Reserves

Movements during the year in the share premium and reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 100 and note 38 to the financial statements respectively.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 183 and 184.

Major Properties

Details of the major properties and property interests of the Group at 31 December 2007 are set out on pages 185 to 188.

Tangible Fixed Assets

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of HK$443,262,000 which has been credited directly to the consolidated income statement.

Details of these and other movements during the year in the tangible fixed assets of the Group and the Company are set out in notes 17 and 18 to the financial statements.

Share Capital and Warrants

Details of movements during the year in the share capital of the Company are set out in note 37 to the financial statements.

Particulars of the bonus issue of warrants during the year is set out in the section headed "Results and Appropriations" and in note 37 to the financial statements.

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

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

Borrowings and Interest Capitalised

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities in the balance sheet. An analysis of the repayment schedule of non-current borrowings is set out in note 39 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK$181,148,000.

Directors

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

Executive Directors

Mr. Kong Qingping	*(Chairman)*
Mr. Hao Jian Min	*(Vice Chairman and Chief Executive Officer)*
Mr. Xiao Xiao	*(Vice Chairman)*
Mr. Wu Jianbin	
Mr. Chen Bin	
Mr. Zhu Yijian	*(appointed on 22 March 2007)*
Mr. Luo Liang	*(appointed on 22 March 2007)*
Mr. Wang Man Kwan, Paul	
Mr. Cui Duosheng	*(Vice Chairman) (resigned on 22 March 2007)*

Directors *(continued)*

Non-executive Director

Mr. Cheung Shiu Kit *(deceased on 20 February 2007)*

Independent Non-executive Directors

Dr. Li Kwok Po, David
Mr. Lam Kwong Siu
Dr. Wong Ying Ho, Kennedy

Notes:

(i) Mr. Kong Qingping has decided that he would no longer concurrently act as the chief executive of the Company with effect from 1 June 2007.

(ii) Mr. Hao Jian Min has been appointed chief executive officer of the Company to take effect from 1 June 2007.

(iii) Mr. Xiao Xiao has been elected vice chairman of the Company to take effect from 22 March 2007.

In accordance with Article 105(A) of the Company's Articles of Association, Mr. Hao Jian Min, Mr. Wu Jianbin, Mr. Lam Kwong Siu and Dr. Wong Ying Ho, Kennedy shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

The Company confirmed that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive directors to be independent.

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

Information regarding directors' emoluments is set out in note 14 to the financial statements.

Information on Share Options of the Company

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

(1) Movement of share options during the year ended 31 December 2007:

		Number of underlying shares comprised in options				
Name	Date of Grant	Outstanding at 01.01.2007	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2007
Directors						
Mr. Kong Qingping	17.07.1997 (i)	1,000,000	—	(1,000,000)	—	—
	14.02.1998 (ii)	560,000	—	(560,000)	—	—
	04.01.2000 (iv)	400,000	—	(400,000)	—	—
	18.06.2004 (vi)	2,688,000	—	(1,344,000)	—	1,344,000
		4,648,000	**—**	**(3,304,000)**	**—**	**1,344,000**
Mr. Hao Jian Min	17.07.1997 (i)	550,000	—	(550,000)	—	—
	18.06.2004 (vi)	1,728,000	—	(576,000)	—	1,152,000
		2,278,000	**—**	**(1,126,000)**	**—**	**1,152,000**
Mr. Xiao Xiao	17.07.1997 (i)	600,000	—	(600,000)	—	—
	18.06.2004 (vi)	1,200,000	—	(400,000)	—	800,000
		1,800,000	**—**	**(1,000,000)**	**—**	**800,000**
Mr. Wu Jianbin	18.06.2004 (vi)	1,728,000	—	(576,000)	—	1,152,000
		1,728,000	**—**	**(576,000)**	**—**	**1,152,000**
Mr. Chen Bin	18.06.2004 (vi)	960,000	—	(320,000)	—	640,000
		960,000	**—**	**(320,000)**	**—**	**640,000**
Mr. Zhu Yijian *(appointed on 22 March 2007)*	18.06.2004 (vi)	780,000	—	(260,000)	—	520,000
		780,000	**—**	**(260,000)**	**—**	**520,000**
Mr. Luo Liang *(appointed on 22 March 2007)*	18.06.2004 (vi)	384,000	—	(128,000)	—	256,000
		384,000	**—**	**(128,000)**	**—**	**256,000**
	Sub-Total	**12,578,000**	**—**	**(6,714,000)**	**—**	**5,864,000**

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

Name	Date of Grant	Number of underlying shares comprised in options: Outstanding at 01.01.2007	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2007
Aggregate of other employees*	17.07.1997 (i)	16,690,000	—	(16,690,000)	—	—
	14.02.1998 (ii)	2,490,000	—	(1,120,000)	—	**1,370,000**
	30.09.1998 (iii)	330,000	—	(330,000)	—	—
	04.01.2000 (iv)	1,080,000	—	(1,060,000)	—	**20,000**
	24.10.2001 (v)	—	—	—	—	—
	18.06.2004 (vi)	28,552,000	—	(12,036,000)	—	**16,516,000**
	Sub-Total	**# 49,142,000**	**—**	**(31,236,000)**	**—**	**17,906,000**
	Grand Total	**61,720,000**	**—**	**(37,950,000)**	**—**	**23,770,000**

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

\# (i) *Options to subscribe for a total of 1,164,000 shares in the Company held by newly appointed directors as at 1 January 2007 have been deducted for re-classification due to their appointment as directors of the Company during the year under review.*

(ii) *Options to subscribe for a total of 5,608,000 shares in the Company held by resigned director/director ceased to act as at 1 January 2007 have been added for re-classification due to their resignation/cessation to act as directors of the Company during the year under review.*

(2) At 31 December 2007, the options granted to subscribe for 23,770,000 Shares remained outstanding, representing approximately 0.31% of the issued share capital of the Company at that date. No options to subscribe for Shares have been cancelled during the year ended 31 December 2007.

As at the date of this annual report, 21,868,000 Shares were available for issue under the Share Option Scheme, representing approximately 0.28% of the issued share capital of the Company at that date.

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

(3) During the year ended 31 December 2007, options to subscribe for a total of 37,950,000 Shares (including options exercised by the Directors) of the Company were exercised, particulars as follows:

Date of Exercise	17.07.1997 (i)	14.02.1998 (ii)	30.09.1998 (iii)	04.01.2000 (iv)	24.10.2001 (v)	18.06.2004 (vi)	Total	Weighted average closing price immediately before the exercise *(HK$)*
08.01.2007	8,910,000	60,000	0	150,000	0	1,550,000	10,670,000	9.56
29.01.2007	940,000	120,000	0	130,000	0	0	1,190,000	9.26
06.02.2007	100,000	120,000	0	140,000	0	0	360,000	9.06
02.03.2007	1,580,000	740,000	90,000	680,000	0	1,344,000	4,434,000	8.83
30.03.2007	0	0	240,000	260,000	0	0	500,000	8.81
27.04.2007	240,000	0	0	0	0	40,000	280,000	9.11
10.05.2007	500,000	200,000	0	0	0	0	700,000	9.21
28.05.2007	3,100,000	0	0	0	0	0	3,100,000	9.35
21.06.2007	1,595,000	340,000	0	100,000	0	3,552,000	5,587,000	9.61
09.07.2007	1,875,000	0	0	0	0	180,000	2,055,000	9.86
16.07.2007	0	0	0	0	0	3,932,000	3,932,000	10.00
13.08.2007	0	100,000	0	0	0	5,042,000	5,142,000	10.77
Total:	**18,840,000**	**1,680,000**	**330,000**	**1,460,000**	**0**	**15,640,000**	**37,950,000**	

Notes:

(a) Particulars of share options granted:

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

* *particulars shown in note 37 to the financial statements*

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

Directors' and Chief Executive's Interests in Securities

As at 31 December 2007, the Directors, the Chief Executive of the Company and their respective associates had the following interests in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in Shares and Underlying Shares of the Company

(all being personal interest)

Name of director	Number of shares held	Number of underlying shares comprised in Options *(Note 1)*	Number of underlying shares comprised in Warrants	Total	% of shares in issue *(Note 2)*
Kong Qingping	7,156,000	1,344,000	726,333	9,226,333	0.119%
Hao Jian Min	3,903,500	1,152,000	325,291	5,380,791	0.069%
Xiao Xiao	2,597,500	800,000	216,458	3,613,958	0.047%
Wu Jianbin	3,352,000	1,152,000	0	4,504,000	0.058%
Chen Bin	688,000	640,000	26,666	1,354,666	0.017%
Zhu Yijian	360,000	520,000	30,000	910,000	0.012%
Luo Liang	468,750	256,000	12,228	736,978	0.010%
Wang Man Kwan, Paul	334,000	0	139,167	473,167	0.006%
Li Kwok Po, David	225,000	0	18,750	243,750	0.003%

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

(all being personal interest)

Name of director	Number of shares held	Number of underlying shares comprised in Options	Total	% of shares in issue *(Note 3)*
Kong Qingping	739,200	748,800	1,488,000	0.245%
Hao Jian Min	470,400	655,200	1,125,600	0.185%
Xiao Xiao	420,000	663,600	1,083,600	0.178%
Wu Jianbin	462,000	663,600	1,125,600	0.185%
Chen Bin	144,000	455,040	599,040	0.098%
Zhu Yijian	187,200	561,600	748,800	0.123%
Luo Liang	144,000	499,200	643,200	0.106%
Wang Man Kwan, Paul	44,000	249,600	293,600	0.048%
Li Kwok Po, David	13,333	0	13,333	0.002%

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

Notes:

1. *Information in relation to interests in options to acquire shares of the Company is set out in the section headed "Information on Share Options of the Company" of this report.*

2. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2007 (i.e. 7,743,705,396 shares).*

3. *The percentage has been adjusted based on the total number of shares of China State Construction International Holdings Limited in issue as at 31 December 2007 (i.e. 608,204,442 shares).*

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2007, any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Arrangements to Acquire Shares or Debentures

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

Directors' Interest in Competing Business

Pursuant to existing Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Kong Qingping, Hao Jian Min, Xiao Xiao, Wu Jianbin, Chen Bin, Zhu Yijian (appointed on 22 March 2007), Luo Liang (appointed on 22 March 2007), Cheung Shiu Kit (deceased on 20 February 2007) and Cui Duosheng (resigned on 22 March 2007) held directorships in the Company's ultimate holding company, China State Construction Engineering Corporation ("CSCEC"), and/or its subsidiaries, which are engaged in construction, property development and related business.

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

Substantial Shareholders' Interests in Securities

At 31 December 2007, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the Shares and underlying Shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	**Number of shares and underlying shares held**			**% of shares in issue** *(Note 1)*			**Capacity**
	(Long Position)	*(Short Position)*	*(Lending Pool)*	*(Long Position)*	*(Short Position)*	*(Lending Pool)*	
China Overseas Holdings Limited ("COHL") *(Note 2)*	4,014,012,182	245,197,740	—	51.84%	3.17%	—	Beneficial owner, Interest of controlled corporation
China State Construction & Engineering Corporation Limited ("CSC&EC") *(Note 3)*	4,014,012,182	245,197,740	—	51.84%	3.17%	—	Interest of controlled corporation
China State Construction Engineering Corporation ("CSCEC") *(Note 3)*	4,014,012,182	245,197,740	—	51.84%	3.17%	—	Interest of controlled corporation
JP Morgan Chase & Co. *(Note 4)*	459,270,186	47,348,227	234,000,173	5.93%	0.61%	3.02%	Beneficial owner, Investment manager, Custodian/ Approved lending agent

Notes:

1. *The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2007 (i.e. 7,743,705,396 shares).*

2. *Amongst the total number of 4,014,012,182 Shares held by COHL, 3,689,070,828 were held as beneficial owner while the balance of 324,941,354 was interests of controlled corporations.*

3. *COHL is a direct wholly owned subsidiary of CSC&EC, which is a 94% owned subsidiary of CSCEC, thus CSC&EC and CSCEC is deemed by the SFO to be interested in 4,014,012,182 Shares owned by COHL*

4. *Amongst the total number of 459,270,186 shares/underlying shares held by JP Morgan Chase & Co., 43,139,017 shares or underlying shares were held as beneficial owner, 182,130,996 shares or underlying shares were held as investment manager and 234,000,173 shares or underlying shares were held in its capacity as custodian/approved lending agent. The short position in 47,348,227 shares and underlying shares is held in a beneficial capacity.*

Save as disclosed above, the Company had not been notified by any other person (other than directors or the chief executive of the Company) who had an interest in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2007.

Major Customers and Suppliers

For the financial year ended 31 December 2007, the five largest customers of the Group accounted for less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for approximately 78% of the Group's total purchases and purchase from the largest supplier include therein amounted to approximately 27% for the year.

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

Connected, Continuing Connected and Related Party Transactions

Details of the connected, continuing connected and related party transactions are set out on pages 76 to 94. Save as the related party transactions disclosed in note 51 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefit Scheme

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme. During the year, the Group made contribution to these schemes amounting to approximately HK$22 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Public Float

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

Donations

During the year, the Group made charitable and other donations amounted to approximately HK$1,793,000.

Audit Committee

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 54 to 59.

Auditor

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

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

On behalf of the Board

Kong Qingping
Chairman

Hong Kong, 20 March 2008

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

"Acquisition"	the acquisition of Sale Interest by GCOP under the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement entered into between GCOP and SCO in relation to the acquisition of 11% of the existing registered capital of COP by GCOP
"Allied Dragon"	Allied Dragon Realty Limited, a company incorporated in Hong Kong whose shares are wholly owned by BOCGIL
"BEA"	The Bank of East Asia, Limited of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder
"Benefit Bright"	Benefit Bright (B.V.I.) Limited, a company incorporated in the British Virgin Islands on 16 July 1996, whose issued share capital, prior to the completion of the Benefit Bright Agreement, is beneficially owned as to 42.5% by King Chance, 32.5% by Pembrooke, 15% by Allied Dragon and 10% by Macell
"Benefit Bright Agreement"	the sale and purchase agreement entered into between Sino Vision and the Benefit Bright Sellers pursuant to which Sino Vision will acquire: (i) the shares in Benefit Bright held by Benefit Bright Sellers; (ii) the loans to Benefit Bright held and provided by the Benefit Bright Sellers; and (iii) the shares in OC2 Management held by the Benefit Bright Sellers, subject to the terms and conditions therein
"Benefit Bright Consideration"	the aggregate consideration to be paid by Sino Vision to the Benefit Bright Sellers pursuant to the Benefit Bright Agreement, being HK$2,070,135,174, subject to adjustments (if any) by reference to completion accounts and a completion audit
"Benefit Bright Sellers"	Pembrooke, Allied Dragon and Macell
"Board"	the board of Directors
"BOCGIL"	Bank of China Group Investment Limited, a company incorporated in Hong Kong
"Calistock"	Calistock Limited, a company incorporated in the British Virgin Islands, whose shares are wholly owned by Kerry Properties Limited
"CCEMacau"	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau, a direct wholly-owned subsidiary of COHL and an associate of the Company at the date of the announcement
"CCEMacau Engagement Agreement"	the engagement agreement entered into between the Company and CCEMacau on 22 November 2005 in respect of the engagement by the Group of CCEMacau as construction contractor for the Group in Macau

"Chongqing Feng Ying"	重慶豐盈房地產開發有限公司(translated as Chongqing Feng Ying Real Estates Development Co. Ltd.), a company established under the laws of the PRC on 11 September 2007, is wholly owned by Speedy Champ and its principal business is property development
"Chongqing Property"	a piece of land in the central business district of Chongqing, the PRC with a site area of approximately 1,002,400 square feet located at Jiangbei City (江北城) of Jiangbei District (江北區) B02-1, B03-1, B03-2, B04-1, B04-3, B05-1, B05-3號 , owned by Chongqing Feng Ying
"CODS"	深圳中海工程顧問有限公司(formerly known as 深圳市中海建設監理有限公司)(transliterated into English as Shenzhen China Overseas Engineering Consultant Co., Ltd.), a company established in PRC, the equity interest of which is owned as to 95% by SCO and 5% by a subsidiary owned by SCO as to 95%at the date of the announcement
"COHK"	China State Construction Limited (formerly known as China Overseas (Hong Kong) Limited), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of CSCIHL
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested directly and indirectly, in approximately 51% of the issued share capital of the Company
"COIHL"	China Overseas Infrastructure Holdings Limited (中國海外基建控股有限公司), a company incorporated in the Cayman Islands and is an indirect wholly owned subsidiary of COLI
"COLI" or "Company"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"COLI Connected Transaction"	the transactions as contemplated under the SCOCE Engagement Agreement (together with the SCOCE Cap), the CSC Engagement Agreement (together with the CSC Cap) and the CCEMacau Engagement Agreement (together with the CCEMacau Cap)
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended)
"connected person(s)" or "associate"	the term "connected person(s)" and "associate" shall have the meanings as defined in the Listing Rules
"COP"	中海地產集團有限公司 (formerly known as 中海地產股份有限公司) (China Overseas Property Group Co., Ltd.), a Sino-foreign joint venture company established in PRC, the registered capital of which is owned as to 79% indirectly by the Company, 11% by SCO and 10% by three independent PRC entities not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them at the date of the announcement
"COPL"	China Overseas Property Limited, a wholly-owned subsidiary of the Company

"COPM"	中海物業管理有限公司(China Overseas Property Management Co., Ltd.), a private limited liability company incorporated in Shenzhen, PRC
"COPM Agreement"	the agreement to be entered into between the Share Vendor and the Share Purchaser for the acquisition of the COPM Shares
"COPM Shares"	Total registered capital of RMB50,000,000 (approximately HK$49,504,950) of COPM, all of which has been paid up in full
"COS"	China Overseas Security Services Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
"COSPD"	中海信和(成都)物業發展有限公司, China Overseas Sino (Chengdu) Property Development Co., Ltd.*, a company incorporated in PRC, and a 80%-owned subsidiary of the Company, the balancing 20% is owned by Sino Development (Sichuan)
"COZG"	China Overseas (Zhong Guo) Limited, a company incorporated in Hong Kong, being an indirect wholly-owned subsidiary of the Company
"CSC Engagement Agreement"	the engagement agreement entered into between the Company and CSCIHL on 22 November 2005 in respect of the engagement by the Group of CSC Group as construction contractor for the Group in Hong Kong
"CSC Group" or "CSCIHL Group"	CSCIHL and its subsidiaries
"CSCE(HK) "	China State Construction Engineering (Hong Kong) Limited, an associate of COHL which is a substantial shareholder of the Company and a wholly-owned subsidiary of CSCIHL upon the Listing
"CSCEC"	中國建築工程總公司(China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of PRC, being the ultimate controlling shareholder of the Company and CSCIHL
"CSCEC Group"	CSCEC and its subsidiaries, other than SCOCE, CCEMacau, China State Construction and their respective subsidiaries
"CSCEC Group Engagement Agreement"	the engagement agreement entered into between the Company and CSCEC on 7 June 2006 in respect of the engagement by the Group of CSCEC Group as construction contractor for the Group in PRC
"CSCHK"	China State Construction (Hong Kong) Limited, a direct wholly-owned subsidiary of COHL
"CSCIHL" or "China State Construction"	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability on 25 March 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CSCIHL Shares"	shares of HK$0.10 each in the capital of CSCIHL
"Directors"	the directors of the Company

"East Asia"	East Asia Properties Holding Company Limited, a wholly-owned subsidiary of BEA
"Eton"	Eton Investments Limited (裕濠投資有限公司), a company incorporated in Hong Kong on 15 September 1992, is wholly owned by COLI and its principal business is investment holding
"GCOP"	廣州中海地產有限公司 (Guangzhou China Overseas Property Company Limited), an indirect wholly-owned subsidiary of the Company
"GFCL"	Goldmond Finance Company Limited, a connected person of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
"Golden Queen"	Golden Queen International Limited, a wholly-owned subsidiary of BEA
"Goldmond"	Goldmond Company Limited, a connected person of the Company, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BEA
"Goodrich"	Goodrich Company Limited, a company incorporated in Macau, the employer of the proposed residential development at Lot R+R1, rua Central de areia Preta, Macau and an indirect wholly-owned subsidiary of the Company
"Group"or "COLI Group"	the Company and its subsidiaries (as defined under the Listing Rules)
"Harvest Sun"	Harvest Sun (B.V.I.) Limited, a company incorporated in the British Virgin Islands on 13 April 1995, whose issued share capital, prior to the completion of the Harvest Sun Agreement, is beneficially owned as to 30% by King Chance, 30% by Super Creation, 20% by Calistock, 10% by CRL (HK) Pte Ltd. and 10% by Macwest
"Harvest Sun Agreement"	the sale and purchase agreement entered into between Sino Hope and the Harvest Sun Sellers pursuant to which Sino Hope will acquire the shares in Harvest Sun held by the Harvest Sun Sellers subject to the terms and conditions therein
"Harvest Sun Consideration"	The aggregate consideration to be paid by Sino Hope to the Harvest Sun Sellers pursuant to the Harvest Sun Agreement, being HK$265,313,828, subject to adjustments (if any) by reference to completion accounts and a completion audit
"Harvest Sun Sellers"	Super Creation, Calistock and Macwest
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Financial"	Hong Kong Financial Limited, a company incorporated in Hong Kong whose shares are indirectly wholly owned by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of PRC

"Hoover Tower-V"	the portion of properties owned by COHL in Hoover Towers (海華苑), Tower V, No. 8 St. Francis Yard, Wanchai, Hong Kong. It is a 22-storey residential building (with gross floor areas of about 29,944 square feet) erected over a 3-storey commercial podium (with gross floor areas of about 11,653 square feet and 6 car parking spaces)
"Independent Shareholders"	the shareholders of the Company, other than CSCEC, COHL, CSCIHL and their respective associates
"JV Co"	Proud Sea International Limited (驕洋國際有限公司), a company incorporated in the British Virgin Islands, wholly owned by COLI at the date of the Shareholders' Agreement and will be owned by COLI and CSCIHL in the proportion of 90% and 10% respectively at the completion of the Shareholders' Agreement
"King Chance"	King Chance Development Limited, a company incorporated in Hong Kong whose shares are directly wholly owned by Sino Land
"KYCL"	Kee Yet Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Listing"	the listing of CSCIHL Shares on the Main Board by way of an introduction pursuant to the Listing Rules
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macao Special Administrative Region of PRC
"Macell"	Macell Limited, a company incorporated in Hong Kong whose shares are indirectly wholly owned by the Company
"Macfull"	Macfull Limited, a company owned as to 60% by COPL
"Macwan"	Macwan Limited, a company owned as to 70% by COPL
"Macwest"	Macwest Limited, a company incorporated in Hong Kong whose shares are indirectly wholly owned by the Company
"Main Board"	the Main Board of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Master Security Services Agreement"	the agreement dated 15 May 2006 entered into between COS, an indirect wholly-owned subsidiary of COLI, and CSCIHL in relation to the provision of security services by COS to the worksites of CSCIHL and/or its subsidiaries
"Master Tenancy Agreement"	the agreement dated 15 May 2006 entered into between On Success, an indirect wholly-owned subsidiary of COLI, and COHK, an indirect wholly-owned subsidiary of CSCIHL, in relation to the leasing of certain properties located at China Overseas Building as offices of CSCIHL and/or its subsidiaries

"Maxjet"	Maxjet Company Limited, a company incorporated in Hong Kong and a company owned as to 90% indirectly by the Company and 10% by Goldmond
"NAV"	Net Asset Value
"OC2 Finance"	Olympian City 2 Finance Company Limited, a company incorporated in Hong Kong on 6 July 2001 whose issued share capital, prior to the completion of the OC2 Finance Agreement, is beneficially owned as to 50% by King Chance, 38.2% by Pembrooke and 11.8% by HK Financial
"OC2 Finance Agreement"	the sale and purchase agreement entered into between Sino Vision and the OC2 Finance Sellers, pursuant to which Sino Vision will acquire the shares in and the loans to OC2 Finance held and provided by the OC2 Finance Sellers, subject to the terms and conditions therein
"OC2 Finance Consideration"	the aggregate consideration to be paid by Sino Vision to the OC2 Finance Sellers pursuant to the OC2 Finance Agreement, being HK$5,312,223, subject to adjustments (if any) by reference to completion accounts and a completion audit
"OC2 Finance Sellers"	Pembrooke and HK Financial
"OC2 Management"	Olympian City 2 Management Company Limited, a company incorporated in Hong Kong on 26 April 1999 whose issued share capital, prior to the completion of the Benefit Bright Agreement, is beneficially owned as to 42.5% by King Chance, 32.5% by Pembrooke, 15% by Allied Dragon and 10% by Macell
"On Success"	On Success Development Limited, a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of COLI
"Pembrooke"	Pembrooke Development Investments Limited, a company incorporated in the British Virgin Islands, whose shares are wholly owned by Kerry Properties Limited (stock code: 683)
"PRC"	the People's Republic of China
"Primrose Project"	The property development project for residential use known as Primrose Villa Phase I located at Kangle Road, Longgang District, Shenzhen, PRC
"Rich Tower"	Rich Tower Properties Limited, a wholly-owned subsidiary of BOCGIL
"RMB"	Renminbi, the lawful currency of PRC
"Sale and Purchase"	the sale of the entire issued share capital in and shareholders' loan of the Target Company by COIHL to CSCIHL pursuant to the Sale and Purchase Agreement
"Sale and Purchase Agreement"	a sale and purchase agreement entered into between COIHL and CSCIHL on 7 November 2007
"Sale Interest"	11% of the existing registered capital of COP as held by SCO

"SCOCE"	深圳市中海建築工程公司(transliterated into English as Shenzhen China Overseas Construction Engineering Company), being a direct wholly-owned subsidiary of CSCEC
"SCOCE Engagement Agreement"	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the Group of SCOCE as construction contractor for the Group in PRC
"SCOP"	深圳中海地產有限公司(Shenzhen China Overseas Property Company Limited), a company established in PRC, the registered capital of which is owned as to 75% by COP and 25% by COZG immediately before the completion of the relevant agreement; and is a wholly-owned subsidiary of COP after the completion of the relevant agreement
"Share(s) "	share(s) of HK$0.10 each in the issued share capital of the Company
"Shareholders"	the shareholders of the Company from time to time
"Shareholders' Agreement"	a shareholders' agreement relating to the JV Co made between COLI, CSCIHL and the JV Co on 7 November 2007
"Shareholders' Loan(s)"	shareholders' loan(s) to be provided by COLI and/or CSCIHL to the JV Co from time to time, which as at 9 November 2007 is approximately RMB413.33 million (equal to approximately HK$427.30 million), all attributable to COLI
"Share Purchaser" or "COP(HK)"	China Overseas Property (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company
"Share Vendor" or "SCO"	深圳市中海投資管理有限公司(Shenzhen China Overseas Investment Management Co., Ltd.), a company established in PRC, as at the date of the announcement being a direct subsidiary owned by CSCEC
"Shenyang Huanggu Company"	瀋陽皇姑熱電有限公司(translated as Shenyang Huanggu Thermal Power Co. Ltd.), a limited liability company registered in the PRC and its principal business is production and supply of heat, electricity and steam and the provision of installing service heat distribution network
"Sino Development (Sichuan)"	信和置業(四川)有限公司(PRC) (Sino Development (Sichuan) Co., Ltd.*), a company incorporated in the PRC whose shares are indirectly wholly owned by Sino Land
"Sino Hope"	Sino Hope Investments Limited, a company incorporated in Hong Kong whose shares are indirectly wholly owned by Sino Land
"Sino Land"	Sino Land Company Limited, a company incorporated in Hong Kong and the shares of which are listed on the Main Board (stock code: 83)
"Sino Vision"	Sino Vision Holdings Limited, a company incorporated in Hong Kong whose shares are indirectly wholly owned by Sino Land

"Speedy Champ"	Speedy Champ Investments Limited (揚越投資有限公司), a company incorporated in Hong Kong on 1 August 2007 and engaged in property development, is owned as to 45% by Eton and 55% by Harbour Centre Development Limited (Stock code: 51), the shares of which are listed on the Main Board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Super Creation"	Super Creation Investments Limited, a company incorporated in Hong Kong whose shares are wholly owned by BOCGIL
"Target Company"	China Overseas Public Utility Investment Limited (中國海外公用設施投資有限公司), a company incorporated in the British Virgin Islands and is a direct wholly owned subsidiary of COIHL
"Top Brain"	Top Brain Development Limited, a wholly-owned subsidiary of BOCGIL
"Treasure Trinity"	Treasure Trinity Limited, a company incorporated in the British Virgin Islands
"Treasure Trinity Agreement"	the sale and purchase agreement dated 28 March 2007 entered into between the Company and COHL, for the sale and purchase of the entire issued share capital of, and the related shareholder's loan to, Treasure Trinity
"Union Plaza"	the portion of properties owned by COHL in Union Plaza (海聯廣場) situated at 9 Wo Muk Road, Fanling, New Territories, Hong Kong. It is a 3-storey shopping centre (including basement) comprising 150 shops with gross floor areas of about 66,381 square feet and 100 carparking spaces at the basement. Of these shops, 61 are owned by third parties other than COHL
"Widenews"	Widenews Company Limited (廣逸有限公司), a company incorporated in Hong Kong on 1 August 1996, is wholly owned by COLI and its principal business is investment holding and property development
"Zhuhai Property"	a piece of land lot located in Zhuhai, East of Yan He Road, south of San Tai Shi Road, Qian Shan, Zhuhai, the Land Registration Code:No. Zhu Guo Tu Chu 2007-2 (珠海市前山三台石路南沿河路東側，宗地編號為珠國土儲2007-02), owned by Zhuhai Widenews
"Zhuhai Widenews"	廣逸房地產開發(珠海)有限公司, (translated as Guang Yi Real Estate Development (Zhuhai) Limited Company), a company established under the laws of the PRC, on 7 August 2007, is wholly owned by Widenews and its principal business is property development and investment
"%"	per cent.

Conversion of RMB to HK$ is based on the exchange rate of (i) RMB1.06 = HK$1.00 for any financial period ending on or before 21 July 2005 and any dates falling within such period; (ii) RMB1.04 = HK$1.00 for any financial period commencing after 21 July 2005 to 14 November 2006; (iii) RMB1.01 = HK$1.00 for any financial period commencing on or after 15 November 2006 to 31 January 2007; (iv) RMB0.99 = HK$1.00 for any financial period commencing on or after 1 February 2007 to 8 November 2007; and (v) RMB0.9673 = HK$1.00 for any financial period commencing on or after 9 November 2007 and any dates falling within such period.

* *The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

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

**(1) In the ordinary course of business, CSCEC, the Company's ultimate controlling shareholder, acted as the guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year.

(2) On 29 August 1995, the Group entered into an agreement with certain parties relating to the establishment of Macwan to undertake a property development project. Macwan is owned as to 70% by COPL, a wholly-owned subsidiary of the Company, as to 20% by Rich Tower, and as to 10% by Golden Queen. Pursuant to the agreement, the shareholders of Macwan have agreed to provide loans to Macwan in accordance with their respective equity proportions. At 31 December 2007, the amounts due by Macwan to the Group, Rich Tower and East Asia, a fellow subsidiary of Golden Queen, were approximately HK$63 million, HK$19 million and HK$9 million respectively. The shareholders of Macwan and the lenders agreed that such loans are interest free. Golden Queen and East Asia are wholly-owned subsidiaries of BEA of which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.

(3) On 25 March 1997, a consortium led by the Company acquired a site situated in Homantin North at a public auction. Maxjet was established to undertake the property development project. Maxjet is owned as to 70% by COPL, as to 20% by KYCL, and as to 10% by Goldmond. The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. At 31 December 2007, the amounts due by Maxjet to the Group and Goldmond were approximately HK$709 million and HK$79 million respectively. Such loans are interest free. Goldmond is a wholly-owned subsidiary of BEA.

(4) On 14 October 1997, a consortium led by the Company acquired a site situated in Tuen Mun at a public auction. On 17 November 1997, members of the consortium entered into an agreement relating to the establishment of Macfull to undertake the development of the property. Macfull is owned as to 60% by COPL, as to 10% by Top Brain and as to 30% by independent third party. At 31 December 2007, the amounts due by Macfull to the Group and Top Brain were approximately HK$1,039 million and HK$173 million respectively. Such loans have been interest free since 1 January 1998.

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

**(5) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185,000,000 which was determined based on the cost of construction materials plus a margin. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK$16 million (2006: HK$14 million) in respect of the year.

**(6) Pursuant to an agreement entered into in 2004 between SCOP (an indirect non-wholly owned subsidiary of the Company at that date), and CODS (an indirect non-wholly owned subsidiary of CSCEC), whereby CODS agreed to provide certain project supervision service in respect of the Primrose Project. The supervision fee payable by SCOP to CODS amounts to RMB3,200,000 (approximately HK$3,019,000). SCOP has the land use right in respect of the Primrose Project forming the subject matter of the Primrose Agreement.

At 31 December 2007, SCOP is a wholly-owned subsidiary of the Company and CODS is an indirect wholly-owned subsidiary of CSCIHL, and continues to be a connected person of the Company.

The aggregate contract sum paid or payable by SCOP under the agreement is HK$10 million (2006: HK$0.6 million) in respect of the year.

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

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

Management fees and bonus paid by Goodrich to CCEMacau under the contract amounted to HK$50 million (2006: HK$10 million) and HK$7 million (2006: HK$5 million) respectively in respect of the year.

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

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

Particulars of the tenancy:

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

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

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

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

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

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

During the period from 1 January 2007 to 30 June 2007, the rent payable by COHK for the aforementioned agreement is HK$4.3 million (1 July 2006 to 31 December 2006: HK$2.2 million). The total rental received for the period 1 July 2006 to 30 June 2007 did not exceed the annual cap of HK$6,616,428 for the year ending 30 June 2007.

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

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

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

During the year, the total contract sum entered by CSCIHL under the Master Security Services Agreement is HK$11 million (2006: HK$7 million) which did not exceed the annual cap of HK$30 million for the financial year ended 31 December 2007.

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

(10) On 22 December 2006, SCO, a direct wholly-owned subsidiary of CSCEC, entered into the COPM Agreement with COP(HK) which is an indirect wholly-owned subsidiary of the Company at that day, whereby SCO has agreed to sell and COP(HK) agreed to purchase the COPM Shares for cash consideration of RMB128,000,000 (approximately HK$126,732,673).

The consideration for the acquisition of the 100% equity interest in COPM in the amount of RMB128,000,000 (approximately HK$126,732,673) was determined at approximately 6.5 times the audited profits of COPM and Beijing Zhonghai Property Management Co., Ltd. for the year ended 31 December 2005 of RMB19,586,976 (approximately HK$19,393,046) after arm's length negotiation with reference to the audited accounts of COPM and Beijing Zhonghai Property Management Co., Ltd. for the past two years, a report prepared by independent third party valuer in Mainland China provided by the Share Vendor and the prevailing market rate for acquisition of businesses of similar nature in Hong Kong for the current period. All payments will be financed out of the internal resources of the Group.

The consideration will be paid in cash in full upon completion which is within 14 days from the fulfillment of all the conditions precedent.

If the conditions precedent are not fulfilled or waived by 31 January 2007, or such later date as may be agreed by the parties, the COPM Agreement will terminate and cease to be of any effect save for any antecedent breach.

The acquisition of the 100% equity interest in COPM is subject to approval being granted by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the Ministry of Commerce of the PRC. The acquisition of the 100% equity interest in COPM, by allowing the Group to participate in the property management business in Mainland China, will enable the Group to have its own property management to look after its own development in Mainland China. The Directors believe that this will enhance the value, including selling price, of the developments.

CSCEC is the ultimate controlling shareholder of the Company. The Share Vendor, being a direct wholly-owned subsidiary of CSCEC, is an associate of CSCEC and therefore a connected person of the Company under the Listing Rules. The COPM Agreement and the transaction contemplated thereunder therefore constitute a connected transaction of the Company for the purpose of the Listing Rules.

The applicable size tests under the COPM Agreement is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the COPM Agreement is exempted under Rule 14A.32(1) of the Listing Rules and is only subject to the reporting and announcement requirements in accordance with Chapter 14A of the Listing Rules.

The relevant transaction was completed on 17 January 2007.

(11) On 28 March 2007, the Company entered into the Treasure Trinity Agreement with COHL to purchase the entire issued share capital in and shareholders loan to Treasure Trinity from COHL for an aggregate consideration of HK$361,171,395. As at the date of the announcement, Treasure Trinity through its wholly-owned subsidiaries holds shops and carparking spaces in Union Plaza, and Hoover Tower-V.

The aggregate consideration of HK$361,171,395 was determined after arm's length negotiation with reference to an independent valuation of the market value of the portion of Union Plaza and Hoover Tower-V indirectly owned by Treasure Trinity of HK$396,000,000 by Lawson David & Sung Surveyors Limited as at 31 December 2006 undertaken for the purpose of preparing the audited accounts of COHL adjusting for the working capital of Treasure Trinity. Taking into account the consideration, COHL agreed in the Treasure Trinity Agreement to waive all shareholder's loan made to Treasure Trinity to the extent that they are in excess of HK$361,171,394.

Completion is conditional upon all necessary consents or approvals required of the Company under the Listing Rules for approving the terms of this Treasure Trinity Agreement and the transactions contemplated hereunder having been obtained and shall take place on the third business day after the condition is fulfilled.

The Company considers the acquisition of the shops and carparking spaces in Union Plaza, and Hoover Tower-V provide an opportunity for the Company to enlarge its property investment portfolio at a reasonable price and believes that with the Company's strong property management operations, the core competitiveness of these properties may improve.

COHL is the controlling shareholder of the Company and is interested in about 51.7% of the Company's issued share capital as at the date of entering into the Treasure Trinity Agreement. Accordingly, COHL is a connected person of the Company and the Treasure Trinity Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

The applicable size tests calculated with reference to the Treasure Trinity Agreement is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules and the Treasure Trinity Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The relevant transaction was completed on 29 March 2007.

(12) On 7 November 2007, after trading hours, the Directors announced that COIHL (a wholly owned subsidiary of COLI) and CSCIHL entered into the Sale and Purchase Agreement whereby COIHL agreed to sell and CSCIHL agreed to purchase the entire issued share capital in and shareholders' loan to the Target Company for a cash consideration of HK$400 million.

The Target Company is the holding company of Shenyang Huanggu Company whose principal business is production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, the capital city of the Liaoning Province, PRC.

The consideration for the Sale and Purchase was determined after arm's length negotiation at 11.8 times of the average audited consolidated profit after tax and minority interest of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC for the past two years ended 31 December 2005 and 2006 respectively, a report prepared by independent third party accountant in the PRC provided by COIHL. The price earning ratio of 11.8 was set with reference to the pricing of similar infrastructure projects.

The consideration will be paid in full upon completion which is within 14 days from the fulfilment of all the conditions precedent.

The Directors consider that COLI's future business strategy is to focus on property development and they regard this as a good opportunity to realise its investment in infrastructure and use the sales proceed to invest in other property development projects. The Sale and Purchase is in line with COLI's business plan to dispose its interests in infrastructure projects at reasonable costs when suitable opportunities come. COLI has no current intention to dispose of its other business operations but will continue to explore suitable opportunities to dispose of its remaining infrastructure projects as and when opportunities come.

COIHL is an indirect wholly owned subsidiary of COLI. As at the date of entering into the agreement, COHL is interested as to approximately 51.72% of the issued share capital of COLI and as to approximately 62.14% of the issued share capital of CSCIHL. Accordingly, transactions between COIHL and CSCIHL (and/or its subsidiaries) constitute connected transactions for COLI.

The relevant transaction was completed on 31 December 2007.

(13) On 12 December 2007, after trading hours, the Directors announced that the Group entered into the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement, with particulars as below:

(a) The Harvest Sun Agreement:

Macwest, an indirect wholly owned subsidiary of the Company, together with the other Harvest Sun Sellers, entered into the Harvest Sun Agreement with Sino Hope, pursuant to which Sino Hope will acquire the shares in Harvest Sun held by the Harvest Sun Sellers.

The Group, through Macwest, is disposing of 10 shares in Harvest Sun, representing 10% of the issued and paid up share capital of Harvest Sun and the Group's entire interest in Harvest Sun. The consideration payable by Sino Hope to the Group is HK$44,218,971.

The Harvest Sun Consideration, as agreed between the parties on an arm's length negotiation basis, was determined on the basis of the consolidated net asset value of Harvest Sun of HK$442,189,714, as stated in its management accounts as at 30 September 2007 prepared in accordance with the Hong Kong Financial Reporting Standards.

A refundable deposit of 15% has been paid upon signing of the Harvest Sun Agreement and the balance thereof shall be payable upon the completion of the transactions contemplated under the Harvest Sun Agreement, subject to, among other things, the conditions mentioned therein.

(b) The Benefit Bright Agreement:

Macell, an indirect wholly owned subsidiary of the Company, together with the other Benefit Bright Sellers, entered into the Benefit Bright Agreement with Sino Vision, pursuant to which Sino Vision will acquire:

(i) the shares in Benefit Bright held by the Benefit Bright Sellers;

(ii) the loans owing as at completion of the transactions contemplated under the Benefit Bright Agreement granted by the Benefit Bright Sellers; and

(iii) the shares in OC2 Management held by the Benefit Bright Sellers.

The Group, through Macell, is disposing of:

(i) 100 shares in Benefit Bright, representing 10% of the issued and paid up share capital of Benefit Bright and the Group's entire interest in Benefit Bright;

(ii) all the loans owing to the Group as at completion by Benefit Bright (in the aggregate amount of HK$540,491,325 as at 30 September 2007); and

(iii) 100 shares in OC2 Management, representing 10% of the issued and paid up share capital of OC2 Management and the Group's entire interest in OC2 Management.

The consideration payable by Sino Vision to the Group pursuant to the Benefit Bright Agreement for the shares in, and the loans owing as at completion by, Benefit Bright is HK$360,023,509.

The Benefit Bright Consideration, as agreed between the parties on an arm's length negotiation basis, was determined by reference to the aggregate principal amount of the loans owing by Benefit Bright to the Benefit Bright Sellers (together with interests accrued thereon) on a dollar-for-dollar basis less 57.5% of the numeric value of consolidated net liabilities of Benefit Bright of HK$1,804,584,439, as stated in its management accounts as at 30 September 2007 prepared in accordance with the Hong Kong Financial Reporting Standards.

A refundable deposit of 15% has been paid upon signing of the Benefit Bright Agreement and the balance thereof shall be payable upon the completion of the transactions contemplated under the Benefit Bright Agreement, subject to, among other things, the conditions mentioned therein.

The consideration payable by Sino Vision to the Group pursuant to the Benefit Bright Agreement for the shares in OC2 Management is a fixed sum of HK$5,750 in cash as agreed between the parties on an arm's length negotiation with reference to the net asset value of OC2 Management.

(c) The OC2 Finance Agreement:

HK Financial, an indirect wholly owned subsidiary of the Company, together with the other OC2 Finance Seller, entered into the OC2 Finance Agreement with Sino Vision, pursuant to which Sino Vision will acquire the shares in OC2 Finance held by the OC2 Finance Sellers, and shareholders' loan granted, by the OC2 Finance Sellers to OC2 Finance.

The Group, through HK Financial, is disposing of 118 shares in OC2 Finance, representing 11.8% of the issued and paid up share capital of OC2 Finance and the Group's entire interest in OC2 Finance, together with the loan of HK$1,675,788 owing to the Group as at completion by OC2 Finance.

The consideration payable by Sino Vision to the Group pursuant to the OC2 Finance Agreement for the shares in, and the loans owing as at completion by, OC2 Finance is approximately HK$1,253,685.

The OC2 Finance Consideration was determined by reference to the aggregate principal amount of the loans owing by OC2 Finance to the OC2 Finance Sellers (together with interests accrued thereon) on a dollar-for-dollar basis less the numeric value of 50% of the net liabilities of OC2 Finance of HK$3,576,212 as stated in its management accounts as at 30 September 2007 prepared in accordance with the Hong Kong Financial Reporting Standards (subject to adjustments (if any) by reference to completion accounts and a completion audit).

A refundable deposit of 15% has been paid upon signing of the OC2 Finance Agreement and the balance thereof shall be payable upon the completion of the transactions contemplated under the OC2 Finance Agreement, subject to, among other things, the conditions mentioned therein.

The acquisitions of shares in Harvest Sun by Sino Hope from each of the Harvest Sun Sellers are conditional upon the acquisition of shares in Benefit Bright by Sino Vision from each of the Benefit Bright Sellers in the same group as the relevant Harvest Sun Seller being completed at the same time. However, completion of the OC2 Finance Agreement is not conditional upon completion of the Harvest Sun Agreement or the Benefit Bright Agreement.

The Group holds minority interests in, and has limited control over, the joint ventures. In view of the unsatisfactory cash flow to the Group generated by these investments annually, the Directors believe that the entering into of the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement provides an opportunity for the Company to immediately realise its entire investments in the three joint ventures at a consideration which reflects the value of the Group's interest in the joint ventures at today's market conditions. The proceeds realised will be applied in the short run as working capital and later for other investments which the Directors believe would generate a better return to the Group in the long run.

Sino Hope and Sino Vision are indirect wholly owned subsidiaries of Sino Land. Sino Land, through its wholly owned subsidiary, Sino Development (Sichuan), is a substantial shareholder holding 20% of COSPD, a 80%-owned subsidiary of the Company. The transactions contemplated under the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement would therefore constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated with reference to the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement together exceed 0.1% but are less than 2.5% pursuant to the Listing Rules, the entering into of the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement are exempted from independent shareholders' approval.

The transactions contemplated under the Harvest Sun Agreement, the Benefit Bright Agreement and the OC2 Finance Agreement were completed on 21 December 2007.

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

(14) On 22 November 2005, the Directors announced that the Company entered into various agreements as below:

(a) for Mainland China market — the SCOCE Engagement Agreement with SCOCE, whereby the Group may continue to engage SCOCE as construction contractor in Mainland China upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK$1,600 million per annum (the "SCOCE Cap").

(b) for Hong Kong market — the CSC Engagement Agreement with China State Construction, whereby the Group may continue to engage CSC Group as construction contractor in Hong Kong upon successful tender for three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK$900 million per annum (the "CSC Cap").

(c) for Macau market — the CCEMacau Engagement Agreement with CCEMacau, whereby the Group may continue to engage CCEMacau as construction contractor in Macau upon successful tender for each of the following three financial years ending 31 December 2008, provided that the total contract sum to be awarded by the Group shall not exceed HK$200 million per annum (the "CCEMacau Cap").

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

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

Each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Company in respect of the total contract sum that may be awarded under these agreements, i.e. the SCOCE Cap, the CSC Cap and the CCEMacau Cap, exceed 2.5%.

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

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

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

During the year, the total contract sum awarded under the SCOCE Engagement Agreement to SCOCE for the year under review is HK$Nil (2006: HK$39 million) which did not exceed the annual cap of HK$1,600 million for the financial year ended 31 December 2007.

During the year, the total contract sum awarded under the CSC Engagement Agreement to CSC Group for the year under review is Nil (2006: HK$126 million) which did not exceed the annual cap of HK$900 million for the financial year ended 31 December 2007.

During the year, the total contract sum awarded under the CCEMacau Engagement Agreement to CCEMacau for the year under review is Nil (2006: HK$189 million) which did not exceed the annual cap of HK$200 million for the financial year ended 31 December 2007.

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

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

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

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

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

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

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

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

During the year, the total contract sum awarded under the CSCEC Group Engagement Agreement to CSCEC Group is RMB1,271 million (equivalent to approximately HK$1,373 million) (2006: HK$762 million) which did not exceed the annual cap of HK$1,600 million for the financial year ended 31 December 2007.

(16) On 7 November 2007, after the trading hours, the Directors announced that COLI, CSCIHL and the JV Co entered into the Shareholders' Agreement whereby CSCIHL will pay HK$7.8 to subscribe for 1 share in the JV Co so that upon completion, COLI and CSCIHL will own the JV Co in the proportion of 90% and 10%. COLI has extended a Shareholders' Loan (standing at approximately RMB 413.33 million (equivalent to approximately HK$427.3 million) as at the date of the announcement) to the JV Co. In order to align the contribution of COLI and CSCIHL to the Shareholders' Loan of JV Co to the proportion of 90% and 10% respectively, CSCIHL will extend a Shareholders' Loan to JV Co on completion so that JV Co may repay 10% of the Shareholders' Loan due from COLI on completion. Future Shareholders' Loan, if any, will be extended by COLI and CSCIHL in the proportion of 90% and 10%. The JV Co is a wholly owned subsidiary established by COLI for developing the Chongqing Property and the Zhuhai Property.

It is the policy of COLI to include different cooperation models such as joint venture, cooperation with funds or merger and acquisition as supplement to organise growth. COLI has entered into joint ventures with other property developers before. Also, COLI can make use of CSCIHL's expertise in property construction to achieve synergy in the Chongqing Property and the Zhuhai Property development.

As at the date of entering into the agreement, COHL is interested as to approximately 51.72% of the issued share capital of COLI and as to approximately 62.14% of the issued share capital of CSCIHL. Accordingly, transactions between COLI (and/or its subsidiaries) and CSCIHL (and/or its subsidiaries) constitute connected transactions for COLI.

As the applicable percentage ratios computed pursuant to rule 14.04(9) of the Listing Rules for COLI in respect of the entering into the Shareholders' Agreement exceeds 5% but is less than 25%, the entering into the Shareholders' Agreement constitutes a discloseable and connected transaction and is subject to independent shareholders' approval.

Further details of the Shareholders' Agreement were given in a circular to Shareholders dated 30 November 2007.

The Shareholders' Agreement and the transaction contemplated thereunder were duly approved by Independent Shareholders at an extraordinary general meeting held on 27 December 2007.

The relevant transaction was completed on 31 December 2007.

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

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

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

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

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CHINA OVERSEAS LAND & INVESTMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Land & Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 182 which comprise the consolidated and the Company's balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	8	**16,632,553**	10,910,234
Cost of sales		**(8,226,249)**	(6,639,063)
Direct operating expenses		**(667,833)**	(688,617)
		7,738,471	3,582,554
Increase in fair value of investment properties	17	**443,262**	205,440
Loss on disposal of investments in syndicated property project companies		**(214,514)**	—
(Loss) gain on disposal of subsidiaries		**(201,449)**	23,679
Increase in fair value of investments held-for-trading		**72,918**	152,284
Other income	10	**411,607**	220,104
Selling and distribution costs		**(463,281)**	(284,750)
Administrative expenses		**(685,381)**	(478,537)
Operating profit		**7,101,633**	3,420,774
Share of (losses) profits of			
Associates		**(27,911)**	(6,933)
Jointly controlled entities		**386,276**	433,649
Finance costs	11	**(500,911)**	(361,461)
Profit before tax		**6,959,087**	3,486,029
Income tax expense	12	**(2,741,936)**	(1,174,070)
Profit for the year	13	**4,217,151**	2,311,959
Attributable to:			
Equity shareholders of the Company		**4,179,579**	2,370,750
Minority interests		**37,572**	(58,791)
		4,217,151	2,311,959

		HK cents	HK cents
EARNINGS PER SHARE	16		
Basic		**56.9**	35.5
Diluted		**56.1**	35.0

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Investment properties	17	**2,634,750**	1,638,580
Property, plant and equipment	18	**1,212,085**	1,504,331
Prepaid lease payments for land	19	**95,736**	76,861
Investments in associates	21	**56,907**	141,288
Investments in jointly controlled entities	22	**2,588,406**	1,753,783
Investments in syndicated property project companies	23	**15,274**	143,895
Investments in infrastructure projects	24	**—**	127,891
Amounts due from associates	25	**271,697**	187,227
Amounts due from jointly controlled entities	25	**2,612,797**	439
Amounts due from syndicated property project companies	25	**1,873**	490,954
Other financial assets	27	**95,781**	33,720
Goodwill	45	**109,021**	64,525
		9,694,327	6,163,494
Current Assets			
Inventories	28	**7,636**	32,279
Stock of properties	29	**39,890,087**	22,486,481
Investments held-for-trading	30	**73,340**	362,563
Prepaid lease payments for land	19	**3,713**	3,674
Trade and other receivables	31	**1,454,511**	1,470,435
Deposits and prepayments		**3,506,912**	637,251
Amount due from an associate	32	**827,958**	857,662
Amounts due from jointly controlled entities	32	**425,638**	—
Amounts due from infrastructure projects	24	**—**	20,240
Amounts due from minority shareholders		**119,808**	—
Other financial assets	27	**—**	3,080
Tax prepaid		**39,082**	56,297
Bank balances and cash	33	**8,478,160**	3,760,165
		54,826,845	29,690,127
Current Liabilities			
Trade and other payables	34	**7,201,887**	5,026,436
Pre-sales deposits		**8,982,528**	3,503,362
Rental and other deposits		**251,877**	210,254
Amounts due to associates	35	**162,651**	154,356
Amounts due to jointly controlled entities	35	**1,358,497**	666,591
Tax liabilities		**2,789,968**	1,167,135
Bank loans — due within one year	39	**2,884,996**	673,431
		23,632,404	11,401,565
Net Current Assets		**31,194,441**	18,288,562
		40,888,768	24,452,056

Consolidated Balance Sheet *(continued)*

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and Reserves			
Share capital	37	**774,371**	700,606
Share premium and reserves		**25,507,669**	14,748,839
Equity attributable to equity shareholders of the Company		**26,282,040**	15,449,445
Minority interests		**(491,938)**	(560,036)
Total Equity		**25,790,102**	14,889,409
Non-current Liabilities			
Bank loans — due after one year	39	**11,289,021**	6,047,000
Guaranteed notes payable	40	**2,326,435**	2,323,440
Amount due to a fellow subsidiary	35	**135,864**	—
Amounts due to minority shareholders	41	**873,557**	781,020
Deferred tax liabilities	42	**473,789**	411,187
		15,098,666	9,562,647
		40,888,768	24,452,056

The financial statements on pages 96 to 182 were approved and authorised for issue by the Board of Directors on 20 March 2008 and are signed on its behalf by:

Kong Qingping
DIRECTOR

Wu Jianbin
DIRECTOR

Company Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Property, plant and equipment	18	10,793	15,373
Prepaid lease payments for land	19	248	310
Investments in subsidiaries	20	1,447,087	279,095
Amounts due from subsidiaries	26	6,640,518	4,682,894
Amount due from an associate	25	—	10,000
		8,098,646	4,987,672
Current Assets			
Stock of properties	29	1,798	1,798
Prepaid lease payments for land	19	62	62
Trade and other receivables		21,396	38,654
Deposits and prepayments		7,106	6,147
Other financial assets	27	—	3,080
Amounts due from subsidiaries	26	17,379,302	12,563,557
Tax prepaid		118	118
Bank balances and cash	33	1,195,417	77,068
		18,605,199	12,690,484
Current Liabilities			
Trade and other payables		61,031	64,573
Sundry deposits		150	146
Amounts due to subsidiaries	36	1,468,387	703,023
Bank loans — due within one year	39	1,611	203,191
Other financial liabilities	27	6,532	33,358
		1,537,711	1,004,291
Net Current Assets		17,067,488	11,686,193
		25,166,134	16,673,865
Capital and Reserves			
Share capital	37	774,371	700,606
Share premium and reserves	38	15,892,318	9,853,749
Total Equity		16,666,689	10,554,355
Non-current Liabilities			
Bank loans — due after one year	39	6,100,000	3,630,000
Amounts due to subsidiaries	36	2,377,538	2,377,892
Other financial liabilities	27	21,907	111,618
		8,499,445	6,119,510
		25,166,134	16,673,865

Kong Qingping
DIRECTOR

Wu Jianbin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the parent												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000 (Note)	PRC statutory reserve HK$'000 (Note 38)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP													
At 1 January 2006	639,798	6,778,752	18,798	7,475	22,337	106,978	126,337	—	156,975	3,225,175	11,082,625	(302,379)	10,780,246
Net exchange differences on translation of foreign operations	—	—	—	—	—	—	469,681	—	—	—	469,681	11,286	480,967
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	—	—	—	(1,932)	—	(1,505)	—	(3,437)	3,437	—
Share of associates' reserve movements	—	—	—	—	—	—	6,250	—	—	—	6,250	—	6,250
Surplus on revaluation on reclassification of properties	—	—	—	—	613	—	—	—	—	—	613	—	613
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	(76,723)	—	—	—	—	(76,723)	—	(76,723)
Acquisition of additional interests in a subsidiary (Note 43(c))	—	—	—	—	—	—	—	(380,000)	—	—	(380,000)	(284,651)	(664,651)
Net income recognised directly in equity	—	—	—	—	613	(76,723)	473,999	(380,000)	(1,505)	—	16,384	(269,928)	(253,544)
Profit for the year	—	—	—	—	—	—	—	—	—	2,370,750	2,370,750	(58,791)	2,311,959
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	(19,228)	—	—	—	(19,228)	—	(19,228)
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	189,314	—	—	189,314	—	189,314
Total recognised income and expense for the year	—	—	—	—	613	(76,723)	454,771	(190,686)	(1,505)	2,370,750	2,557,220	(328,719)	2,228,501
2005 final dividend paid	—	—	—	—	—	—	—	—	—	(257,390)	(257,390)	—	(257,390)
Issue of shares upon exercise of share options	13,901	223,940	—	(2,624)	—	—	—	—	—	—	235,217	—	235,217
Share issue expenses — share options	—	(212)	—	—	—	—	—	—	—	—	(212)	—	(212)
Issue of shares upon exercise of warrants	46,907	2,063,907	—	—	—	—	—	—	—	—	2,110,814	—	2,110,814
Share issue expenses — warrants	—	(233)	—	—	—	—	—	—	—	—	(233)	—	(233)
Recognition of share-based payments	—	—	—	133	—	—	—	—	—	—	133	—	133
Capital contributions from equity participants	—	—	—	—	—	—	—	—	—	—	—	108,954	108,954
Eliminated on disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(35,262)	(35,262)
2006 interim dividend paid	—	—	—	—	—	—	—	—	—	(278,729)	(278,729)	—	(278,729)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(2,630)	(2,630)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	127,530	(127,530)	—	—	—
At 31 December 2006	700,606	9,066,154	18,798	4,984	22,950	30,255	581,108	(190,686)	283,000	4,932,276	15,449,445	(560,036)	14,889,409
Net exchange differences on translation of foreign operations	—	—	—	—	—	—	1,088,921	—	—	—	1,088,921	1,642	1,090,563
Minority shareholders' share of subsidiaries' reserve movements	—	—	—	—	—	—	(1,601)	—	—	—	(1,601)	1,601	—
Share of associates' reserve movements	—	—	—	—	—	—	21,673	—	—	—	21,673	—	21,673
Share of jointly controlled entities' reserve movements	—	—	—	—	—	—	248,231	—	—	—	248,231	—	248,231
Change in fair value of investments in syndicated property project companies	—	—	—	—	—	(82,899)	—	—	—	—	(82,899)	—	(82,899)
Net income recognised directly in equity	—	—	—	—	—	(82,899)	1,357,224	—	—	—	1,274,325	3,243	1,277,568
Profit for the year	—	—	—	—	—	—	—	—	—	4,179,579	4,179,579	37,572	4,217,151
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	(68,158)	—	—	—	(68,158)	—	(68,158)
Release upon disposal of investments in syndicated property project companies	—	—	—	—	—	67,874	—	—	—	—	67,874	—	67,874
Release of reserve upon realisation of assets	—	—	—	—	—	—	—	47,911	—	—	47,911	—	47,911
Total recognised income and expense for the year	—	—	—	—	—	(15,025)	1,289,066	47,911	—	4,179,579	5,501,531	40,815	5,542,346
2006 final dividend paid	—	—	—	—	—	—	—	—	—	(436,490)	(436,490)	—	(436,490)
Issue of shares upon exercise of share options	3,795	96,194	—	(3,008)	—	—	—	—	—	—	96,981	—	96,981
Share issue expenses — share options	—	(95)	—	—	—	—	—	—	—	—	(95)	—	(95)
Issue of shares upon exercise of warrants	69,970	5,986,700	—	—	—	—	—	—	—	—	6,056,670	—	6,056,670
Share issue expenses — warrants	—	(436)	—	—	—	—	—	—	—	—	(436)	—	(436)
Recognition of share-based payments	—	—	—	1,404	—	—	—	—	—	—	1,404	—	1,404
Capital contributions from equity participants	—	—	—	—	—	—	—	—	—	—	—	66,458	66,458
2007 interim dividend paid	—	—	—	—	—	—	—	—	—	(386,970)	(386,970)	—	(386,970)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(39,175)	(39,175)
Transfer to PRC statutory reserve	—	—	—	—	—	—	—	—	67,384	(67,384)	—	—	—
At 31 December 2007	**774,371**	**15,148,517**	**18,798**	**3,380**	**22,950**	**15,230**	**1,870,174**	**(142,775)**	**350,384**	**8,221,011**	**26,282,040**	**(491,938)**	**25,790,102**

Note: *Other reserve arose from the acquisition of additional interest in subsidiaries from minority shareholders through the acquisition of subsidiaries as disclosed in Note 43(c). The amount represents the difference between the consideration paid and the carrying value of the net assets attributable to the additional interest acquired, net of amount released upon realisation of the underlying assets of the subsidiaries after the acquisition.*

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**6,959,087**	3,486,029
Adjustments for:			
Share of losses of associates		**27,911**	6,933
Share of profits of jointly controlled entities		**(386,276)**	(433,649)
Interest expenses		**500,911**	361,461
Depreciation and amortisation		**130,843**	148,585
Interest income		**(197,440)**	(135,132)
Dividend income		**(502)**	(12,601)
Investment income from infrastructure projects		**(12,004)**	(23,835)
Share-based payment expense		**1,404**	133
Increase in fair value of investment properties		**(443,262)**	(205,440)
(Gain) loss on change in value of interest rate swap agreements		**(918)**	2,156
Gain on disposal of investments in infrastructure projects		**(15,476)**	—
Loss (gain) on disposal of subsidiaries	44(a)	**201,449**	(23,679)
(Gain) loss on disposal of associates		**(2,347)**	1,309
Loss on disposal of a jointly controlled entity		**1,961**	—
Gain on disposal of property, plant and equipment		**(81)**	(3,646)
Increase in fair value of investment held-for-trading		**(72,918)**	(152,284)
Loss on disposal of investments in syndicated property project companies		**214,514**	—
Operating cash flows before movements in working capital		**6,906,856**	3,016,340
Decrease in instalments receivable		**2,534**	2,084
Decrease (increase) in inventories		**8,144**	(3,704)
Increase in stock of properties		**(15,532,534)**	(7,194,547)
Decrease (increase) in investments held-for-trading		**362,141**	(198,790)
Increase in trade and other receivables, deposits and prepayments		**(2,622,187)**	(584,569)
Increase in restricted bank balances		**(394,609)**	(146,537)
Increase in trade and other payables, pre-sales deposits, and rental and other deposits		**5,990,677**	3,609,230
Cash used in operations		**(5,278,978)**	(1,500,493)
Income taxes paid		**(1,128,718)**	(771,616)
Income taxes refunded		**7,307**	334
NET CASH USED IN OPERATING ACTIVITIES		**(6,400,389)**	(2,271,775)

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Interest received		126,037	83,940
Dividends from jointly controlled entities received		57,704	—
Dividends from associates received		—	125
Dividends from syndicated property project companies received		502	12,601
Investment income from infrastructure projects		12,004	23,835
(Increase) decrease in pledged bank deposits		(64,595)	829
Purchase of property, plant and equipment		(429,072)	(493,543)
Prepaid lease payments for land		—	(2,033)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	43(a) & (b)	(648,671)	(995,053)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	44(a)	219,799	292,652
Consideration received	44(b)	522,600	—
Repayment from (advances to) associates		37,446	(106,784)
Investments in jointly controlled entities		(117,111)	(72,815)
(Advances to) repayment from jointly controlled entities		(2,518,640)	403,822
Repayment of capital from jointly controlled entities		26,038	26,038
Repayment of capital from infrastructure investments		11,301	17,419
Repayment from infrastructure project companies		20,240	9
Repayment from syndicated property project companies		23,494	25,887
Advance to minority shareholders of subsidiaries		(119,808)	—
Net proceeds on sales of investment properties		4,500	62,620
Net proceeds on sales of property, plant and equipment		20,313	15,667
Net proceeds on disposal of jointly controlled entities		1,361	—
Net proceeds on disposal of associates		4,317	899
Net proceeds on disposal of syndicated property project companies		405,305	—
Net proceeds on disposal of infrastructure projects		151,603	—
NET CASH USED IN INVESTING ACTIVITIES		(2,253,333)	(703,885)
FINANCING ACTIVITIES			
Interest paid		(567,253)	(397,208)
Other finance costs paid		(23,913)	(23,342)
Cash dividends paid		(823,460)	(536,119)
Dividends paid to minority shareholders		(39,175)	(2,630)
Net proceeds from issue of shares		6,156,128	2,345,586
New bank loans raised		10,482,120	4,564,000
Repayment of bank loans		(3,404,776)	(3,258,657)
Advances from (repayment to) associates		8,295	(375)
Advance from a fellow subsidiary		135,864	—
Advances from jointly controlled entities		627,297	666,591
Contributions from minority shareholders of subsidiaries		66,458	108,954
Advances from (repayment to) minority shareholders of subsidiaries		92,537	(134,943)
NET CASH FROM FINANCING ACTIVITIES		12,710,122	3,331,857
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,056,400	356,197
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,589,051	3,126,381
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		241,204	106,473
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	46	7,886,655	3,589,051

Notes to the Financial Statements

For the year ended 31 December 2007

1. General

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

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group, comprising the Company and its subsidiaries, is principally engaged in property development and investment, infrastructure project investments, generation and supply of heat and electricity, real estate agency and management, and treasury operations.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 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 adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and 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.

3. Potential Impact on New or Revised Standards, Amendment and Interpretations

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards or interpretations. Other than the adoption of HK(IFRIC) - Int 12 "Service Concession Arrangements" which may have potential impact to the financial statements, the directors of the Company so far concluded that the application of these standards or interpretations will have no material impact on the financial statements of the Group. The Group is still not in the position to reasonably estimate the impact that may arise from the HK(IFRIC)-Int 12.

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

4. Principal Accounting Policies

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

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

Basis of Consolidation

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

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

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

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

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

4. Principal Accounting Policies *(continued)*

Business Combinations

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

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

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

Goodwill

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

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

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

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

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

4. Principal Accounting Policies *(continued)*

Acquisition of Additional Interests in Subsidiaries

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

Investments in Subsidiaries

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

Investments in Associates

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

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

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

Investments in Jointly Controlled Entities

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

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

4. Principal Accounting Policies *(continued)*

Investments in Jointly Controlled Entities *(continued)*

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

Investment Properties

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

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

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

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. Property interests held under operating lease previously classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Property, Plant and Equipment

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

No depreciation is provided on construction in progress until the developments of the related assets are completed. 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 of their estimated residual value, using the straight-line method.

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

4. Principal Accounting Policies *(continued)*

Property, Plant and Equipment *(continued)*

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

Impairment Losses on Assets other than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other Standard.

Prepaid Lease Payments for Land

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

Financial Instruments

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

4. Principal Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets

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

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

Income is recognised on an effective interest basis for debt instruments.

Financial Assets at Fair Value through Profit or Loss
Financial assets at FVTPL represent financial assets held-for-trading.

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

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

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

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 investments in infrastructure projects where the return therefrom is fixed, trade and other receivables, amounts due from associates, jointly controlled entities, syndicated property project companies and infrastructure projects, minority shareholders, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial Assets *(continued)*

Available-for-sale Financial Assets

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

Impairment of Financial Assets

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

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

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

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

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

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

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

4. Principal Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

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

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

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

Equity Instruments

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

Financial Liabilities

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

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

Interest expense is recognised on an effective interest basis.

Derivatives that do not Qualify for Hedge Accounting

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

4. Principal Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial Guarantee Contracts

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

Derecognition

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

For financial liabilities, they are derecognised from the Group's balance sheet when the obligation specified in the relevant contract is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Inventories

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

Stock of Properties

Completed Properties and Properties under Development

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

Borrowing Costs

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

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

4. Principal Accounting Policies *(continued)*

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

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

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

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

Government Grants

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

Operating Leases

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 or receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement Benefit Costs

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

4. Principal Accounting Policies *(continued)*

Taxation

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

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

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

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

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

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

Share Options Granted to Employees

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

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

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

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

4. Principal Accounting Policies *(continued)*

Revenue Recognition

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

Sales of Properties

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

Property Rentals

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

Supply of Heat and Electricity

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

Infrastructure Project Investments

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

Real Estate Agency and Management Services

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

Dividend Income

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

Interest Income

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

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Judgement in Applying the Entity's Accounting Policies

The following is the critical judgement, apart from involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

As disclosed in Note 44(b), the disposal of Big Profit and the corresponding gain on disposal have not been recognised on the basis of a put option written to the Purchaser. In making the judgement, the directors consider that they cannot measure reliably the possibility of meeting the relocation thresholds upon the date of execution of the shareholders' agreement and as at reporting date because there are certain unanticipated and uncontrollable factors involved, including contractors' performances as well as political and legal environment change. Actual results may differ from these estimates made by the directors.

Key Sources of Estimation Uncertainty

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

(a) Fair Value of Investment Properties

Investment properties are carried in the balance sheet at 31 December 2007 at their fair value of HK$2,635 million. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the income statement.

(b) Impairment of Investments in Jointly Controlled Entities

Management assessed the recoverability of the Group's investments in jointly controlled entities undertaking toll bridge and property development projects in the PRC with an aggregate carrying amount of HK$1,438 million and HK$1,150 million included in the balance sheet at 31 December 2007.

(i) Toll bridge projects investments

The assessment was based on the projected revenue to be derived by these entities from the operation of toll bridges over the remaining joint venture periods discounted by a suitable rate ranging from 8% to 12% (2006: 8% to 12%) per annum to arrive at their present value. Should the actual toll revenue be less than that projected as a result of a reduction of road usage and/or toll fees, an impairment loss may arise.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty *(continued)*

Key Sources of Estimation Uncertainty *(continued)*

(b) Impairment of Investments in Jointly Controlled Entities *(continued)*

(ii) Property development projects investments

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

(c) Impairment of Stock of Properties and Amounts Due from Associates and Jointly Controlled Entities

Included in the consolidated balance sheet at 31 December 2007 are stock of properties with an aggregate carrying amount of HK$39,890 million, amounts due from jointly controlled entities and associates engaging principally in property development activities of HK$3,038 million and HK$1,100 million. Management assessed the recoverability of these amounts based on an estimation set out in note 5(b)(ii).

6. Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the bank borrowings and guaranteed notes payable disclosed in notes 39 and 40 respectively, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

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

7. Financial Instruments

7a. Categories of Financial Instruments

	THE GROUP		THE COMPANY	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Financial assets				
Investments held-for-trading	**73,340**	362,563	**—**	—
Derivative instruments	**—**	3,080	**—**	3,080
Loans and receivables at amortised cost (including cash and cash equivalents)	**14,288,223**	6,948,733	**25,236,633**	17,372,173
Available-for-sale financial assets (investments in syndicated property project companies)	**15,274**	143,895	**—**	—
Financial liabilities				
Liabilities at amortised cost	**26,232,908**	15,672,274	**10,008,567**	6,978,679
Financial guarantee contracts	**—**	—	**28,439**	144,976

7b. Financial Risk Management Objectives and Policies

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

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

Except for the interest rate swaps as disclosed in note 27 for managing the interest rate exposure, the Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

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

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market Risk

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

Interest Rate Risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank loans, short-term bank balances and amounts due from jointly controlled entities amounting to HK$14,174 million (2006: HK$6,720 million), HK$8,478 million (2006: HK$3,760 million) and HK$3,038 million (2006: HK$Nil) respectively. The variable-rate bank loans with original maturities ranging from one to three years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy except for certain interest rate swap agreements which were entered for managing certain variable-rate bank loans. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risk relates primarily to its corresponding pledged bank deposits and the guarantee notes payable. It is the Group's policy to keep majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the need arise.

Interest Rate Risk Sensitivity Analysis

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

The Group

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by HK$56,195,000 (2006: decrease/increase by HK$46,958,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank deposits.

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

The Company

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2007 would increase/decrease by HK$6,255,000 (2006: increase/decrease by HK$8,831,000). This is mainly attributable to the Company's exposure to interest rate on its variable-rate bank loans, amounts due from subsidiaries and bank deposits.

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market Risk *(continued)*

Price Risk

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

Price Risk Sensitivity Analysis

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

If the prices of the respective equity instruments had been 5% higher/lower:

- profit for the year ended 31 December 2007 would increase/decrease by HK$3,667,000 (2006: increase/decrease by HK$18,128,000) as a result of the changes in fair value of investments held-for-trading; and

- investment valuation reserve would increase/decrease by HK$764,000 (2006: increase/decrease by HK$7,195,000) for the Group as a result of the changes in fair value of investments in syndicated property project companies.

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

Currency Risk

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

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market Risk *(continued)*

Currency Risk (continued)

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

	THE GROUP		THE COMPANY	
	2007 *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$000*
Assets				
Hong Kong dollars ("HK$")	**680,434**	358,043	**—**	—
Renminbi ("RMB")	**—**	—	**—**	—
United States dollars ("US$")	**2,509,575**	720,911	**162,495**	6,487
Macao patacas ("MOP")	**8,882**	362,584	**—**	—
Liabilities				
HK$	**21,096**	131,267	**—**	—
RMB	**181,054**	—	**—**	
US$	**2,477,013**	2,386,676	**28,108**	117,819
MOP	**73,031**	38,097	**—**	—

Foreign Currency Risk Sensitivity Analysis

As Hong Kong dollars is currently pegged to US$, management considers that exposure to exchange fluctuation in respect of US$ is limited.

The Group therefore mainly exposes to the currency of RMB and MOP. The following table details the Group's sensitivity to a 5% increase and decrease in the HK$ against RMB and MOP respectively. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(i) Market Risk *(continued)*

Foreign Currency Risk Sensitivity Analysis (continued)
The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external receivables or payables as well as receivables from and payables to foreign operation within the Group where the denomination of the receivable or payable is in a currency other than the currency of the lender or the borrower receivables or payables. A positive number below indicates an increase in profit where HK$ strengthens against RMB or MOP. For a 5% weakening of HK$ against the RMB or MOP, there would be an equal and opposite impact on the profit and the balances below would be negative.

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
RMB against HK$		
Profit for the year	**42,020**	11,339
MOP against HK$		
Profit for the year	**3,207**	(16,224)

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

The Group's sensitivity to foreign currency has increased during the year ended 31 December 2007 mainly attributable to the larger outstanding balance exposure e.g., payables and bank loans denominated in foreign currencies.

The Company's foreign currency sensitivity analysis is not provided in the financial statements as the Company only exposes to exchange rate fluctuation between HK$ and US$ which is considered minimal as mentioned above.

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(ii) Credit Risk

As at 31 December 2007, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in Note 40.

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

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

Other than concentration of credit risk on liquid funds and derivative financial instruments as well as amounts due from associates, jointly controlled entities, syndicated property project companies and minority shareholders, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

For properties that are resold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed the properties. Therefore, management considers it would recover any loss incurred arising from the guarantee to the Group.

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity Risk

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

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2007, the Group has available unutilised loan facilities of approximately HK$5,438 million (2006: HK$2,816 million) as disclosed in Note 39.

The following table details the Group and the Company's remaining contractual maturity for its financial liabilities. For 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.

Liquidity and interest risk tables

The Group

	Weighted average effective interest rate	Less than 3 months	3–6 months	6 months to 1 year	1–5 years	5+ years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Non-derivative financial liabilities								
Trade and other payables	—	4,606,976	727,327	1,613,823	241,404	12,357	7,201,887	7,201,887
Amounts due to associates	—	—	—	162,651	—	—	162,651	162,651
Amounts due to jointly controlled entities	—	—	—	1,358,497	—	—	1,358,497	1,358,497
Bank loans — variable rate	5,15	845,948	806,803	1,900,933	12,374,664	—	15,928,348	14,174,017
Guaranteed notes payable	5.75	4,034	—	67,275	2,878,200	—	2,949,509	2,326,435
Amount due to a fellow subsidiary	4.5	1,528	1,528	3,057	135,864	—	141,977	135,864
Amounts due to minority shareholders	7.75	—	—	—	935,470	—	935,470	873,557
		5,458,486	1,535,658	5,106,236	16,565,602	12,357	28,678,339	26,232,908

	Weighted average effective interest rate	Less than 3 months	3–6 months	6 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount at 31.12.2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006								
Non-derivative financial liabilities								
Trade and other payables	—	3,647,577	377,503	859,806	141,550	—	5,026,436	5,026,436
Amounts due to associates	—	—	—	154,356	—	—	154,356	154,356
Amounts due to jointly controlled entities	—	—	—	666,591	—	—	666,591	666,591
Bank loans — variable rate	4.95	334,771	129,610	533,568	6,518,137	—	7,516,086	6,720,431
Guaranteed notes payable	5.75	4,039	—	67,275	538,200	2,474,550	3,084,064	2,323,440
Amounts due to minority shareholders	8.75	—	—	—	851,670	—	851,670	781,020
		3,986,387	507,113	2,281,596	8,049,557	2,474,550	17,299,203	15,672,274

7. Financial Instruments *(continued)*

7b. Financial Risk Management Objectives and Policies *(continued)*

(iii) Liquidity Risk *(continued)*

Liquidity and interest risk tables (continued)

The Company

	Weighted average effective interest rate %	Less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade and other payables	—	35,690	—	25,341	—	—	61,031	61,031
Amounts due to subsidiaries (current)	—	—	—	1,468,387	—	—	1,468,387	1,468,387
Amounts due to subsidiaries (non-current)	5.75	—	—	136,708	2,787,662	—	2,924,370	2,377,538
Bank loans — variable rate	3.80	61,602	57,885	115,770	6,853,933	—	7,089,190	6,101,611
		97,292	57,885	1,746,206	9,641,595	—	11,542,978	10,008,567

	Weighted average effective interest rate %	Less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1-5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade and other payables	—	24,299	—	40,274	—	—	64,573	64,573
Amounts due to subsidiaries (current)	—	—	—	703,023	—	—	703,023	703,023
Amounts due to subsidiaries (non-current)	5.75	—	—	136,729	2,924,808	—	3,061,537	2,377,892
Bank loans — variable rate	4.59	46,123	43,985	292,350	4,003,748	—	4,386,206	3,833,191
		70,422	43,985	1,172,376	6,928,556	—	8,215,339	6,978,679

At 31 December 2007 and 2006, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the carrying amount of financial guarantee contract of HK$28,439,000 (2006: HK$144,976,000) has not been presented above.

7c. Fair Value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Other than the guaranteed notes payable that is disclosed in Note 40 to the financial statements, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

8. Turnover

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

	2007 *HK$'000*	2006 *HK$'000*
Proceeds from sales of properties	**15,438,311**	9,773,279
Property rentals	**123,616**	104,168
Revenue from infrastructure project investments	**12,004**	23,835
Revenue from real estate agency and management services	**358,611**	207,820
Revenue from supply of heat and electricity	**336,145**	319,986
Other income *(Note)*	**363,866**	481,146
	16,632,553	10,910,234

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

9. Business and Geographical Segments

Business Segment

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

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

Segment information about these businesses is presented below.

9. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

Revenue and results

Year ended 31 December 2007

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

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

	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Intragroup eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS						
Segment results	6,528,048	550,215	18,637	421,163	(52,779)	7,465,284
Loss on disposal of investments in syndicated property project companies	(214,514)	—	—	—		(214,514)
Loss on disposal of subsidiaries	—	—	—	(201,449)	—	(201,449)
Interest income						197,440
Unallocated corporate expenses						(145,128)
						7,101,633
Share of (losses) profits of						
Associates	(27,968)	—	—	57	—	(27,911)
Jointly controlled entities	227,468	—	158,527	281	—	386,276
Finance costs						(500,911)
Profit before tax						6,959,087
Income tax expense						(2,741,936)
Profit for the year						4,217,151

9. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

Assets and Liabilities

At 31 December 2007

	Property development HK$'000	Property investment HK$'000	Infrastructure HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	45,080,508	2,849,866	41,160	1,517,283	49,488,817
Interests in associates	1,156,562	—	—	—	1,156,562
Interests in jointly controlled entities	4,176,697	—	1,450,144	—	5,626,841
Unallocated corporate assets					8,248,952
Consolidated total assets					64,521,172
LIABILITIES					
Segment liabilities	(17,434,657)	(26,295)	(995)	(508,961)	(17,970,908)
Tax liabilities	(2,719,003)	—	—	(70,965)	(2,789,968)
Unallocated corporate liabilities					(17,970,194)
Consolidated total liabilities					(38,731,070)

Other Information

Year ended 31 December 2007

	Property development HK$'000	Property investment HK$'000	Other operations HK$'000
Additions to property, plant and equipment, prepaid lease payments for land and investment properties	27,009	357,408	474,765
Depreciation and amortisation	16,577	2,097	112,168

9. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

Revenue and Results

Year ended 31 December 2006

	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Intragroup eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External	9,773,279	104,168	23,835	1,008,952	—	10,910,234
Inter-segment	—	1,619	—	184,670	(186,289)	—
Total turnover	9,773,279	105,787	23,835	1,193,622	(186,289)	10,910,234

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

	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Intragroup eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS						
Segment results	2,694,067	293,530	13,807	377,860	(19,977)	3,359,287
Gain on disposal of subsidiaries	—	—	—	23,679	—	23,679
Interest income						135,132
Unallocated corporate expenses						(97,324)
						3,420,774
Share of (losses) profits of						
Associates	(5,925)	—	—	(1,008)	—	(6,933)
Jointly controlled entities	382,297	—	50,925	427	—	433,649
Finance costs						(361,461)
Profit before tax						3,486,029
Income tax expense						(1,174,070)
Profit for the year						2,311,959

9. Business and Geographical Segments *(continued)*

Business Segment *(continued)*

Assets and Liabilities

At 31 December 2006

	Property development *HK$'000*	Property investment *HK$'000*	Infrastructure *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	25,528,102	1,761,160	148,131	2,212,581	29,649,974
Interests in associates	1,176,771	—	—	9,406	1,186,177
Interests in jointly controlled entities	523,680	—	1,227,063	3,479	1,754,222
Unallocated corporate assets					3,263,248
Consolidated total assets					35,853,621
LIABILITIES					
Segment liabilities	(8,344,426)	(22,824)	(33,689)	(680,197)	(9,081,136)
Tax liabilities	(1,095,241)	—	—	(71,894)	(1,167,135)
Unallocated corporate liabilities					(10,715,941)
Consolidated total liabilities					(20,964,212)

Other Information

Year ended 31 December 2006

	Property development *HK$'000*	Property investment *HK$'000*	Other operations *HK$'000*
Additions to property, plant and equipment and prepaid lease payments for land	12,266	18	483,292
Depreciation and amortisation	8,900	4,345	135,340

9. Business and Geographical Segments *(continued)*

Geographical Segment

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

	Turnover by geographical market	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**344,186**	496,236
Macau	**3,034,224**	—
Regions in the PRC other than Hong Kong and Macau	**13,254,143**	10,413,998
	16,632,553	10,910,234

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

	Carrying amounts of segment assets		Additions to property, plant and equipment, prepaid lease payments for land and investment properties	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**4,883,405**	6,678,200	**367,059**	20,705
Macau	**656,659**	1,394,568	**70**	451
Regions in the PRC other than Hong Kong and Macau	**43,948,753**	21,577,206	**492,053**	472,387
	49,488,817	29,649,974	**859,182**	493,543

10. Other Income

	2007 *HK$'000*	2006 *HK$'000*
Other income include:		
Interest on bank deposits	**138,400**	82,647
Imputed interest income on amounts due from		
— associates	**17,535**	9,734
— syndicated property project companies	**40,636**	41,458
Other interest income	**869**	1,293
Total interest income	**197,440**	135,132
Net exchange gains	**27,481**	26,423
Gain on disposal of associates	**2,347**	—
Gain on disposal of investments in infrastructure projects	**15,476**	—
Gain on disposal of property, plant and equipment	**81**	3,646
Gain on changes in value of interest rate swap	**918**	—
Dividend income from syndicated property project companies	**502**	12,601

11. Finance Costs

	2007 *HK$'000*	2006 *HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**452,946**	333,416
Interest on guaranteed notes not wholly repayable within five years	**134,550**	134,550
Imputed interest expense on amounts due to minority shareholders	**70,650**	73,274
Other finance costs	**23,913**	26,337
Total finance costs	**682,059**	567,577
Less: Amount capitalised in properties under development	**(181,148)**	(206,116)
	500,911	361,461

The finance costs for both years presented were incurred on financial liabilities that are not carried at fair value through profit or loss. Borrowing costs capitalised during the year are calculated by applying an average capitalisation rate of 1.68% (2006: 3.20%) per annum to expenditure on qualifying assets.

12. Income Tax Expense

	2007 ***HK$'000***	2006 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**44,355**	17,566
Macau income tax	**194,461**	—
PRC Enterprise income tax	**1,190,231**	861,350
PRC Land appreciation tax ("LAT")	**1,188,673**	309,410
	2,617,720	1,188,326
Under(over)provision in prior years:		
Hong Kong Profits Tax	**(6)**	(5,139)
PRC Enterprise income tax	**16,901**	(885)
	16,895	(6,024)
Deferred tax *(note 42)*		
Current year	**131,436**	(8,232)
Attributable to a change in tax rate	**(24,115)**	—
	107,321	(8,232)
Total	**2,741,936**	1,174,070

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

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

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. LAT for 2006 has been reclassified from cost of sales to conform with the current year's presentation. Accordingly, LAT payable for 2006 has been reclassified from other payable to tax liabilities.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will generally change the enterprise income tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. For those subsidiaries enjoying privilege rate of 15%, the new tax rate is progressively increasing to 25% over five years as grandfathering provision. 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 realised or the liability is settled.

12. Income Tax Expense *(continued)*

Details of deferred taxation are set out in Note 42.

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

	2007 *HK$'000*	2006 *HK$'000*
Profit before tax	**6,959,087**	3,486,029
Tax at the applicable tax rate of 33% (2006: 33%)	**2,296,499**	1,150,390
LAT	**1,188,673**	309,410
Tax effect of LAT	**(392,262)**	(102,105)
Tax effect of expenses not deductible for tax purpose	**238,616**	77,946
Tax effect of income not taxable for tax purpose	**(79,785)**	(80,553)
Under(over)provision in respect of prior years	**16,895**	(6,024)
Tax effect of tax losses not recognised	**69,755**	116,124
Tax effect of utilisation of tax losses not previously recognised	**(8,619)**	(38,651)
Tax effect of share of results of associates and jointly controlled entities	**(118,260)**	(140,816)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong, Macau and regions in the PRC other than Hong Kong and Macau	**(445,943)**	(111,651)
Tax effect of change in tax rate	**(23,633)**	—
Income tax expense for the year	**2,741,936**	1,174,070

13. Profit for the Year

	2007 *HK$'000*	2006 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**7,621**	9,615
Depreciation of property, plant and equipment	**127,677**	136,518
Amortisation of prepaid lease payments for land (included in administrative expenses)	**3,166**	12,067
Staff costs including directors' emoluments *(Note)*	**359,142**	366,956
Rental expenses in respect of land and buildings under operating leases	**24,195**	14,415
Loss on changes in value of interest rate swap agreements	**—**	2,156
Loss on disposal of associates	**—**	1,309
Loss on disposal of a jointly controlled entity	**1,961**	—
Share of tax of		
Associates	**71**	179
Jointly controlled entities	**160,947**	237,453
Cost of stock of properties recognised as expenses	**8,146,111**	6,948,473
Cost of inventories recognised as expenses	**229,225**	241,475
Rental income in respect of land and buildings under operating leases, net of outgoings of HK$12,011,000 (2006: HK$9,631,000)	**(111,605)**	(94,537)

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

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

The total cost charged to income statement of HK$16 million (2006: HK$16 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

14. Directors' Emoluments

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

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

	Year ended 31 December 2006				
	Directors' fees *HK$'000*	Basic salaries, allowances and benefits-in-kind *HK$'000*	Performance related bonus *HK$'000*	Contributions to provident fund schemes *HK$'000*	Total *HK$'000*
Kong Qingping	—	4,548	3,000	12	7,560
Cui Duosheng	—	3,770	3,000	12	6,782
Yao Peifu	—	—	—	—	—
Hao Jian Min	—	2,400	2,600	12	5,012
Wu Jianbin	—	2,640	2,600	12	5,252
Xiao Xiao	—	2,400	2,600	12	5,012
Jin Xinzhong	—	—	—	—	—
Wang Man Kwan, Paul	—	1,910	230	12	2,152
Cheung Shiu Kit	—	—	—	—	—
Li Kwok Po, David	360	—	—	—	360
Lam Kwong Siu	250	—	—	—	250
Wong Ying Ho, Kennedy	250	—	—	—	250
Chen Bin	—	100	—	1	101
	860	17,768	14,030	73	32,731

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

15. Dividends

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Interim dividend paid in respect of 2007 of HK5 cents (2006: HK4 cents) per share	**386,970**	278,729
Final dividend paid in respect of 2006 of HK6 cents (2005: HK4 cents) per share	**436,490**	257,390
	823,460	536,119

The final dividend of HK7 cents (2006: HK6 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the financial statements.

16. Earnings Per Share

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,179,579**	2,370,750

	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**7,343,858**	6,672,210
Effect of dilutive potential ordinary shares in respect of		
— share options granted	**30,481**	79,036
— bonus warrants granted	**81,021**	28,126
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,455,360**	6,779,372

17. Investment Properties

	THE GROUP *HK$'000*
FAIR VALUE	
At 1 January 2006	1,571,560
Reclassified from property, plant and equipment and prepaid lease payments for land	11,000
Transferred to property, plant and equipment	(86,800)
Disposals	(62,620)
Increase in fair value recognised in income statement	205,440
At 31 December 2006	1,638,580
Acquisition of assets through acquisition of subsidiaries	357,408
Transferred from properties under development *(Note)*	200,000
Disposals	(4,500)
Increase in fair value recognised in income statement	443,262
At 31 December 2007	**2,634,750**

Note: The properties under development were transferred to investment properties due to the change in use evidenced by the commencement of leasing out to independent third parties during the year.

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

	THE GROUP	
	2007 ***HK$'000***	2006 *HK$'000*
Investment properties:		
In Hong Kong		
On long leases	**330,200**	157,900
On medium-term leases	**1,603,900**	1,236,600
In the PRC other than in Hong Kong		
On medium-term leases	**700,650**	244,080
	2,634,750	1,638,580

The fair value of the Group's investment properties, including both land and building elements, at 31 December 2007 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors ("HKIS"). The valuation, which conforms to the Valuation Standards on Valuation of Properties published by the HKIS, was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties. Both valuation approaches come up with similar value as at reporting date.

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

18. Property, Plant and Equipment

	Leasehold land and buildings *HK$'000*	Heat and electricity supply facilities *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
THE GROUP						
COST						
At 1 January 2006	325,636	620,322	289,014	174,324	113,354	1,522,650
Exchange adjustments	9,519	10,487	7,106	5,891	18,306	51,309
Additions	35,682	8,036	14,131	46,206	389,488	493,543
Disposal of subsidiaries	(90,813)	(62,751)	(32,256)	(9,064)	(7,937)	(202,821)
Other disposals	(800)	(1,818)	(11,378)	(35,771)	—	(49,767)
Reclassified from investment properties	86,800	—	—	—	—	86,800
Reclassified to investment properties	(7,392)	—	—	—	—	(7,392)
Transfers between categories	2,137	50,574	749	4,890	(58,350)	—
At 31 December 2006	360,769	624,850	267,366	186,476	454,861	1,894,322
Exchange adjustments	18,816	15,627	41,676	8,215	18,766	103,100
Acquisition of subsidiaries	34,989	—	284	2,409	—	37,682
Additions	7,645	—	66,038	45,110	310,279	429,072
Disposal of subsidiaries	(180,238)	(665,012)	—	(21,695)	(112,629)	(979,574)
Other disposals	(6,099)	(15,563)	(1,718)	(13,515)	—	(36,895)
Transfers between categories	41,723	40,098	449,719	—	(531,540)	—
At 31 December 2007	277,605	—	823,365	207,000	139,737	1,447,707
DEPRECIATION						
At 1 January 2006	27,910	117,768	72,413	90,944	—	309,035
Exchange adjustments	640	8,610	950	2,706	—	12,906
Provided for the year	15,833	68,773	22,844	29,068	—	136,518
Eliminated on disposal of subsidiaries	(9,388)	(9,822)	(6,520)	(2,997)	—	(28,727)
Eliminated on other disposals	(210)	(995)	(7,849)	(28,692)	—	(37,746)
Eliminated on reclassification to investment properties	(1,995)	—	—	—	—	(1,995)
At 31 December 2006	32,790	184,334	81,838	91,029	—	389,991
Exchange adjustments	4,858	5,699	4,884	3,002	—	18,443
Provided for the year	21,861	62,171	14,756	28,889	—	127,677
Eliminated on disposal of subsidiaries	(26,901)	(250,418)	—	(6,507)	—	(283,826)
Eliminated on other disposals	(1,168)	(1,786)	(832)	(12,877)	—	(16,663)
At 31 December 2007	31,440	—	100,646	103,536	—	235,622
CARRYING VALUES						
At 31 December 2007	**246,165**	**—**	**722,719**	**103,464**	**139,737**	**1,212,085**
At 31 December 2006	327,979	440,516	185,528	95,447	454,861	1,504,331

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

The cost of construction in progress, on which the government grants apply is HK$115 million (2006: HK$115 million).

	Buildings *HK$'000*	**Furniture, fixtures, office equipment and motor vehicles** *HK$'000*	**Total** *HK$'000*
THE COMPANY			
COST			
At 1 January 2006	950	32,335	33,285
Additions	—	17,866	17,866
Disposals	—	(20,004)	(20,004)
At 31 December 2006	950	30,197	31,147
Additions	—	429	429
Disposals	—	(3,319)	(3,319)
At 31 December 2007	950	27,307	28,257
DEPRECIATION			
At 1 January 2006	517	29,986	30,503
Provided for the year	62	5,041	5,103
Eliminated on disposals	—	(19,832)	(19,832)
At 31 December 2006	579	15,195	15,774
Provided for the year	62	4,940	5,002
Eliminated on disposals	—	(3,312)	(3,312)
At 31 December 2007	641	16,823	17,464
CARRYING VALUES			
At 31 December 2007	**309**	**10,484**	**10,793**
At 31 December 2006	371	15,002	15,373

19. Prepaid Lease Payments for Land

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepaid lease payments for land comprise:				
Leasehold land in Hong Kong				
Long lease	**1,042**	1,042	**—**	—
Medium-term lease	**4,529**	3,364	**—**	—
Leasehold land outside Hong Kong				
on Medium-term lease	**93,878**	76,129	**310**	372
	99,449	80,535	**310**	372
Analysed for reporting purposes as				
Non-current asset	**95,736**	76,861	**248**	310
Current asset	**3,713**	3,674	**62**	62
	99,449	80,535	**310**	372

20. Investments in Subsidiaries

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Cost of investments, unlisted	**1,447,087**	279,095

Particulars of the principal subsidiaries are set out in note 53.

21. Investments in Associates

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cost of investments, unlisted	**46,479**	30,808
Share of post-acquisition profits less losses, and reserves net of dividends received	**10,428**	110,480
	56,907	141,288

21. Investments in Associates *(continued)*

Set out below are the particulars of the principal associates at 31 December 2007 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

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

Note: During the year, the Group entered into a shareholders' agreement for dividing the units of properties for sales held by Chest Gain among the shareholders for the purpose of facilitating the respective shareholders to utilise the allocated units at their discretion, in order to recover their loans made to Chest Gain. Pursuant to the shareholders' agreement, all future sale proceeds or rental income generated from the allocated property units would be applied to repay the respective shareholder's loan only. The balance of the shareholder's loan attributable to the Group represents the recoverable amount of the amount due from the associate as disclosed in note 32.

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

	2007 HK$'000	2006 HK$'000
Total assets	**4,093,064**	3,987,206
Total liabilities	**(8,264,530)**	(7,692,333)
Net liabilities	**(4,171,466)**	(3,705,127)
Group's share of net liabilities of the associates	**(1,231,390)**	(1,074,121)
Revenue	**552,648**	8,754
Loss for the year	**(299,596)**	(413,011)
Group's share of loss of the associates for the year	**(27,911)**	(6,933)

21. Investments in Associates *(continued)*

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	**69,164**	118,608
Accumulated unrecognised share of losses of associates	**1,292,379**	1,223,215

The unrecognised share of losses of associates for the year and the accumulated unrecognised share of losses of associates include an associate's interest expenses amounting to HK$97 million (2006: HK$100 million) and HK$897 million (2006: HK$800 million) respectively, arising from the amount due to the Group. The Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account an accumulated balance of impairment losses of HK$421 million (2006: HK$421 million) in determining the carrying amount of the amount due from the associate. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount of the asset. Such impairment loss will not be reversed in subsequent periods.

22. Investments in Jointly Controlled Entities

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cost of investments, unlisted	**1,478,252**	1,244,302
Share of post-acquisition profits less losses, and reserves net of dividends received	**1,110,154**	509,481
	2,588,406	1,753,783

Set out below are the particulars of the principal jointly controlled entities at 31 December 2007, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These jointly controlled entities are established and operating in the PRC, unless otherwise indicated.

22. Investments in Jointly Controlled Entities *(continued)*

Name of entity	Proportion of nominal value of registered capital held by the Group %	Operation period	Principal activities
南京長江第二大橋有限責任公司	65	10 February 1999 to 25 March 2031	Operation and management of a toll bridge
深圳中海信和地產開發有限公司	50	28 April 2004 to 27 April 2014	Property development
Nanchang COB Infrastructure Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge
Nanchang COIL City Bridge Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge
Nanchang COVC City Bridge Ltd.	55.24*	29 March 2003 to 30 June 2025	Operation and management of a toll bridge
Big Profit Enterprises Limited**	100%#	N/A	Investment holding
上海中海海軒房地產有限公司	100%#	25 December 2006 to 24 December 2056	Property development
Elite Mind International Limited**	60%	N/A	Investment Holding
重慶嘉江房地產開發有限公司	60%	16 July 2007 to 16 July 2008	Property development
Speedy Champ Investments Limited**	40.5%	N/A	Investment Holding
重慶豐盈房地產開發有限公司	40.5%	11 September 2007 to 10 September 2008	Property development
寧波中海和協置業發展有限公司	50%	21 March 2007 to 20 March 2027	Property development
杭州中海雅戈爾房地產有限公司	50%	8 November 2007 to 7 November 2027	Property development

22. Investments in Jointly Controlled Entities *(continued)*

* *Pursuant to the joint venture agreements, the Group is entitled to share 92% of the operating results of these jointly controlled entities in their first 11 years of operation and thereafter at the reduced rate of 55.24% for the remaining operation period.*

The Group recognises in its consolidated income statement its shares of the yearly results of these entities in accordance with the specified entitlements. It recognised its share of net assets in its consolidated balance sheet based on its entitlement to its respective contributions (i.e. 55.24% of registered capital) to these entities plus accumulated results shared by the Group on the basis of 92% for first 11 years and 55.24% for the remaining operation period, less dividends and other distributions received.

\# *Details are set out in note 44(b).*

** *Incorporated in the British Virgin Islands*

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

	2007 *HK$'000*	2006 *HK$'000*
Current assets	**4,737,381**	1,117,083
Non-current assets	**3,113,089**	3,124,620
Current liabilities	**765,084**	883,177
Non-current liabilities	**4,517,909**	1,554,625
Income	**1,222,494**	1,320,726
Expenses	**836,218**	887,077

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

	THE GROUP	
	2007 *HK$'000*	2006 *HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	**20,929**	—
Accumulated unrecognised share of losses of jointly controlled entities	**20,929**	—

23. Investments in Syndicated Property Project Companies

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Unlisted		
Available-for-sale equity investments, at fair value	**15,274**	143,895

The investments represent the Group's interests in the following syndicated property project companies which are carried at the balance sheet date at 31 December 2007 at fair value as estimated by the directors by reference to the fair value of the properties held by these companies.

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

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

* *Incorporated in the British Virgin Islands*

24. Investments in Infrastructure Projects/Amounts Due from Infrastructure Projects

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Investments in infrastructure projects	—	148,131
Less: Portion due within one year included in current assets	—	(20,240)
	—	127,891

The Group is entitled under the agreements entered into with certain PRC entities to share a fixed amount of the operating surplus of the investee companies available for appropriation to enable the Group to recover its cost of investment and receive a periodic return therefrom. The PRC partners will be entitled to all of the remaining surplus. The Group's returns under the agreements are guaranteed by the PRC partners. Upon the expiration of the contracted periods, all assets of the investee companies will revert to the PRC partners without compensation. Accordingly, the Group's entitlements to the operating results of the investee companies are limited to the guaranteed fixed returns and the investments classified as loans and receivables which are measured at amortised cost at effective interest rate of 15% (2006: 15%) per annum.

During the year ended 31 December 2007, the Group fully disposed of its investments in infrastructure projects at aggregate consideration of HK$151,603,000.

25. Amounts Due from Associates/Jointly Controlled Entities/ Syndicated Property Project Companies

The Group

	2007			2006		
	Interest free	**Interest bearing**	**Total**	Interest free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from						
— associates	**261,994**	**9,703**	**271,697**	177,194	10,033	187,227
— jointly controlled entities	**1,950,674**	**662,123**	**2,612,797**	439	—	439
— syndicated property project companies	**1,873**	**—**	**1,873**	490,954	—	490,954

25. Amounts Due from Associates/Jointly Controlled Entities/ Syndicated Property Project Companies *(continued)*

The Group *(continued)*

The amounts due from associates, jointly controlled entities and syndicated property project companies are unsecured and have no fixed repayment terms. These amounts are expected to be repaid more than one year from the balance sheet date. The interest bearing amounts comprise an amount of HK$10 million (2006: HK$10 million) due from associates which carries interest rate at 7.75% (2006: 8.75%) per annum which is based on the prevailing prime rate plus 1% and an amount of HK$662 million (2006: Nil) due from jointly controlled entities which carries interest rate ranging from 8.217% to 10.83% per annum. The other amounts due are interest free and carried at amortised cost at effective interest rate of 7.75% (2006: 8.75%) per annum.

The Company

The amount due from an associate is unsecured, carries interest at 7.75% (2006:8.75%) per annum which is based on prevailing prime rates plus 1% and due one year after balance sheet date.

26. Amounts Due from Subsidiaries

	THE COMPANY					
	2007			2006		
	Interest free	**Interest bearing**	**Total**	Interest free	Interest bearing	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The amounts comprise:						
Unsecured and due one year after the balance sheet date included in non-current assets	**1,864,791**	**4,775,727**	**6,640,518**	1,944,814	2,738,080	4,682,894
Unsecured and repayable on demand included in current assets	**17,379,302**	**—**	**17,379,302**	12,563,557	—	12,563,557

The interest bearing amounts due from subsidiaries carry interest rates ranging from 3.5% to 6.5% per annum (2006: 3.5% to 8.25% per annum). Except for those amounts due from subsidiaries which bear interest at prevailing market rate, all the amounts due are carried at amortised cost at effective interest rate of the prevailing prime rate.

27. Other Financial Assets and Liabilities

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other Financial Assets				
Instalments receivable *(Note a)*	**4,404**	6,938	**—**	—
Pledged bank deposits *(Note b)*	**91,377**	26,782	**—**	—
Included in non-current assets	**95,781**	33,720	**—**	—
Derivative financial instruments *(Note c)* included in current assets	**—**	3,080	**—**	3,080
Other Financial Liabilities				
Financial guarantee contracts due				
— within one year	**—**	—	**6,532**	33,358
— more than one year, but not exceeding two years	**—**	—	**6,201**	24,804
— more than two years, but not exceeding five years	**—**	—	**15,706**	74,412
— over five years	**—**	—	**—**	12,402
	—	—	**28,439**	144,976
Less: Amounts due within one year included in current liabilities	**—**	—	**(6,532)**	(33,358)
	—	—	**21,907**	111,618

Notes:

(a) *The instalments receivable are unsecured, carry interest at prime rate plus a specified margin and are not wholly repayable within five years.*

(b) *The pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. The deposits, which carry variable interest rate, ranging from 0.25% to 5.80% (2006: 2.25% to 5.20%) per annum will be released upon the settlement of the relevant bank loans.*

(c) *The derivative financial instruments represent interest rate swap agreements entered into by the Group to manage its exposure to interest rate movements on its bank loans by swapping a portion of those loans from floating rates to fixed rates. These agreements were expired during the year. These agreements were deemed to be financial instruments held-for-trading and are therefore carried at the balance sheet date at fair value, determined by reference to prices for equivalent instruments quoted by financial institutions. Changes in fair value were recognised directly in profit or loss.*

The swap agreement were matured and settled during the year ended 31 December 2007.

27. Other Financial Assets and Liabilities *(continued)*

Notes: *(continued)*

Major terms of the interest rate swap agreements are as follows:

Notional amount outstanding at 31 December 2006	Maturity	Terms
HK$420,000,000	*2007*	*From HIBOR to the fixed rate of 3.298% per annum*
HK$210,000,000	*2007*	*From HIBOR to the fixed rate of 2.953% per annum*

28. Inventories

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Raw materials and consumables, at cost	**7,636**	32,279

29. Stock of Properties

	THE GROUP		THE COMPANY	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Completed properties	**4,070,480**	2,442,787	**1,798**	1,798
Properties under development *(note)*	**35,819,607**	20,043,694	**—**	—
	39,890,087	22,486,481	**1,798**	1,798

Note: Included in the amount are properties under development for sale of HK$24,212,143,000 (2006: HK$8,794,636,000) expected not to be realised within twelve months from the balance sheet date.

30. Investments Held-for-trading

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Equity securities listed in Hong Kong	**73,340**	362,563

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

31. Trade and Other Receivables

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

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0–30 days	**789,201**	835,329
31–90 days	**148,712**	193,245
Over 90 days	**516,598**	441,861
	1,454,511	1,470,435

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

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

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

32. Amounts Due from an Associate/Jointly Controlled Entities

The amount due from an associate is unsecured, repayable on demand and carries interest rate at 7.75% (2006: 8.75%) per annum which is based on the prevailing prime rate plus 1%. As mentioned in note 21, the Group considers the inflow of economic benefit associated with the interest is uncertain and therefore does not recognise the corresponding interest income. Furthermore, the Group has taken into account the impairment losses in determining the carrying amount of the amount due from the associate.

Movement in the allowance for doubtful amount due from an associate:

	THE GROUP	
	2007 ***HK$'000***	2006 *HK$'000*
Balance at beginning of the year	**799,677**	699,150
Unrecognised interest income	**97,259**	100,527
Balance at end of the year	**896,936**	799,677

The balance was impaired since the recoverable amount of the associate's net assets was lower than the carrying amount due from that associate at the reporting date.

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

33. Bank Balances and Cash

Included in bank balances and cash in the consolidated balance sheet are restricted bank deposits of HK$591,505,000 (2006: HK$171,114,000) which can be solely applied in the designated property development projects.

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

All bank deposits carry interest at market rates which range from 0.25% to 5.8% (2006: 2.25% to 5.20%) per annum.

34. Trade and Other Payables

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Payables, aged		
0–30 days	**3,991,672**	3,986,005
31–90 days	**139,900**	31,813
Over 90 days	**2,455,890**	738,376
Consideration for acquisition of investment payable	**—**	5,710
Retentions payable	**614,425**	264,532
	7,201,887	5,026,436

Of the retentions payable, an amount of HK$254 million (2006: HK$142 million) is due beyond twelve months.

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

The amount due to a fellow subsidiary is unsecured, repayable more than one year from the balance sheet date and carries interest rate at 4.5% per annum.

The amounts due to associates and jointly controlled entities are unsecured, interest free and repayable on demand.

36. Amounts Due to Subsidiaries

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
The amounts comprise:		
Interest bearing at 5.75% (2006: 5.75%) per annum, unsecured and due one year after the balance sheet date included in non-current liabilities	**2,377,538**	2,377,892
Non-interest bearing, unsecured and repayable on demand included in current liabilities	**1,468,387**	703,023

37. Share Capital

	THE COMPANY			
	2007		2006	
	Number of shares ***'000***	**Nominal value** ***HK$'000***	Number of shares *'000*	Nominal value *HK$'000*
Ordinary shares of HK$0.1 each				
Authorised	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid				
At beginning of the year	**7,006,056**	**700,606**	6,397,976	639,798
Issue of shares upon exercise of share options	**37,950**	**3,795**	139,010	13,901
Issue of shares upon exercise of warrants	**699,700**	**69,970**	469,070	46,907
At end of the year	**7,743,706**	**774,371**	7,006,056	700,606

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

Issue of Shares

During the year, the Company issued a total of 737,650,000 shares, in which 37,950,000 shares were issued at prices ranging from HK$0.52 to HK$4.06 per share to employees upon the exercise of the share options granted, giving a total cash consideration of HK$96,996,000 and 699,700,000 shares were issued at HK$4.50 or HK$12.50 per share to shareholders upon exercise of warrants, giving a total cash consideration of HK$6,056,670,000.

Share Option Scheme

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

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

37. Share Capital *(continued)*

Share Option Scheme *(continued)*

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

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

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

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

37. Share Capital *(continued)*

Share Option Scheme *(continued)*

				Number of shares under options granted					
				Movements during the year		At 31 December 2006		
Date of grant	**Exercisable period**	**Exercise price per share** *HK$*	**Outstanding at 1 January 2006**	Exercised	Cancelled	Outstanding	Exercisable	**Closing price of shares at date of exercise** *HK$*
17 July 1997	17 July 1998– 16 July 2007	4.06	55,850,000	(32,890,000)	(4,120,000)	18,840,000	18,840,000	4.275 to 9.060
14 February 1998	14 February 1999– 13 February 2008	1.08	70,400,000	(66,190,000)	(1,160,000)	3,050,000	3,050,000	3.175 to 7.840
30 September 1998	30 September 1999– 29 September 2008	0.52	8,050,000	(7,720,000)	—	330,000	330,000	3.300 to 5.900
4 January 2000	4 January 2001– 3 January 2010	0.58	20,590,000	(18,570,000)	(540,000)	1,480,000	1,480,000	3.300 to 7.930
18 June 2004	18 June 2005– 17 June 2014	1.13	53,764,000	(13,640,000)	(2,104,000)	38,020,000	3,808,000	3.800 to 8.490
			208,654,000	(139,010,000)	(7,924,000)	61,720,000	27,508,000	
Weighted average exercise price			HK$1.82	HK$1.69	HK$2.61	HK$2.01	HK$3.09	

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

	Number of shares under options granted			
	Outstanding at 1 January	**Movements during the year**		**Outstanding at 31 December**
		Exercised	**Reclassified** *(Note)*	
2007	**17,022,000**	**(6,714,000)**	**(4,444,000)**	**5,864,000**
2006	69,938,000	(30,046,000)	(22,870,000)	17,022,000

Note: *The 4,444,000 (2006: 22,870,000) share options represents the net balance of 5,608,000 (2006: 24,210,000) share options held by the directors who had resigned/ceased to act during the year and 1,164,000 (2006: 1,340,000) share options held by certain directors who were appointed during the year.*

The Group recognised the total expense of HK$1,404,000 for the year ended 31 December 2007 (2006: HK$133,000) in relation to share options granted by the Company.

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

37. Share Capital *(continued)*

Share Option Scheme *(continued)*

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

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

Warrants

2007 Warrants

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

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

2006 Warrants

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

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

During the year ended 31 December 2007, 699,700,111 shares (2006: 469,070,000 shares) of HK$0.10 each of the Company were issued upon exercise of 363,502,312 units of 2007 Warrants and 336,197,799 units of 2006 Warrants (2006: 469,070,000 units of 2006 Warrants), the subscription money of HK$6,056,670,000 for 2007 Warrants and 2006 Warrants in total (2006: HK$2,110,814,000 for 2006 Warrants) has been received in full upon exercise.

As at 31 December 2007, 251,514,611 units of 2007 Warrants were still outstanding which would, under the present capital structure of the Company, result in the issue of 251,514,611 additional shares of HK$0.10 each of the Company. Assume the outstanding warrants were exercised in full and there has been no change to the initial subscription price, the total subscription money received will amount to HK$3,143,933,000.

As at 31 December 2007, no unit (2006: 342,128,775 units) of 2006 Warrants was outstanding as 2006 warrants were expired during the year.

38. Share Premium and Reserves

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1 January 2006	6,778,752	18,798	7,475	604,173	7,409,198
Profit for the year	—	—	—	695,759	695,759
2005 final dividend paid	—	—	—	(257,390)	(257,390)
Issue of shares	2,287,847	—	(2,624)	—	2,285,223
Share issue expenses	(445)	—	—	—	(445)
Recognition of share-based payments	—	—	133	—	133
2006 interim dividend paid	—	—	—	(278,729)	(278,729)
At 31 December 2006	9,066,154	18,798	4,984	763,813	9,853,749
Profit for the year	—	—	—	781,270	781,270
2006 final dividend paid	—	—	—	(436,490)	(436,490)
Issue of shares	6,082,894	—	(3,008)	—	6,079,886
Share issue expenses	(531)	—	—	—	(531)
Recognition of share-based payments	—	—	1,404	—	1,404
2007 interim dividend paid	—	—	—	(386,970)	(386,970)
At 31 December 2007	**15,148,517**	**18,798**	**3,380**	**721,623**	**15,892,318**

The Company's reserves available for distribution to shareholders at 31 December 2007 comprised the retained profits of HK$722 million (2006: HK$764 million).

The Group

The PRC statutory reserve of the Group represents general and development fund reserve applicable to PRC subsidiaries which was established in accordance with the relevant PRC regulations.

39. Bank Loans

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured	**313,969**	100,000	**—**	—
Unsecured	**13,860,048**	6,620,431	**6,101,611**	3,833,191
	14,174,017	6,720,431	**6,101,611**	3,833,191
The bank loans are repayable as follows:				
Within one year	**2,884,996**	673,431	**1,611**	203,191
More than one year, but not exceeding two years	**3,086,287**	2,581,500	**—**	364,500
More than two years, but not exceeding five years	**8,202,734**	3,465,500	**6,100,000**	3,265,500
	14,174,017	6,720,431	**6,101,611**	3,833,191
Less: Amounts due within one year included in current liabilities	**(2,884,996)**	(673,431)	**(1,611)**	(203,191)
	11,289,021	6,047,000	**6,100,000**	3,630,000

All the bank loans are floating-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank loans denominated in Hong Kong dollars is based on HIBOR plus a specified margin. The effective interest rates on bank loans denominated in Renminbi range from 5.022% to 7.470% in the year 2007 and 5.022% to 5.670% in the year 2006.

Including in the outstanding bank loans at 31 December 2007 are the following principal bank loans:

(a) a loan of HK$2,600 million granted on 29 September 2006, repayment of which will commence on 29 September 2010 until 29 September 2011. The loan is unsecured and carries interest at HIBOR plus 0.38%.

(b) a loan of HK$3,500 million granted on 23 August 2007, repayment of which will commence on 23 August 2011 until 23 August 2012. The loan is unsecured and carries interest at HIBOR plus 0.32%.

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

At 31 December 2007, the Group had available HK$5,438 million (2006: HK$2,816 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

40. Guaranteed Notes Payable

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Guaranteed notes payable, listed in Hong Kong	**2,326,435**	2,323,440

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

The fair value of the notes payable at 31 December 2007 was estimated at HK$2,394 million (2006: HK$2,312 million), which was determined based on the closing market price of the notes at that date.

41. Amounts Due to Minority Shareholders

The minority shareholders of certain subsidiaries have provided advances to those subsidiaries which are unsecured and interest free. Such advances have no fixed repayment terms but repayment will not be demanded within one year from the balance sheet date. The amounts are carried at amortised cost at average effective interest rate of 7.75% (2006: 8.75%) per annum.

42. Deferred Tax Liabilities

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

	THE GROUP			
	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 January 2006	4,847	163,576	109,600	278,023
Exchange realignment	—	—	(456)	(456)
(Credit) charge to income statement	(11,520)	(6,985)	10,273	(8,232)
Acquisition of subsidiaries *(Note 43(c) & (d))*	—	141,852	—	141,852
At 31 December 2006	(6,673)	298,443	119,417	411,187
Exchange realignment	(2,113)	—	5,761	3,648
Charge to income statement	160	89,056	42,220	131,436
Disposal of subsidiaries *(Note 44(a))*	33,555	—	(81,922)*	(48,367)
Effect of change in tax rate	8,053	—	(32,168)	(24,115)
At 31 December 2007	**32,982**	**387,499**	**53,308**	**473,789**

* *Included in deferred tax liabilities as at 31 December 2006 was an amount of HK$82 million in respect of income recognised by a subsidiary which is taxable in future years. This subsidiary was disposed during the year and accordingly, such deferred tax liabilities was disposed.*

At the balance sheet date, the Group had unused tax losses of HK$6,886 million (2006: HK$6,825 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. These losses to the extent of HK$nil (2006: HK$770 million) have not yet been agreed by the tax authority. Included in the tax losses are losses of HK$272 million (2006: HK$172 million) that will expire within five years. Other losses may be carried forward indefinitely.

43. Acquisition of Subsidiaries

(a) On 22 December 2006, the Group entered into a sale and purchase agreement with CSCEC, to acquire the entire interest of China Overseas Property Management Co., Ltd. ("COPM") for a cash consideration of RMB128,000,000 (equivalent to HK$129,706,000). COPM is principally engaged in property management. This acquisition was completed on 3 March 2007 and has been accounted for using the purchase method. The directors of the Company determined that the fair value of the assets and liabilities approximate to their carrying amounts before combination, accordingly no fair value adjustments have been put through. The amount of goodwill arising as a result of the acquisition was HK$44,496,000.

43. Acquisition of Subsidiaries *(continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	37,682
Prepaid lease payments for land	35,020
Inventories	4,759
Trade and other receivables	71,269
Bank balances and cash	71,576
Trade and other payables	(123,303)
Tax liabilities	(4,222)
Bank loans	(7,571)
	85,210
Goodwill on acquisition	44,496
Total consideration satisfied by cash	129,706
Net cash outflow arising on acquisition:	
Cash consideration paid	(129,706)
Bank balances and cash acquired	71,576
	(58,130)

COPM contributed HK$30 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total group revenue for the period would have been HK$16,939 million, and profit for the period would have been HK$4,252 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

43. Acquisition of Subsidiaries *(continued)*

(b) During the year, the Group also acquired and assumed the following assets and liabilities, respectively, through acquisition of subsidiaries:

	Treasure Trinity Limited ("TTL") *HK$'000* *(Note 1)*	**中怡華海房地產開發(珠海)有限公司 ("中怡華海")** *HK$'000* *(Note 2)*	**上海錦港房地產開發有限公司 ("上海錦港")** *HK$'000* *(Note 2)*	**Total** *HK$'000*
Net assets acquired:				
Investment properties	357,408	—	—	357,408
Properties under development	—	454,427	196,955	651,382
Other receivables	—	—	1,275	1,275
Bank balances and cash	6,925	—	—	6,925
Trade and other payables	(4,755)	(237,158)	(177,611)	(419,524)
Total consideration, satisfied by cash	359,578	217,269	20,619	597,466
Net cash outflow arising on acquisition:				
Cash paid				(597,466)
Bank balances and cash acquired				6,925
				(590,541)

Notes:

(1) On 29 March 2007, the Group had acquired several investment properties in Hong Kong and their related asset and liability by way of acquisition of the entired issued share capital of TTL from COHL.

(2) On 12 April 2007 and 8 August 2007, the Group had acquired several properties under development in the PRC and their related assets and liabilities by way of acquisition of the entired issued share capital of 中怡華海 and 上海錦港 from independent third parties respectively.

43. Acquisition of Subsidiaries *(continued)*

(c) In prior year, the Group acquired additional interest in subsidiaries for an aggregate consideration of HK$591.5 million, including remaining 21% interest in each of China Overseas Property Group Co., Ltd. and its subsidiaries, 10% of 瀋陽皇姑粉煤灰建材有限公司, 24.3% of 深圳市中海運輸有限公司, 12.005% of 深圳市中海貨物代理有限公司 and 3.8% of 深圳中海資訊科技有限公司 through the acquisition of the entire equity interest in Prosper Sea Developments Limited, Rise Stand Developments Limited and Wing Sea Group Limited as well as 11% equity interest in China Overseas Property Group Co., Ltd. After the acquisitions, all of these companies became wholly-owned subsidiaries of the Group. The subsidiaries acquired are principally engaged in the property development, investment holding, manufacturing of energy raw material and provision of logistics services.

	Acquiree's carrying amount *HK$'000*
Net assets acquired	
Trade and other receivables *(note i)*	7,802
Bank balances and cash *(note i)*	60,342
Trade and other payables (note i)	(23,270)
Tax liabilities *(note i)*	(2,012)
Deferred tax liabilities	(115,976)
Minority interests *(note ii)*	284,651
Reserve on acquisition *(note iii)*	380,000
	591,537
Satisfied by:	
Cash consideration paid	591,537

Notes:

(i) The carrying amounts of these assets and liabilities acquired approximate to their fair values.

(ii) Minority interests represent the minority shareholders' share in the net book value of those assets and liabilities attributable to the additional interest acquired by the Group.

(iii) The reserve on acquisition represents the difference between the book value and the fair value of the net assets attributable to the additional interest. The amount is calculated by the difference between the consideration paid and the carrying value of the net assets attributable to the additional interests acquired from the minority shareholders through the acquisition of the subsidiaries.

43. Acquisition of Subsidiaries *(continued)*

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(591,537)
Bank balances and cash acquired	60,342
Net outflow of cash and cash equivalents in respect of the acquisition	(531,195)

(d) On 28 April 2006, the Group entered into a sale and purchase agreement to acquire the entire share capital of Classic China Products Limited, from a 50% jointly controlled entity of the Group, at an aggregate cash consideration of RMB84,400,000. Classic China Products Limited holds the entire equity interest in 中海月朗苑物業發展(深圳)有限公司 which is established in PRC and engaged in property development. After the acquisition, Classic China Products Limited and 中海月朗苑物業發展(深圳)有限公司 became wholly-owned subsidiaries of the Group. The transactions have been accounted for by the purchase method of accounting.

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Properties under development	215,475	147,313	362,788
Trade and other receivables	590	—	590
Tax prepaid	4,626	—	4,626
Bank balances and cash	48,426	—	48,426
Trade and other payables	(72,888)	—	(72,888)
Forward sales deposits	(96,048)	—	(96,048)
Bank loan, unsecured	(57,692)	—	(57,692)
Tax liabilities	(10)	—	(10)
Deferred tax liabilities	—	(25,876)	(25,876)
	42,479	121,437	163,916
Less:			
Amounts due from jointly controlled entities, net of negligible post-acquisition results			(81,632)
			82,284
Satisfied by:			
Cash consideration			82,284
Cash consideration paid			(82,284)
Bank balances and cash acquired			48,426
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(33,858)

43. Acquisition of Subsidiaries *(continued)*

Classic China Products Limited and its subsidiaries, including 中海月朗苑物業發展(深圳)有限公司, had no significant contributions to the Group's profit for the period between the date of acquisition and the balance sheet date.

However, if the acquisition had been completed on 1 January 2006, total group revenue for the year would have been HK$10,910 million, and profit for the year HK$2,370 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(e) The assets acquired through the acquisition of entire share capital of Entrepot Ltd. during the year ended 31 December 2006 were properties under development of HK$430,000,000.

44. Disposal of Subsidiaries

(a) During the year, the Group disposed of its entire issued share capital of and shareholders' loan to China Overseas Public Utility Investment Limited ("COPUI") to China State Construction International Holdings Limited ("CSCIHL"), a fellow subsidiary of the Company, at a cash consideration of HK$400,000,000. COPUI was principally engaged in production and supply of heat, electricity and steam and provision of installing services heat distribution network in Shenyang, PRC.

In prior year, the Group also disposed of certain subsidiaries to independent third parties, which were established for the purpose of engaging in infrastructure project and provision of logistics services in the PRC, for a consideration of HK$326 million.

	2007 ***HK$'000***	2006 *HK$'000*
Net assets disposed of		
Property, plant and equipment	**695,748**	174,094
Prepaid lease payments for land	**37,096**	123,191
Inventories	**22,521**	8,066
Trade and other receivables	**27,946**	42,306
Deposits and prepayments	**50,453**	15,269
Bank balances and cash	**180,201**	33,696
Tax liabilities	**(9,807)**	(1,942)
Deferred tax liabilities	**(48,367)**	—
Trade and other payables	**(154,803)**	(37,740)
Other deposits	**(131,381)**	—
Tax prepaid	**—**	219
	669,607	357,159
Exchange translation reserve	**(68,158)**	(19,228)
Net assets attributable to minority interests	**—**	(35,262)
	601,449	302,669
(Loss) gain on disposal	**(201,449)**	23,679
Sales consideration, satisfied by cash	**400,000**	326,348

44. Disposal of Subsidiaries *(continued)*

Net cash inflow arising on disposal:

	2007 HK$'000	2006 HK$'000
Cash consideration received	**400,000**	326,348
Bank balances and cash disposed of	**(180,201)**	(33,696)
	219,799	292,652

COPUI disposed of during the year contributes to the Group's cash flows of HK$107 million and turnover of HK$336 million. The profit of this subsidiary group included in the Group's financial statements amounted to HK$91 million.

The subsidiaries disposed of in prior year did not contribute significantly to the Group's cash flows and turnover. The profit of these subsidiaries included in the Group's financial statements amounted to HK$7 million.

(b) On 3 May 2007, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("S&P agreement") with an independent third party (the "Purchaser") in respect of the sale by COZG to the Purchaser of 50% equity interest in and shareholders' loans to Big Profit Enterprises Limited ("Big Profit"), a wholly-owned subsidiary of COZG, for a consideration of US$67 million (equivalent to HK$523 million). Big Profit is an investment holding company which holds entire interest in 上海中海海軒房地產有限公司 ("中海海軒"), a wholly foreign-owned enterprise established in the PRC owning the land use rights in respect of a piece of land located in Luwan District, Shanghai, PRC. Pursuant to the shareholders' agreement which was signed among COZG, the Purchaser and Big Profit on the same date of the S&P agreement, COZG and the Purchaser have joint control over Big Profit and the Purchaser is given a right to return of all of its capital contribution and other indebtedness owed to it without interest in 3 months after the expiry of certain relocation thresholds, provided that if such relocation thresholds could not be met within the respective deadlines in 2008 specified by the shareholders' agreement. The relocation thresholds represent relocation of existing residential units and factories in the lands owned by 中海海軒 within pre-determined timeframes specified in the shareholders' agreement. As the directors are uncertain if these relocation thresholds could be met or not based on existing relocation progress, they consider that the disposal of 50% equity interest in Big Profit (the "Disposal") and the corresponding gain on disposal should be recognised on the basis of this put option written to the Purchaser. The Disposal would be recognised only upon the expiry of the specific relocation thresholds or when management consider that it is highly probable that they could meet the relocation thresholds before the expiry of the terms. Big Profit and 中海海軒 were therefore derecognised as the wholly-own subsidiaries and accounted for as 100% owned jointly controlled entities using equity method as at 31 December 2007. The consideration received of HK$523 million was recorded in other payable. Accordingly, the Group derecognised 中海海軒's properties under development of HK$653 million and recognised as advances to jointly controlled entities at the same amount, which was regarded as a major non-cash transaction during the year.

44. Disposal of Subsidiaries *(continued)*

(c) On 7 November 2007, the Company, CSCIHL and Proud Sea International Limited ("Proud Sea"), a wholly-owned subsidiary of the Company entered into a shareholders' agreement of which the Company disposed of its 10% issued share capital of and corresponding 10% shareholder's loan to Proud Sea to CSCIHL at aggregate cash consideration of US$1 (equivalent to HK$8). Proud Sea is an investment holding company which owns certain operating companies established in PRC property development projects in Zhuhai and Chongqing, PRC. The transaction was completed in December 2007 and accordingly, Proud Sea became a 90%-owned subsidiary of the Company. The disposal of the partial interest in Proud Sea has no significant impact to the Group's income statement for the year ended 31 December 2007.

45. Goodwill

	2007 ***HK$'000***	2006 *HK$'000*
COST		
At 1 January	**64,525**	64,525
Arising on acquisition of a subsidiary *(note 43(a))*	**44,496**	—
At 31 December	**109,021**	64,525
CARRYING AMOUNT		
At 31 December	**109,021**	64,525

As at 31 December 2007 and 2006, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in COPM Subgroup of HK$44,496,000 and Hua Yi Subgroup of HK$64,525,000 acquired during the year ended 31 December 2007 and 31 December 2005, respectively. COPM Subgroup is principally engaged in property management and investment holding while Hua Yi Subgroup is principally engaged in the provision of building design consultancy services and investment holding. As explained in note 9, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, the attributable amount of goodwill, having an indefinite useful lives, has been allocated to the other operations segment only.

As at 31 December 2007, management determines that there is no impairment of goodwill based on the estimated recoverable amount of each of these two cash generating units to which the goodwill relates. The recoverable amount of the units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. The 10-year cash flows beyond the 5-year period are projected using a zero growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

46. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in cash flow statement can be reconciled to the related items in the consolidated balance sheet as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Bank balances and cash	**8,478,160**	3,760,165
Less: restricted bank deposits *(note 33)*	**(591,505)**	(171,114)
	7,886,655	3,589,051

47. Operating Lease Commitments

The Group as Lessor

At the balance sheet date, investment properties and other properties with carrying amounts of HK$2,635 million (2006: HK$1,639 million) and HK$91 million (2006: HK$132 million) respectively were let out under operating leases.

Property rental income earned during the year is HK$124 million (2006: HK$104 million), of which HK$71 million (2006: HK$98 million) was derived from the letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**149,522**	82,044
In the second to fifth year inclusive	**231,042**	68,047
After five years	**47,292**	600
	427,856	150,691

47. Operating Lease Commitments *(continued)*

The Group as Lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**22,598**	3,942
In the second to fifth year inclusive	**30,131**	—
	52,729	3,942

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for two to five years.

The Company as Lessee

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**22,598**	3,856
In the second to fifth year inclusive	**30,131**	—
	52,729	3,856

48. Project and Other Commitments

At the balance sheet date, the Group had the following commitments not provided for in the financial statements:

(a) Expenditure on Property Development Projects

(i) Outstanding lease payments in respect of land use rights in the PRC under operating leases payable:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**5,776,256**	3,931,203
In the second to fifth year inclusive	**45,674**	827,708
	5,821,930	4,758,911

(ii) Other development expenditure

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
— Authorised but not contracted	**33,139,110**	26,669,263
— Contracted but not provided for	**7,810,041**	5,165,378
	40,949,151	31,834,641
	46,771,081	36,593,552

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
(b) Acquisitions contracted but not provided for		
— Interest in a subsidiary	**—**	126,733
— Property, plant and equipment	**86,278**	36,153
Acquisitions of subsidiaries authorised but not contracted	**—**	225,751

48. Project and Other Commitments *(continued)*

(c) In prior year, the Group has agreed to procure finance to a jointly controlled entity in accordance with the Group's interest therein to enable the jointly controlled entity to repay the loan to the extent of HK$205 million from a joint venture partner, which was settled at the balance sheet date as at 31 December 2007. The jointly controlled entity is principally engaged in the operation and management of a toll bridge in the PRC.

The Company had no significant project and other commitments at the balance sheet date.

49. Contingent Liabilities

At the balance sheet date, other than there were other contingent liabilities as follows:

(a) Guarantees given and indemnities provided by the Group and the Company in respect of credit facilities granted to:

	THE GROUP		THE COMPANY	
	2007 *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*
Subsidiaries	**—**	—	**994,148**	800,000
Associates	**7,000**	7,000	**7,000**	7,000
	7,000	7,000	**1,001,148**	807,000

(b) At 31 December 2007, the Group had outstanding counter indemnities amounted to HK$63 million (2006: HK$102 million) in respect of property management contracts undertaken by the Group.

(c) The Group provided guarantees amounted to HK$5,363 million (2006: HK$5,072 million) for the repayment of the mortgage bank loans granted to purchasers of the Group's properties.

(d) In prior year, the Group provided guarantees amounting to HK$139 million for completion of a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties.

(e) As disclosed in note 40, the Company also provided guarantee amounted to HK$2,326,435,000 (2006: HK$2,323,440,000) in respect of the guarantee note issued by a subsidiary of the Company.

Other than the guarantee provided by the Company as mentioned in item (a), the directors considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates. The financial guarantee contracts of the Company have been recognised in the Company's financial statements.

50. Pledge of Assets

At the balance sheet date, the Group's bank deposits and other assets of HK$322.8 million (2006: bank deposits and other assets of HK$314.0 million) were pledged to secure the banking facilities granted to the Group.

51. Related Party Transactions

Other than the acquisition and disposal of subsidiaries from/to related parties as disclosed in Notes 43 and 44, the Group had the following transactions with related parties:

(a) Pursuant to an agreement entered into in 2003 between a subsidiary of the Company, Shenzhen China Overseas Property Co., Ltd. ("SCOP") and a subsidiary of CSCEC, Shenzhen China Overseas Construction Engineering Company ("SCOCE"), SCOCE was appointed as the main contractor for the construction of the first phase of the property development project undertaken by SCOP at the contract price of RMB185 million. Construction fees paid by SCOP to SCOCE under the agreement amounted to HK$16 million (2006: HK$14 million) in respect of the year.

(b) Certain subsidiaries of the Company had appointed SCOCE as the main contractor for the construction of the property development projects undertaken by them, at an aggregate contract price of RMB18 million. Construction fees paid or payable by the said subsidiaries to SCOCE under the contracts amounted to HK$2.3 million (2006: HK$Nil million) in respect of the year.

(c) In April 2005, Goodrich Company Limited ("Goodrich"), a subsidiary of the Company, awarded the piling installation works of the Group's property development project in Macau to China Construction Engineering (Macau) Company Limited ("CCE Macau"), a subsidiary of COHL which is itself a subsidiary of CSCEC, at the contract sum of HK$56 million.

In August 2005, a construction management contract was entered into between Goodrich and CCE Macau, under which CCE Macau was appointed as the construction manager of Goodrich for the aforementioned property project in Macau at a management fee of HK$20 million plus a bonus payment for a maximum amount of HK$30 million payable upon the satisfaction of certain conditions stipulated in the said contract.

The contract sums and fees paid or payable by the Group under the aforementioned contracts amounted to a total of HK$57 million (2006: HK$15 million) in respect of the year.

(d) In November 2005, Guangzhou China Overseas Property Company Limited ("GCOP"), a subsidiary of the Company, entered into the Acquisition Agreement with Shenzhen China Overseas Investment Management Co., Ltd., a subsidiary of CSCECs whereby GCOP agreed to acquire 11% of the existing registered capital of China Overseas Property Group Co., Ltd. ("COPG") for a consideration of RMB320 million (approximately HK$308 million).

Upon completion of the Acquisition Agreement in January 2006, the Group has 90% equity interest in COPG.

51. Related Party Transactions *(continued)*

(e) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited ("CSCIHL"), SCOCE and CCE Macau individually whereby the Group may continue to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau respectively upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million respectively.

During the year, the total contract sum granted by the Group to each of them amounted to HK$Nil (2006: HK$126 million), HK$Nil (2006: HK$39 million) and HK$Nil (2006: HK$189 million), respectively.

(f) In May 2005, the Company and a subsidiary entered into an agreement to acquire from a subsidiary of COHL, the entired issued share capital of Hua Yi Designing Consultants Limited ("Hua Yi") and the loan in the sum of approximately HK$18 million owing to COHL by Hua Yi for the respective consideration of HK$75 million and HK$18 million. The agreement provides that should the audited net profit of Hua Yi for each of the years ended 31 December 2005 and 2006 be less than HK$17 million, COHL will pay or procure the seller to pay the shortfall to the Company. The audited net profit of Hua Yi is more than HK$17 million for the years ended 31 December 2005 and 2006.

(g) In May 2006, On Success Development Limited ("On Success"), a subsidiary of the Group entered into Master Tenancy Agreement with China Overseas (Hong Kong) Limited ("COHK"), as a subsidiary of CSCIHL, pursuant to which COHK has agreed to lease certain properties as offices of CSCIHL and its subsidiaries. The rent receivable by On Success will be HK$6.6 million, HK$8.6 million and HK$9.0 million for the three years ending 30 June 2007, 30 June 2008 and 30 June 2009, respectively.

During the year, the rent received or receivable by On Success amounted to HK$9.3 million (2006: 2.2 million).

(h) In May 2006, China Overseas Security Services Ltd. ("COS"), a subsidiary of the Group and CSCIHL entered into Master Security Agreement pursuant to which COS will provide security service to the worksites of CSCIHL and/or its subsidiaries. The security services fee for each of the three financial years ending 31 December 2008 will not exceed HK$30 million per year.

During the year, the total contract sum granted by the Group to COS amounted to HK$11.3 million (2006: HK$7.4 million) and the security service fee received or receivable by COS amounted to HK$6.9 million (2006: HK$3.5 million).

(i) In June 2006, the Company entered into a CSCEC Group Engagement agreement with CSCEC whereby the Group may continue to engage CSCEC and its subsidiaries ("CSCEC Group") as construction contractor in the PRC upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group shall not exceed HK$1,600 million.

During the year, the total contract sum granted by the Group to CSCEC Group amounted to HK$1,373 million (2006: HK$762 million) and the construction cost paid or payable to CSCEC Group amounted to HK$1,146 million (2006: HK$718 million).

51. Related Party Transactions *(continued)*

(j) The Group had taken out insurance policies with China Overseas Insurance Limited ("COIL"), a subsidiary of CSCEC. The aggregate amount of premium paid or payable by the Group to COIL during the year amounted to HK$1.5 million (2006: HK$2 million).

(k) In the ordinary course of business, CSCEC acted as guarantor for certain banking facilities granted to the Group. No fees were chargeable by CSCEC to the Group in this connection during the year.

(l) In February 2005, certain subsidiaries of the Group were awarded a foundation contract by a subsidiary of Sino Land Company Limited, which is a substantial shareholder of a subsidiary of the Company, at the contract sum of HK$40 million. In 2006, the said subsidiaries were disposed of by the Group and the contract sums received or receivable by the said subsidiaries under the contract amounted to HK$16 million in 2006.

(m) The remuneration of the Company's directors and other members of key management of the Group during the year was as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Short-term benefits	**64,595**	54,580
Share-based payments	**198**	—
Mandatory Provident fund contribution	**84**	97
	64,877	54,677

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(n) In 2007, the Group has interest income of HK$17.5 million (2006: HK$9.7 million) from its associates.

(o) During the year, COHL granted several short-term loans totally amounted to HK$3,970 million to the Company and certain subsidiaries of the Group. The loans were interest bearing at 4% per annum and fully repaid as at 31 December 2007. The interest expenses paid or payable to COHL amounted to HK$45.8 million.

(p) During the year, project management fee paid or payable to a subsidiary by certain subsidiaries of the Group amounted to HK$9.5 million (2006: HK$Nil).

51. Related Party Transactions *(continued)*

(q) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled entities"). The directors consider those State-controlled entities are independent third parties so far as the Group's business with them are concerned.

In connection with their property development activities, the Group and its jointly controlled entities awarded construction and other works contracts to entities, which to the best knowledge of management, are State-controlled entities. These contracts with an aggregate contract sum of HK$22,118 million (2006: HK$2,057 million) remained outstanding as at year end, of which approximately HK$16,678 million (2006: HK$1,307 million) was paid or payable in respect of the year.

The Group and its jointly controlled entities have also entered into various transactions with government departments or agencies which include the acquisition of land mainly through tendering, the operation and management of toll bridges and the supply of heat and electricity to those government departments or agencies.

In addition, in the normal course of business, the Group and its jointly-controlled entities have maintained various trade balances with contractors and have entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

The Group and its jointly-controlled entities and associates are active in sales and lease of properties, supply of heat and electricity to consumers, operation and management of toll bridges, the provision of real estate agency and management services, logistic and other services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled entities. However, the directors are of the opinion that the transactions with State-controlled entities are not significant to the Group's operations.

(r) During the year, the Company had the following transactions with related parties:

(i) In November 2005, the Company entered into agreements with each of China State Construction International Holdings Limited ("CSCIHL"), SCOCE and CCE Macau individually whereby the Group may continue to engage CSCIHL and its subsidiaries ("CSCIHL Group"), SCOCE and CCE Macau as construction contractors in Hong Kong, Shenzhen and Macau respectively upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCIHL Group, SCOCE or CCE Macau, the total contract sum to be awarded by the Group to each of them shall not exceed HK$900 million, HK$1,600 million and HK$200 million respectively.

51. Related Party Transactions *(continued)*

(ii) In May 2005, the Company and a subsidiary entered into an agreement to acquire from a subsidiary of COHL, the entired issued share capital of Hua Yi Designing Consultants Limited ("Hua Yi") and the loan in the sum of approximately HK$18 million owing to COHL by Hua Yi for the respective consideration of HK$75 million and HK$18 million. The agreement provides that should the audited net profit of Hua Yi for each of the years ended 31 December 2005 and 2006 be less than HK$17 million, COHL will pay or procure the seller to pay the shortfall to the Company. The audited net profit of Hua Yi is more than HK$17 million for the years ended 31 December 2005 and 2006.

(iii) In June 2006, the Company entered into a CSCEC Group Engagement agreement with CSCEC whereby the Group may continue to engage CSCEC and its subsidiaries ("CSCEC Group") as construction contractor in the PRC upon successful tender for each of the three financial years ending 31 December 2008. If any contract is granted in favour of CSCEC Group, the total sum to be awarded by the Group to CSCEC Group shall not exceed HK$1,600 million.

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in consolidated balance sheet and notes 25, 32 and 35. The details of the Company's amounts due from and to related parties are disclosed in the Company's balance sheet and notes 25, 26 and 36.

52. Post Balance Sheet Events

(a) Subsequent to the balance sheet date, the Group formed two joint venture companies for the purpose of jointly acquiring and developing two pieces of land in Hangzhou, the PRC for a total consideration of RMB4,659 million (equivalent to HK$5,018 million) on 50:50 ownership basis with subsidiaries of Shimao Properties Holdings Limited, a company incorporated in Cayman Islands and listed on the Hong Kong Stock Exchange.

(b) Subsequent to the balance sheet date, the Group acquired a piece of land in Suzhou, the PRC for a consideration of RMB1,560 million (equivalent to HK$1,660 million).

53. Particulars of Principal Subsidiaries

The following are the particulars of the subsidiaries at 31 December 2007 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all other subsidiaries are incorporated and operating principally in Hong Kong.

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Advocate Properties Limited	100,000 shares of HK$1 each	—	100	Investment holding
Allways Success Development Limited	100,000 shares of HK$1 each	—	100	Property investment
Arch Regent Investments Limited *(i)*	1 share of US$1	—	100	Investment holding
北京中海豪庭房地產開發有限公司 *(v)*	RMB10,000,000	—	100	Property development
北京中海豪峰房地產開發有限公司 *(v)*	RMB50,000,000	—	100	Property development
北京中海地產有限公司 *(v)*	RMB50,000,000	—	100	Property development
北京中海天成房地產開發有限公司 *(iv)*	US$12,000,000	—	100	Property development
北京嘉益德房地產開發有限公司 *(vi)*	RMB10,000,000	—	100	Property development
北京中海廣場置業有限公司 (formerly known as 北京國潤房地產開發經營有限公司) *(vi)*	RMB30,000,000	—	100	Property development
Beijing Yorkley Real Estate Development Co., Ltd. *(v)*	US$12,000,000	—	95	Property development
Beijing Zhong Hai Xing Ye Real Estate Development Co., Ltd. *(v)*	US$8,624,000	—	100	Property development
Beijing Zhonghai Seagarden Real Estate Development Co., Ltd. *(iv)*	US$11,920,000	—	72	Property development
北京勝古房地產開發有限責任公司 *(vi)*	RMB16,000,000	—	93.75	Property development
北京中海物業管理有限公司 *(vi)*	RMB5,000,000	—	100	Real estate management
北京中海置業有限公司 *(vi)*	RMB29,000,000	—	100	Property development
Changchun China Overseas Property Co., Ltd. *(iv)*	RMB10,000,000	—	100	Property development
China Overseas Building Management Limited	100 shares of HK$1 each	—	100	Real estate management
China Overseas Finance (Cayman) I Limited *(viii)*	1 share of US$1	100	—	Issuance of guaranteed notes
China Overseas Industrial Holdings Limited	2 shares of HK$1 each	100	—	Investment holding
China Overseas Infrastructure Limited	2 shares of HK$1 each	—	100	Investment holding
China Overseas Infrastructure Holdings Limited *(viii)*	1 share of HK$0.10	—	100	Investment holding
China Overseas Material Technology Company Limited	100 shares of HK$1 each	—	100	Investment holding
China Overseas Port (Laizhou) Co., Ltd. *(ii)*	US$35,060,000	—	100	Provision of port services
China Overseas Property Agency Limited	2 shares of HK$1 each	—	100	Real estate agency
China Overseas Property Group Co., Ltd. *(iii)*	RMB610,200,000	—	100	Property development, trading and investment and investment holding

53. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
China Overseas Property Limited	100 shares of HK$10 each	100	—	Investment holding, property consultancy and real estate agency
China Overseas Property (Hong Kong) Company Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
China Overseas Property Services Limited	10 shares of HK$10 each	—	100	Real estate management and investment holding
China Overseas Prosperous Citycharm Investments Limited *(i)*	1 share of US$1	100	—	Investment holding
China Overseas Ports Investment Company Limited *(i)*	1 share of US$1	—	100	Investment holding
China Overseas Road & Bridge Holdings Limited *(i)*	1 share of US$1	—	100	Investment holding
China Overseas Security Services Limited	2 shares of HK$1 each	—	100	Provision of security service
China Overseas (Zhong Guo) Limited	5,000,000 shares of HK$10 each	—	100	Investment holding
Chung Hoi Finance Limited	500,000 shares of HK$10 each	100	—	Loan financing, investment holding and security investments
Goodrich Company Limited *(ix)*	MOP25,000	—	100	Property development
Classic China Products Limited	10,000 shares of HK$100 each	—	100	Investment holding
中海寶松物業發展(深圳)有限公司 *(ii)*	HK$262,500,000	—	100	Property development
COB Development (Shanghai) Co., Ltd. *(ii)*	US$17,000,000	—	100	Property development and trading
中海興業(成都)發展有限公司 *(ii)*	US$20,000,000	—	100	Property development
中海信和(成都)物業發展有限公司 *(ii)*	HK$420,000,000	—	80	Property development
中海地產重慶有限公司 (vi)	RMB20,000,000	—	100	Property development
中海興業(寧波)有限公司 (ii)	US$33,000,000	—	100	Property development
中海發展(廣州)有限公司 (ii)	US$21,000,000	—	100	Investment holding, property development, building construction and project management
中海發展(西安)有限公司 (ii)	US$13,250,000	—	100	Property development
中海興業(西安)有限公司 (ii)	USD30,000,000	—	100	Property development
中海發展(蘇州)有限公司 (ii)	US$62,500,000	—	100	Property development
中海地產諮詢(上海)有限公司 *(ii)*	US$500,000	—	100	Real estate agency
中海物流(深圳)有限公司 *(ii)*	RMB50,000,000	—	100	Property investment and investment holding
中海物業管理廣州有限公司 *(vi)*	RMB15,800,000	—	100	Real estate management
中海地產(蘇州)有限公司 *(vi)*	RMB379,740,000	—	100	Property development
中海發展(杭州)有限公司 *(vi)*	RMB368,623,780	100	—	Property development
中海地產(西安)有限公司 *(vi)*	RMB380,825,000	—	100	Property development
中海地產(青島)投資開發有限公司 *(vi)*	RMB1,496,781,720	—	100	Property development

53. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
中海地產(佛山)有限公司 (前稱 "佛山市中海房地產發展有限公司") *(iv)*	RMB230,000,000	—	100	Property development
Dong Kong Holdings Limited	5,000,000 shares of HK$1 each	—	100	Investment holding
Entrepot Limited	100 shares of HK$1 each	—	100	Property development
Further Good Development Limited	100 shares of HK$1 each	—	100	Property trading
Grand Shine Development Limited	1 share of HK$1	100	—	Investment holding
Gain Direct Limited *(i)*	1 share of US$1	—	100	Investment holding
Goldwell Development Limited	100 shares of HK$1 each	—	100	Property development, trading and investment
Great Trend Investment Limited	10,000 shares of HK$1 each	—	100	Investment holding
Guangzhou Haijin Real Estate Development Co., Ltd. *(v)*	RMB80,000,000	—	100	Property development
廣州海粵房地產發展有限公司 *(v)*	RMB138,000,000	—	100	Property trading and investment
廣州中海地產有限公司 (vi)	RMB100,000,000	—	100	Property development
廣州江東房地產開發有限公司 *(v)*	RMB99,800,000	—	100	Property development
廣州藍灣房地產開發有限公司 *(vi)*	RMB15,000,000	—	100	Property development
廣州中海名都房地產發展有限公司 *(v)*	RMB400,000,000	—	100	Property development
Hainan Ruler Limited *(i)*	1 share of US$1	100	—	Investment holding
Hua Yi Designing Consultants Limited	1,000,000 shares of HK$1 each	100	—	Design consultancy services and investment holding
香港華藝設計顧問(深圳)有限公司 *(ii)*	RMB12,000,000	—	100	Design consultancy services
Kee Yet Company Limited	2 shares of HK$1 each	—	100	Property development
Landcorp Investments Limited	2 shares of HK$1 each	—	100	Investment holding
Macfull Limited	1,000 shares of HK$1 each	—	60	Property development
Macwan Limited	10 shares of HK$1 each	—	70	Property development
Macyat Limited	10,000 shares of HK$1 each	—	100	Property development
Maxdo Investments Limited	10,000,000 shares of HK$1 each	—	100	Investment holding
Maxjet Company Limited	10 shares of HK$1 each	—	90	Property development
Mepork Services Limited	100 shares of HK$1 each	—	100	Provision of building cleaning, maintenance and security services
南京中海地產有限公司 *(vi)*	RMB20,000,000	—	100	Property development
南京海潤房地產開發有限公司 *(ii)*	USD50,000,000	—	100	Property development
Ocean Group Limited	2 shares of HK$1 each	—	100	Property investment
On Success Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Prosper Sea Developments Limited *(i)*	1 share of US$1	—	100	Investment holding
Rise Stand Developments Limited *(i)*	1 share of US$1	—	100	Investment holding

53. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Safe Future Investments Limited *(i) & (vii)*	1 share of US$1	—	100	Investment holding
Shanghai Hai Xing Realty Co., Ltd. *(iv)*	US$15,000,000	—	51	Property trading and investment
上海海創房地產有限公司 *(vi)*	RMB10,000,000	—	100	Property development
上海萬和房地產有限公司 *(iv)*	US$43,340,000	—	95	Property development
上海新海匯房產有限公司 *(iv)*	US$40,000,000	—	99.5	Property development
上海中海房地產有限公司 *(vi)*	RMB10,000,000	—	100	Property development
上海中海海華房地產有限公司 *(vi)*	RMB10,000,000	—	98	Property development
上海中海海庭房地產有限公司 *(vi)*	RMB10,000,000	—	98	Property development
Shenzhen China Overseas Property Co., Ltd. *(iv)*	HK$50,000,000	—	100	Property development
深圳市中海運輸有限公司 *(vi)*	RMB10,000,000	—	100	Provision of logistic services
深圳市中海資訊科技有限公司 *(vi)*	RMB10,000,000	—	100	Provision of logistic services
深圳市中海投資有限公司 *(vi)*	RMB500,000,000	—	100	Investment holding
深圳市中海深圳灣房地產開發有限公司 *(vi)*	RMB10,000,000	—	100	Property development
深圳市中海日輝台物業發展有限公司 (前稱 "深圳市海鵬物業發展有限公司") *(vi)*	RMB41,791,000	—	100	Property development
深圳市中海貨物代理有限公司 *(vi)*	RMB5,000,000	—	100	Provision of logistic services
深圳市志趣諮詢服務有限公司 *(ii)*	RMB5,000,000	—	100	Investment holding
深圳永福通實業有限公司 *(ii)*	RMB5,000,000	—	100	Investment holding
深圳市喜逢春諮詢服務有限公司 *(ii)*	RMB8,600,000	—	100	Investment holding
深圳市凱創置業顧問有限公司 *(vi)*	RMB1,000,000	—	100	Real estate agency
深圳市中海龍城房地產開發有限公司 *(vi)*	RMB150,000,000	—	100	Property development
深圳市中海電梯工程有限公司 *(vi)*	RMB5,000,000	—	100	Real estate management
深圳市中海樓宇科技有限公司 *(vi)*	RMB5,000,000	—	100	Real estate management
深圳市中海社區環境工程有限公司 *(vi)*	RMB2,000,000	—	100	Real estate management
中海月朗苑物業發展(深圳)有限公司 *(ii)*	HK$10,000,000	—	100	Property development
Silver Yield Development Limited	100 shares of HK$1 each	—	100	Property trading
Splendid Return Limited *(i)*	50,000 shares of US$1 each	—	100	Investment holding
Techflex Limited *(i) & (vii)*	1 share of US$1	—	100	Investment holding
Total Wonder Limited *(i)*	1 share of US$1	—	100	Investment holding
Wealth Faith Developments Limited *(i)*	1 share of US$1	—	100	Investment holding
Widenews Company Limited ("Widenews")	2 shares of HK$1 each *(x)*	—	100	Property development and investment holding
Wing Sea Group Limited *(i)*	1 share of US$1	—	100	Investment holding
Winwhole Development Limited	100 shares of HK$1 each	—	100	Investment holding
Winwise Development Limited	2 shares of HK$1 each	—	100	Investment holding
Yorkley Group Limited	100 shares of HK$1 each	—	95	Investment holding
中海物業管理廣州有限公司 *(vi)*	RMB15,800,000	—	100	Investment holding and real estate management
Zhonghai Property Management (Shanghai) Co., Ltd. *(ii)*	US$610,000	—	100	Real estate management
中山市中海房地產開發有限公司 *(vi)*	RMB10,000,000	—	100	Property development
China Super Group Limited *(i)*	1 share of US$1	—	100	Investment holding

53. Particulars of Principal Subsidiaries *(continued)*

Name of entity	Paid up issued/ registered ordinary capital	Proportion of nominal value of issued/registered ordinary capital held by the Company Directly %	Indirectly %	Principal activities
Peak Top Enterprises Limited *(i)*	1 share of US$1	—	100	Investment holding
Proud Sea International Limited *(i)*	10 shares of US$1 each	90	—	Investment holding
Seawave Company Ltd. *(i)*	1 share of US$1	—	100	Investment holding
Trade Brilliant Development Limited	10,000 shares of HK$1 each	—	100	Property investment
Treasure Trinity Limited *(i)*	1 share of US$1	—	100	Investment holding
IHG Tai Ji Pharmaceutical Laboratory (Macao) Limited *(ix)*	MOP1,000,000	—	70	Property development
天津中海嘉業投資有限公司 *(vi)*	RMB10,000,000	—	100	Property development
天津中海興業房地產開發有限公司 *(vi)*	RMB20,000,000	—	100	Property development
青島中海興業房地產有限公司 *(vi)*	RMB10,000,000	—	100	Property development
青島中海鼎業房地產有限公司 *(vi)*	RMB10,000,000	—	100	Property development
大連中海地產有限公司 *(vi)*	RMB20,000,000	—	100	Property development
長春中海物業管理有限公司 *(vi)*	RMB1,000,000	—	100	Real estate management
成都中海物業管理有限公司 *(vi)*	RMB3,000,000	—	100	Real estate management
杭州中海房地產有限公司 (前稱"中海發展(杭州)有限公司") *(vi)*	RMB738,114,785	100	—	Property development
佛山市中海興業房地產開發有限公司 *(vi)*	RMB388,200,000	—	100	Property development
上海錦港房地產發展有限公司 *(vi)*	RMB20,000,000	—	100	Property development
萊州市海潤港口經營有限公司 *(vi)*	RMB1,100,000	—	100	Provision of logistic services
中怡華海房地產開發(珠海)有限公司 *(vi)*	RMB78,440,000	—	100	Property development
珠海市志趣諮詢服務有限公司 *(vi)*	RMB100,000	—	100	Property development
珠海市永福通諮詢服務有限公司 *(vi)*	RMB100,000	—	100	Property development
珠海市中勝海逸諮詢服務有限公司 *(vi)*	RMB116,304	—	100	Property development
珠海市雄晉諮詢服務有限公司 *(vi)*	RMB100,000	—	100	Property development
廣逸房地產開發(珠海)有限公司 (前稱"珠海市廣逸諮詢服務有限公司") *(vi)*	RMB731,403,388	—	100	Property development

(i) *Incorporated in the British Virgin Islands*

(ii) *Foreign investment enterprise registered in the PRC*

(iii) *Joint stock limited company established in the PRC*

(iv) *Sino-foreign equity joint venture registered in the PRC*

(v) *Sino-foreign cooperative joint venture registered in the PRC*

(vi) *Limited liability company registered in the PRC*

(vii) *Operating principally in the PRC*

(viii) *Incorporated in the Cayman Islands*

(ix) *Incorporated in Macau*

(x) *Other than the ordinary shares issued, Widenews also issued 1 redeemable preference share of HK$1 to Proud Sea International Limited which is 90% indirectly held by the Company.*

None of the subsidiaries had any debt securities in issue at the end of the year except for China Overseas Finance (Cayman) I Limited which has issued US$300,000,000 guaranteed notes (see Note 40), none of which was held by the Group.

Five Year Financial Summary

(A) Consolidated Results

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	7,617,970	8,624,475	7,930,763	10,910,234	**16,632,553**
Operating profit before impairment losses and allowances	713,792	1,058,496	2,005,547	3,059,313	**6,600,722**
Share of (losses) profits of					
Associates	(50,184)	(17,694)	(4,358)	(6,933)	**(27,911)**
Jointly controlled entities	14,728	17,026	44,537	433,649	**386,276**
Profit from ordinary activities before impairment losses and allowances	678,336	1,057,828	2,045,726	3,486,029	**6,959,087**
Impairment losses and allowance reversed	221,029	352,369	50,000	—	**—**
Profit before tax	899,365	1,410,197	2,095,726	3,486,029	**6,959,087**
Income tax expense	(128,759)	(258,698)	(422,368)	(1,174,070)	**(2,741,936)**
Profit for the year	770,606	1,151,499	1,673,358	2,311,959	**4,217,151**
Attributable to:					
Equity shareholders of the Company	695,882	1,073,559	1,534,684	2,370,750	**4,179,579**
Minority interests	74,724	77,940	138,674	(58,791)	**37,572**
	770,606	1,151,499	1,673,358	2,311,959	**4,217,151**

Note: Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies and the current year's presentation.

(B) Consolidated Net Assets

	At 31 December				
	2003 *HK$'000*	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	**2007** ***HK$'000***
NON-CURRENT ASSETS					
Investment properties	1,757,270	1,833,200	1,571,560	1,638,580	**2,634,750**
Property, plant and equipment	757,230	1,197,475	1,213,615	1,504,331	**1,212,085**
Prepaid lease payments for land	65,389	179,073	199,801	76,861	**95,736**
Investments in associates	209,750	233,457	126,670	141,288	**56,907**
Investments in jointly controlled entities	293,096	1,207,331	1,289,062	1,753,783	**2,588,406**
Investments in syndicated property project companies	46	46	153,637	143,895	**15,274**
Investments in infrastructure projects	180,540	165,550	148,131	127,891	**—**
Amounts due from associates	986,399	1,064,176	98,727	187,227	**271,697**
Amounts due from jointly controlled entities	11,556	458,333	400,938	439	**2,612,797**
Amounts due from syndicated property project companies	652,123	593,991	542,364	490,954	**1,873**
Investments in securities	7,243	—	—	—	**—**
Instalments receivable	211,631	32,123	9,022	6,938	**4,404**
Pledged bank deposits	11,903	89,822	27,611	26,782	**91,377**
Goodwill	—	—	64,525	64,525	**109,021**
Negative goodwill	(119,355)	(111,338)	—	—	**—**
	5,024,821	6,943,239	5,845,663	6,163,494	**9,694,327**
CURRENT ASSETS	11,208,861	14,466,116	19,296,277	29,690,127	**54,826,845**
TOTAL ASSETS	16,233,682	21,409,355	25,141,940	35,853,621	**64,521,172**
NON-CURRENT LIABILITIES					
Bank loans — due after one year	(1,921,320)	(3,058,783)	(3,279,230)	(6,047,000)	**(11,289,021)**
Guaranteed notes payable	—	—	(2,320,445)	(2,323,440)	**(2,326,435)**
Amount due to a fellow subsidiary	—	—	—	—	**(135,864)**
Amounts due to minority shareholders	(1,259,524)	(1,182,735)	(915,963)	(781,020)	**(873,557)**
Consideration for acquisition of subsidiaries payable	(73,806)	(45,419)	—	—	**—**
Deferred tax liabilities	(206,010)	(232,071)	(278,023)	(411,187)	**(473,789)**
	(3,460,660)	(4,519,008)	(6,793,661)	(9,562,647)	**(15,098,666)**
CURRENT LIABILITIES	(5,642,608)	(7,317,954)	(7,568,033)	(11,401,565)	**(23,632,404)**
TOTAL LIABILITIES	(9,103,268)	(11,836,962)	(14,361,694)	(20,964,212)	**(38,731,070)**
NET ASSETS	7,130,414	9,572,393	10,780,246	14,889,409	**25,790,102**

Note: Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies and the current year's presentation.

Major Properties and Property Interests

1. Particulars of The Group's Interests In Major Properties Held for Investment

	Name of property and location	Use	Lease term	Approximate gross floor area (excluding carparks) *sq.m.*	Group's interest *%*
(a)	Shops A, C and E on Ground Floor, Shops B and D on 1st Floor, Office floors 4th to 30th Floors (excluding units D, E and F on 6th Floor and units A to F on 19th Floor) and 60 car parking spaces on 2nd and 3rd Floor, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wanchai, Hong Kong	Commercial and carparks	Medium-term lease	19,100	100
(b)	Warehouse Tower and Office Tower, Hai Fu Warehouse, Junction of 5 Weiwu Road and 6 Jingliu Road, Futian Free Trade Zone, Shenzhen, PRC	Godown and commercial	50 years from 2 September 1993	26,487	100
(c)	Levels 6, 12, 17, and portion of Levels 7 and 16, Dongshan Plaza, 45-77 Xianlie Central Road, Dongshan District, Guangzhou, PRC	Commercial	50 years from 2 June 1995	12,122	100
(d)	Kaixuan Office Building, 96 Taipingqiao Avenue, Xicheng District, Beijing	Commercial	70 years expiring on 10 June 2071	24,668	100
(e)	Portion of shops on the first and ground floor all that the basement comprising 100 car parking spaces namely Car Parking Space Nos. 1–69, Vehicle Car Parking Spaces Nos. L1–L8, L17–L21 and L22–L39 on the basement, Union Plaza, 9 Wo Muk Road, Fanling, New Territories	Commercial and carparks	Medium-term lease	6,167	100
(f)	Tower 5, Hoover Tower, 8 St. Francis Yard, Wanchai, Hong Kong	Commercial	Long-term lease	3,864	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

2. Particulars of The Group's Interests in Major Properties Held Under Development

	Name of property and location	Intended use	Stage of completion at 31 December 2007	Expected year of completion	Approximate site area *sq.m.*	Approximate gross floor area *sq.m.*	Group's interest *%*
(a)	Qujiang Project Qujiang Road, New City of Qujiang, Xian, PRC	Residential	Construction in progress	2008	599,825	1,470,088	100
(b)	Aotixincheng Project Longxing Road, Longgang District, Shenzhen, PRC	Residential	Construction in progress	2008	118,799	372,320	100
(c)	Zhonghai Plaza Guanghua No. 1 Street, Chaoyang District, Beijing, PRC	Commercial	Construction in progress	2009	19,183	138,186	100
(d)	The Metropolis, Chaoyang District, Beijing, PRC	Residential	Construction in progress	2011	245,879	642,690	100
(e)	Dragon Peninsula Longteng Road, Qingyang Road, Chengdu, PRC	Residential	Construction in progress	2008	133,230	455,541	100
(f)	The Silvercarse Yinchuan West Road Qingdao, PRC	Residential	Construction in progress	2009	58,134	253,110	100
(g)	International Commenity Nanguan District Changchun, PRC	Residential	Construction in progress	2008	500,843	1,019,582	100
(h)	Zhonghai Tiandi Chongwen District, Beijing, PRC	Residential	Construction in progress	2010	82,898	367,775	100
(i)	Royal Lakefront Project Phase Two Western Jinji Lake, Gongyeyuan District, Suzhou, PRC	Residential	Construction in progress	2009	107,496	324,136	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

3. Particulars of The Group's Interests in Major Properties Held for Sale

Name of property and location	Use	Approximate gross floor area (excluding carparks) *sq.m.*	Group's interest %
(a) The Wesley North Songgang Town, Shenzhen, PRC	Residential	247,750	100
(b) Der Dhein Phase 3 74–77 Linhe Road Changchun, PRC	Residential	159,166	100
(c) Mount Canyon Yantian District, Shenzhen, PRC	Residential	84,103	60
(d) Royal Green Longgang District, Shenzhen, PRC	Residential	80,400	100
(e) Royal Lakefront Project Phase One Western Jinji Lake, Gongyeyuan District, Suzhou, PRC	Residential	56,399	100
(f) Bellagio Phase Two Site I & II Yinxian Road, Dongqianhu, Ningbo, PRC	Residential	65,899	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

4. Particulars of The Group's Interests in Major Properties Held for Future Development

	Name of property and location	Intended use	Approximate site area *sq.m.*	Approximate gross floor area *sq.m.*	Group's interest *%*
(a)	Shandong Road Project Wujia Country, N0250 Shibei District, Qingdao, PRC	Residential	43,172	229,270	100
(b)	Chengnan N031 Project Gaoxin District, Chengdou, PRC	Residential	151,333	511,574	100
(c)	International Community Gongyeyuan District, Suzhou, PRC	Residential	663,002	1,467,766	100
(d)	Fenghuangxjie Project Western Phoenix Street, Gulou District, Nanjing, PRC	Residential	169,561	568,029	100
(e)	Zhabei B3 Project Zhabei District, Shanghai, PRC	Residential	24,022	81,675	100
(f)	A piece of land situated in Longgang District, Shenzhen, PRC	Residential/ Hotel	57,693	214,515	100
(g)	6 Stanley beach Road 6 Stanley beach Road HK	Residential	3,766	3,530	100
(h)	A piece of land situated in Xinsheng Road, Dalian, PRC	School	87,400	165,260	100

Note: The Group's interest reflects an interest in the division of the property following completion of a development project.

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