China Aoyuan Property Group Limited
中國奧園地產集團股份有限公司

(Incorporated In The Cayman Islands With Limited Liability)
(Stock Code : 3883)

Annual Report 2007

living with a Glorious Style

Contents

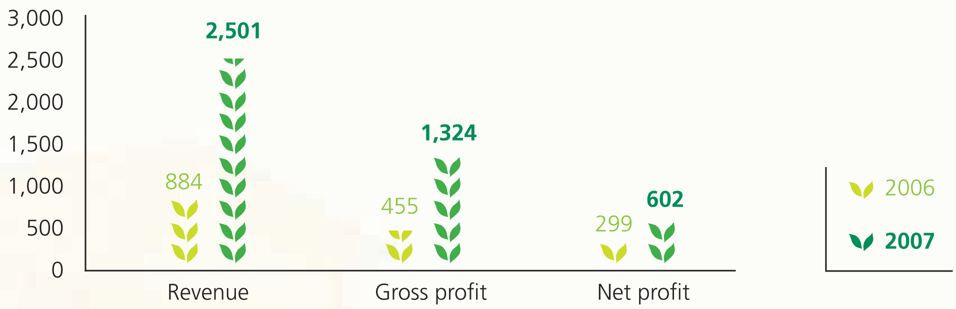
Financial Highlight

Result Highlights

For the year ended 31 December
(RMB million)

	2007	2006	Change
Revenue	2,501	884	+183%
Gross profit	1,324	455	+191%
Net profit	602	299	+101%
Attributable to:			
– Equity holders of the Company	602	300	+101%
– Minority interests	0	(1)	-100%
Earnings Per Share (RMB)			
– Basis	0.36	0.34	+6%
– Diluted	0.30	0.34	-12%

(RMB million)



2007 Revenue Analysis

(RMB million)

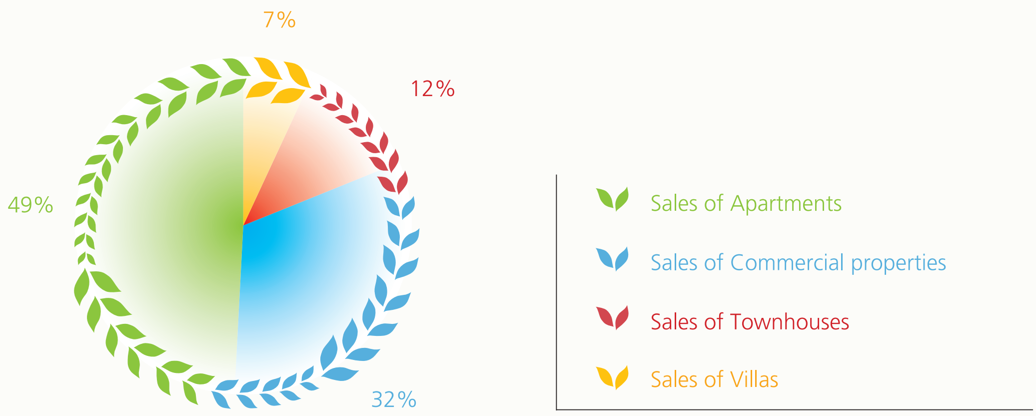
	2007	2006	Change
Sales of property	2,488	877	+184%
Lease of property	8	2	+300%
Property management & others	5	5	0
Total	2,501	884	+183%

Financial Highlight (continued)

2007 Sales of property analysis

(RMB million)

	2007	2006	Change
Sales of Commercial properties	788	254	+210%
Sales of Apartments	1,211	623	+94%
Sales of Villas	178	–	+100%
Sales of Townhouses	311	–	+100%
Total	2,488	877	+184%



As at 31 December

(RMB million)

	2007	2006
Total assets	8,241	2,189
Total liabilities	3,197	1,361
Total Equity	5,044	828

Corporate Milestone 2007

1998-1999

Development of
Guangzhou Aoyuan

Guo Ziwen Founded Aoyuan Group, focusing on property development with a sports theme

2000

Development of
Panyu Aoyuan

2001

Development of Phase 1 and Phase 2 of
Nanguo Aoyuan

2002

1st project under Aoyuan brand
Foshan Aoyuan

2003-2004

Development of Phase 3 and Phase 4 of
Nanguo Aoyuan

Development of
Nansha Aoyuan

2005

Started 2nd project under Aoyuan brand
Zhaoqing Aoyuan

2006

The Cathay Capital Group acquired 20.5% of Aoyuan before Global Offering

Development of
Jiangxi Aoyuan

2007

Listing of the shares of the Company on the Stock Exchange of Hong Kong

Development of
Chongqing Aoyuan and **Yulin Aoyuan**

Honors and Awards

"2007 The Most Respectable Property Brand and Enterpirse" — China Aoyuan Property Group
"2007 Model Community Influencing China" — Nansha Aoyuan

(24 November 2007 — Guangzhou) The Group was honored "2007 The Most Respectable Property Brand and Enterprise" (2007中國值得尊敬的房地產品牌企業) in the annual grand event of the real estate industry — 2007 Awards Presentation Ceremony of China Real Estate Honor Roll. One of its property projects, Nansha Aoyuan won the title of "2007 Model Community Influencing China" (2007影響中國的典範社區).

Being "a leader in the real estate complex and an operator of the urban development in the future" is consistently the corporate philosophy of China Aoyuan. The Group is committed to creating a relationship between corporate and urban development and to realizing its corporate ambition by strengthening urban development. The Group has entered a new stage of development with the successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2007. Meanwhile, Nansha Aoyuan also won the title of "2007 Model Community Influencing China" in the Ceremony. Nansha Aoyuan is the first large-scale real estate project embracing sea-view and mountain-view in

"2007 The Most Respectable Property Brand and Enterprise"

"2007 Model Community Influencing China"

"China Most Creative Commercial Project 2007"

Guangzhou. It has an excellent location with abundant natural resources and charming environment, overlooking the sea with mountains at its back. This award recognizes the outstanding quality of the project.

Co-sponsored by 30 major domestic media including *Guangzhou Daily, Beijing Evening, Jiefang Daily and Shenzhen Special Zone Daily,* the appraisal of "China Real Estate Honor Roll 2007" was based on the principle of open and fair and considered four aspects of real estate enterprises including operation performance, social contribution, social responsibilities and public image.

"China's Most Creative Commercial Project 2007" — Nanguo Aoyuan • Bourgeoise Paradise

(7 December 2007 — Guangzhou) Nanguo Aoyuan • Bourgeoise Paradise was awarded "China's Most Creative Commercial Project 2007" (2007中國最具創意商業項目) in "The Second Sina China Real Estate Ceremony" co-organized by Sina.com and Guangdong Real Estate Association (廣東省房協).

Nanguo Aoyuan • Bourgeoise Paradise is the first commercial business centre with one-stop artistic and creative theme in southern China. Art as the main theme, it combines advantages of location, regional development, high value product, creativety and culture. It has a site area of over 30,000 sq.m and a GFA of 45,000 sq.m. Comprising SOHO studios, individualized street stores, service apartments and etc., it can be used for both commercial and residential purposes and is also applicable for further DIY development. This award recognized the product innovation ability of the Group. With its vision, China Aoyuan has created a space of living and producing, residence and recreation, business and communication, a healthy, independent and free living environment for creative industry professionals by offering them a true experience of the happiness of "life, art and home".

This award ceremony is held annually and the Second Sina China Real Estate Ceremony took place on 7 December at Guangzhou China Hotel. Participants included tens of property developers and projects from Guangzhou, Shenzhen and other parts of southern China and were selected with objectiveness and fairness. Officials of Guangdong Real Estate Association attended the ceremony and granted awards to winners.

"Property Corporate of Public Welfare in China Property's New Vision 2007" — China Aoyuan Property Group
"The Best Travel Real Estate Project in China Project's New Vision 2008" — Fogang Aoyuan"

(8 January 2008 — Guangzhou) The Group was awarded "Property Corporate of Public Welfare in China Property's New Vision 2007" (中國地產新視角2007年公益地產企業) at the Peak Forum of Harmonious Property in China Property's New Vision 2007 (2007年度中國地產新視角和諧地產高峰論壇). Meanwhile, Fogang Aoyuan project was awarded "The Best Travel Real Estate Project in China Property's New Vision 2008" (中國地產新視角2008年最佳旅遊地產項目).

The Group has been receiving appreciation from various sectors of the community for its contribution to city construction, its creation of high quality residential environment, as well as its effort in rewarding the society as a corporate citizen and its enthusiasm in social welfare. In 2007, the Group has donated approximately RMB 3.5 million for charity and social welfare and the launch of public sports activities. By collection of comprehensive information of welfare donation of major domestic property enterprises in 2007, the appraisal has assessed overall factors such as donation amount and social influence.

In the ceremony, the Group was also awarded "The Most Leading Brand in China Property's New Vision 2008" (中國地產新視角2008年最具領導力品牌). Currently, while continues to focus on the Pearl River Delta Region, the Group will

▲ "The Best Travel Real Estate Project in China Project's New Vision 2008"

▲ "Property Corporate of Public Welfare in China Property's New Vision 2007"

▲ "The Most Leading Brand in China Property's New Vision 2008"

strategically deploy in Central and northern China with Chongqing and Shenyang as its regional centres, respectively, and will implement its national expansion strategy at a steady pace. The Group has become one of the leading property corporations in Guangdong, and even nationwide.

Fogang Aoyuan project was also rewarded the "The Best Travel Real Estate Project in China Property's New Vision 2008". With a theme of "Mediterranean romance" and its unique natural landscape — overlooking the sea with mountains at its back – it uses the mountain as backdrop and the water as view point to develop the highest level living pattern of villas. It has applied a unique townhouse and half-surrounded group layout and embedded with European and Mediterranean style of nature, leisure and international factors. Using "Mediterranean exoticism" as the main theme, it creates an "international, healthy, leisure and affluent" living style from all aspects including planning, construction and landscape, as well as provides beautiful view.

The Peak Forum of Harmonious Property in China Property's New Vision 2007 was co-organized by Sohu.com and house.focus.cn with a theme of harmonious property for this year. A number of well-known scholars from government and famous education institutes and hundreds of industry delegates attended the forum. As one of the largest and most authoritative events in the industry, the annual forum brings forward constructive and prospective ideas on the real estate industry and appraises the most influential events and best enterprises, individuals and projects of the year.

Honors and Awards (continued)

"The Most Popular Property Brand 2007" — China Aoyuan Property Group

(21 January 2008 — Guangzhou) The Group won "The Most Popular Property Brand 2007" (2007年度中國最具人氣房地產品牌) award in the 4th Soufun.com Ranking Campaign (第四屆搜房網絡人氣排行榜).

Year 2007 was a milestone for the Group. While focusing on the development of the Pearl River Delta, the Group also extended their landmark building projects to other large and medium-sized cities in the mainland such as Chongqing, Guangxi, Jiangxi, and Shenyang. The newly launched properties in Guangdong Province such as Nansha Aoyuan, Aoyuan • Jinsha Plaza and Fogang Aoyuan have become hot spots in the market since the very beginning of sales in the second half of the year. The winning of this particular award reflected the Group's influence on the property market in 2007. This also served as positive and objective comments initiated by all sectors of the society.

▲ *"The Most Popular Property Brand 2007"*

▲ *"The Best Property Corporation Brand 2007"*

The annual Soufun.com Ranking Campaign is jointly organised by Soufun.com, CNNIC and the China Real Estate Association. The winners of each year's campaign, including brands, projects, individuals, and events etc, are decided by expert's integrated assessment indexes and internet voting. This can genuinely reflect an enterprise's degree of recognition among Internet users.

"The Best Property Corporation Brand" — China Aoyuan Property Group

(23 January 2008 — Guangzhou) The Group won the award for "The Best Property Corporation Brand 2007" (2007年度最佳房地產企業品牌) in the Annual Model Property Selection Campaign 2007 (2007年榜樣物業年度榜評選) organized by the *Yangcheng Evening News*.

Since the commencement of the Guangzhou Aoyuan Project in 1999, the Group has established a good reputation in the local market of Guangdong and has enjoyed the advantages of being a leading brand. The Group's projects have achieved outstanding performance in relevant local areas for their exceptional quality.

The "Model Property Selection Campaign" was initially organized by the *Yangcheng Evening News* in 2003, and has become one of the most influential activities in Guangdong. The 2007 campaign is jointly organized by the *Yangcheng Evening News* and the China Brand Marketing Association (中國品牌營銷協會). A selecting committee formed by real estate consultants and experienced journalists organised field trips to assess the candidates, and data on participating corporations and residents of the communities were collected through specific questionnaire surveys. These eventually generated the final assessment results.

Chairman's Statement

Mr. Guo Zi Wen
CHAIRMAN

Dear shareholders,

I'm pleased to present the audited consolidated results of China Aoyuan Property Group Limited ("Aoyuan" or "the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2007. The consolidated result has been reviewed by the Audit Committee of the Company. In the past year, the Group achieved rapid growth, impressive results and maintained its leading market position in Guangdong real estate market.

1. Results

During the year 2007, the Group had a satisfactory result, both the Group's turnover and profit achieved an impressive growth over the previous year. The Group's total sales and gross profit reached approximately RMB2,501.4 million and RMB1,324.4 million respectively during the year, representing an increase of 183.0% and 191.2% from the previous year. Profit attributable to the shareholders reached RMB602.4 million, representing an increase of 101.1% over the previous year. The shareholders' equity increased to RMB5,044.1 million as at 31 December 2007, which is 509.0% higher than that of 31 December 2006.

2. Dividend

Based on the results, the Board proposed a final dividend of RMB5.5 cents per share for 2007, which shall be distributed after the approval of the relevant resolution by the shareholders of the Company at the annual general meeting.

3. Operating Environment

In 2007, China's economy maintained a steady and rapid growth with a positive trend of faster growth with improvement in structure, efficiency and living standards.

The Chinese Government has implemented a series of macro economic control policies to tackle certain price speculation issues in the real estate market in 2007. These policies were aimed to increase effective supply, adjust the housing supply structure, constrain speculative demands and solve the housing needs of the lower income families. The implementation of these policies will result in more balanced supply and demand in the market; restraints to the market speculators, and further consolidation within the real estate industry. Nevertheless, China's economic growth will remain robust in the long run and the demand in the housing market will remain strong. We believe the real estate market will return to healthy growth after a period of correction as a result of escalating prices and overheated market.

With its successful listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2007, the Group is well prepared to utilize its abundant cash reserve to pursue devleopment opportunities during this correction period.

4. Land Reserve

Through its successful listing on the main board of the Stock Exchange on 9 October 2007, the Group has gained access to the international capital market. Leveraging its strong financial position, the Group expanded its land reserve in accordance with its development strategy. Last year, the Group acquired new land projects in areas including Guangdong, Guangxi, Jiangxi, Chongqing and Shenyang, with a gross floor area ("GFA") of approximately 4.3 million sq.m. The said acquisitions established foundation for the Group's future development and will generate considerable returns to the Group. As at 31 December 2007, the Group had a land reserve of 5.5 million sq.m, GFA of an extra 310,000 sq.m was added to the Group's land reserve through acquisitions during the period from 1 January 2008 to the date of this report. The current land reserve is sufficient for development in the next 3 to 4 years. The Group will continue to assess merger and acquisition opportunities, and add more quality land and property projects to our reserve.

5. Property Development

The Group's property development business recorded an encouraging progress in 2007. Area for projects under development amounted to approximately 1.4 million sq.m. (987,900 sq.m. was under development as at the year end) , while area of completed projects amount to approximately 446,800 sq.m.. For 2008, we expect area for newly commenced projects to be approximately 1.9 million sq.m., the area planned to be completed to be approximately 1.4 million sq.m., and the area expected to be sold to be approximately 1.0 million sq.m..

To improve product design, we engaged a number of renowned companies from domestic and international market for planning and designing of the important projects of the Company. We target year 2008 as a year for product improvement with the goal of producing high-quality housing products. The Group will also implement comprehensive and refined project management through the entire development process from design to construction.

6. Group Financial Performance

The Group continued our prudent financial strategy and utilized diverse resources in the international capital market. In 2007, the Group has carried out various funding activities including issuance of convertible notes and listing in the capital market. The Group has used various security instruments to obtain sufficient funding for the Group's future development.

As at 31 December 2007, the Group has a cash deposit of RMB2,658.2 million. The Group's bank loan and the carrying amount of the convertible notes are approximately RMB883.8 million and RMB306.4 million, respectively.

7. Investor Relations

The Board is focused on transparency of the Company and communications with shareholders. We have complied with the regulations and policies in relation to the timely disclosure of information to the shareholders, investors, analysts, bankers and other stakeholders. All the published information will be available on the Company's website at http://aoyuan.com.cn.

Furthermore, the investor relations department of the Group will also arrange a series of public relation activities upon the occurrence of important events such as results announcement and, major business update, where the Directors of the Company and senior management of the Group will be present to answer the investors' questions and inquiries.

8. Corporate Citizen (Administrative Contribution)

While dedicating itself to provide its customers with quality and healthy homes, the Group also assume the social responsibilities to the communities. As such, the Group has contributed funds and human resources to support initiatives in education, charities and sports, making every effort to give back to the society.

The operational performance, social contributions, social responsibilities and the image of the Group have rewarded the Company with the award of "*The Most Respectable Property Brand and Corporation in China 2007*（「2007中國值得尊敬的房地產品牌企業」)" in the China Property Honor Roll Awards Presentation Ceremony 2007, an annual event for the property industry. With the Group's social influence and social contributions, the Company also won the award of "*Property Corporation of Public Welfare in China Property's New Vision 2007*（「中國地產新視角2007年公益地產企業」)" at the Peak Forum of Harmonious Property in China Property's New Vision 2007（2007度中國地產新視角和諧地產高峰論壇）. The Group is proud of these achievements in receiving these recognitions.

In 2008, the Group will continue its efforts to participate in the city construction, build a quality living environment and dedicate ourselves to social welfare, based on our motto of being *"a leader in the real estate complex and an operator of the urban development in the future"*. Apart from donation of money and sponsorship, we also cooperate with universities, government agencies and charitable organizations, leveraging our knowledge and skills to give back to the communities, to fulfill our responsibilities as a corporate citizen.

9. Corporate Governance and Human Resources

In 2007, building upon our corporate culture of Efficiency, Honesty and Accountability, the Group continued to improve corporate governance and human resources management. The Group has completed the implementation of systematic, standardized and objective management processes for a wide range of operations including functional units and project development companies.In implementing the Three-Pronged development strategy, the Company achieved: (a) re-allocation of project management resources nationwide by establishing a management team for each project company; (b) , established a performance review system, which utilizes a top-down approach to assign responsibilities down to each functional and project company based on annual goal of the Group;and (3) implemented an ERP system to enhance project management and operational efficiency.

The Group has achieved a satisfactory result in the development of human resources. The Group has introduced a long-term incentive plan, to attract numerous talents, the Group also established the human resources training system, and put more investment in human resources, which has further strengthened the Group's competitive advantages, resulting in a substantial enhancement in the quality of the staff.

10. Customer Service

The Group is dedicated to build a healthy lifestyle of "exercise starts from home" and "life is golf". By setting "healthy homes" as the goal, the Group's property aimed to create a community featuring sports and to improve the living quality of the residents. In year 2007, the Group has introduced various featured services, including "Aoyuan Community Games", "Forest Park Healthy Trip", gaining Broad recognition and praises from the property owners.

11. Prospect for 2008

Year 2008 is the first complete fiscal year after listing of the Group.

The Group will continue to implement the fixed development strategies by focusing on the financial growth and the strength of the financial position. The Group will maintain the prudent investment style, and continue to focusing on the three major markets, namely Southern China, Central China and Northeast China.

With the capital superiority of the Group, we will selectively build up our land reserve by cooperating with land owners. Considering the strong demand of the market, we will launch a series of fine decorated products, with a view to improve our competitiveness and value-add to our products.

As a leading property developer in Guangdong province, the Group has successfully completed its positioning in the three economic centres, namely Southern China, Central China and Northeast China, and established a strong foundation for the its development in 2008.

Investors and shareholders, looking forward, we are fully confident of our future. On behalf of the Board of Directors, I would like to extend my sincere appreciation for the strong support from our shareholders, customers and strategic partners, and my wholehearted thanks to the loyalty and dedication of our employees.


A Leader

Management Discussion and Analysis

China Property Market

In 2007, the China economy remained robust and the property industry experienced a fast growth. The major contributing factors of the strong growth in the real estate market included increased demand stemmed from investments from the rising middle class and customers' desire to purchase property with better quality. As a result, average housing price has increased substantially during the period.

For 2008, there are several fundamental factors underpinning the development of the real estate market in China. First, it is the continual growth of the China economy as a whole. Second, real estate demand increases due to the acceleration of the urbanization process. Finally, demands generated by consumers' desire to improve their living standards and the increasing investment-driven demands. The Chinese Government has implemented a series of macro economic control policies to tackle price speculation in the real estate market in 2007. These policies were aimed to increase effective supply, adjust the housing supply structure, constrain speculative demands and solve the housing needs of the lower income families. The implementation of these policies aims to have a more balanced supply and demand in the property market; restrains the market speculators, and further consolidates the real estate industry.

Facing the challenges in a fast growing market and tightening government policies, the Group believes that only those market players with strong brand name, operational expertise and financial strengths can survive and prosper in the long run. As a leading real estate developer, the Group is confident that it is well positioned to take advantage of the current market condition and will explore strategic opportunities in industry consolidation.

Business Review

The Group has successfully implemented its development strategy nationwide in 2007. We have established our foothold in the first and second tier cities of the northern region and southwest region including Chongqing, Shenyang, Yulin and Jiangxi. We believe geographic diversification will enhance our long term competitive strength.

During 2007, we have achieved a total of 1,202,722 sq.m. new construction area and 453,460 sq.m. completed area representing an increase of 640.4% and 128.2% respectively as compared to 2006. We have also achieved a total sales of 382,285 sq.m. with sales revenue of approximately RMB2,488.2 million. Details are as follows:

Projects	**Sold Area** *sq.m.*	**Sales Revenue Amount** *RMB Million*
Fogang Aoyuan	77,660	390.7
Yu Zhong Ming Jun	13,555	42.0
Guo Ao Investment Development Center	93,866	648.7
Nansha Aoyuan	58,210	426.8
Aoyuan Hai Jing Cheng	8,749	66.0
Nanguo Aoyuan	31,891	311.2
Panyu Aoyuan	87,126	582.9
Guangzhou Aoyuan	455	6.0
Jiangxi Aoyuan	10,773	13.9
Total	382,285	2,488.2

In 2007, the Group continued to prosper due to our strategy of sustained growth and financial prudence. We focused on development projects with low market risks and high and fast returns. We continued our strategic acquisition of land bank reserves to ensure consistent supply of development opportunities in the future. In 2007, we acquired additional land bank with GFA of approximately 4.3 million sq.m.

Future Outlook

In 2008, the Group will further implement the development strategy nationwide. We will place more emphasis on developing projects at the city centre in our target cities. In the same time we will continue to build on our long established successful strategy of investing properties in suburbs. We will accelerate the development pace and launch more innovative products to meet the changing market needs.

In 2008, the Group plans to commence the development of approximately 1.9 million sq.m. new construction area and aims to complete approximately 1.1 million sq.m. by the end of the year.

Projects	**Location**	**Aggregate GFA** *sq.m.*	**New Construction Area in 2008** *sq.m*	**Newly Completed Area in 2008** *sq.m.*
Fogang Aoyuan	Qingyuan	1,432,681	93,610	93,610
Jiangxi Aoyuan	Ganzhou	588,107	20,000	35,799
Yulin Aoyuan Cannes	Yulin	963,421	80,000	50,000
Chongqing Aoyuan Cannes (formerly known as Jiang Wan Yu Jing)	Chongqing	599,967	595,176	300,000
Aoyuan Hai Jing Cheng	Guangzhou	235,869	214,726	225,173
Nansha Aoyuan	Guangzhou	471,193	92,646	170,114
Nanguo Aoyuan	Guangzhou	809,360	36,420	110,745
Guangzhou Aoyuan Cannes	Guangzhou	156,607	156,607	—
Panyu Commercial Properties	Guangzhou	244,838	244,838	—
Shenyang Aoyuan	Shenyang	330,000	260,000	140,000
Panyu Aoyuan	Guangzhou	344,743	70,518	—
Total		6,176,786	1,864,541	1,125,441

Milestone of Corporate Development in 2007

Successful listing the shares of the Company on the Stock Exchange and raised gross proceeds of HK$3,913.0 million.

Land Bank

We believe our land reserve had been acquired at relatively low cost compared to similar land in more developed urban centres. This is paramount to our long-term growth and sustainability. As of 31 December 2007, we had an aggregate of approximately 5.5 million sq.m. of GFA of which 205,500 sq.m. is in the completed projects, 987,900 sq.m. in the under development stage and approximately 4.3 million sq.m. in land held for future development.

Acquisition/Increase In Our Equity Interests In Projects

For the year ended 31 December 2007, the Group increased its land bank from land auctions, acquisition of interests in project and purchasing additional equity interests in existing projects companies.

- April — acquisition of Fogang Aoyuan project located in Fogang, Qingyuan City, Guangdong
- May — acquisition of Yu Zhong Ming Jun and Chongqing Aoyuan Cannes (formerly known as Jiang Wan Yu Jing), located in Chongqing
- June — acquisition of remaining interests in existing Guo Ao Investment Development Centre located in the Nansha Economic Development Zone, Guangzhou City, Guangdong

Newly acquired projects for the year ended 31 December 2007

Projects	**City**	**Site area** *sq.m.*	**Aggregate GFA** *sq.m.*
Fogang Aoyuan	Qingyuan	427,033	1,432,681
Chongqing Aoyuan Cannes (formerly known as Jiang Wan Yu Jing)	Chongqing	138,400	599,967
Yulin Aoyuan	Yulin	55,987	342,066
Yulin Aoyuan Cannes	Yulin	157,728	963,421
Aoyuan Hai Jing Cheng	Guangzhou	64,778	235,869
Shenyang Aoyuan	Shenyang	327,969	330,000
Guangzhou Aoyuan Cannes	Guangzhou	78,001	156,607
Panyu Commercial Properties	Guangzhou	64,861	244,838
Total		1,314,757	4,305,449

Projected delivered as scheduled

Projects	City	Products	Aggregate GFA *sq.m.*	Sold area for the year *sq.m.*
Nanguo Aoyuan	Guangzhou	Residential units and shops	1,097,628	31,891
Yu Zhong Ming Jun	Chongqing	Residential units and shops	109,712	13,555
Guangzhou Aoyuan	Guangzhou	Residential units and shops	288,270	455
Panyu Aoyuan	Guangzhou	Residential units and shops	344,743	87,126
Guo Ao Investment Development Centre	Guangzhou	Residential units and offices	126,016	93,866
Nansha Aoyuan	Guangzhou	Residential units	471,193	58,210
Fogang Aoyuan	Qingyuan	Residential units and shops	1,432,681	77,660
Jiangxi Aoyuan	Ganzhou	Residential units and shops	588,107	10,773
Aoyuan Hai Jing Cheng	Guangzhou	Residential units and shops	235,869	8,749
Total			4,694,219	382,285

Financial Review

Revenue

The revenue is primarily generated from two business segments: property development and property investment. The total revenue of the Group for the year ended 31 December 2007 was approximately RMB2,501.4 million, representing an increase of approximately RMB1,617.7 million or 183.1% over approximately RMB883.7 million in 2006. It was mainly attributable to the increase in sales of properties.

Property development

Revenue generated from property development increased by approximately 183.8% to approximately RMB2,488.3 million in 2007 from approximately RMB876.7 million in 2006, primarily due to an increase in total GFA delivered from 158,620 sq.m. in 2006 to 382,285 sq.m. in 2007. The average selling price of the properties delivered increased from RMB5,527 per sq.m. to RMB6,509 per sq.m., being an increase of 17.8%.

The following table shows the product mix which the Group achieved for the year ended 31 December 2007.

	Sold Area *sq.m.*	Amount *RMB*
Commercial properties	110,728	788,166,068
Apartments	181,823	1,210,786,899
Villas	32,147	178,121,354
Townhouses	57,587	311,195,005
	382,285	2,488,269,326

Property investment

Revenue generated from property investment increased by approximately 273.9% to approximately RMB8.5 million in 2007 from approximately RMB2.3 million in 2006, primarily attributable to increase in GFA for rental purpose.

Cost of sales

Cost of sales in 2007 increased by 174.4% from approximately RMB429.0 million to approximately RMB1,177.0 million, being in line with the significant growth in revenue.

Gross Profit and Margin

Gross profit increased by 191.2% from approximately RMB454.8 million in 2006 to approximately RMB1,324.4 million in 2007 while the margin increased from 51.5% in 2006 to 52.9% in 2007. It was due to the fact that the majority portion of revenue in 2007 was derived from the properties sold in Nansha project which had a comparatively low land cost.

Other operating income

Other operating income for the year ended 2007 included bank interest of approximately RMB78.3 million derived from over-subscription monies during the Group's Global Offering in October 2007 while other operating income for 2006 mainly included a gain on disposal of property, plant and equipment of approximately RMB98.8 million.

Selling and Administrative expenses

Selling and administrative expenses increased from approximately RMB66.5 million for the year 2006 to approximately RMB220.0 million this year, representing an increase of 230.5%. The increase was mainly due to those expenses and fees associated with the Group's Global Offering which cannot be capitalised in 2007, together with the increase in wages of staff as a result of the Group's expansion.

Financial Position

Shareholders' fund attributable to equity holders of the Company increased by 5 times from approximately RMB828.3 million as at 31 December 2006 to approximately RMB5,044.1 million as at 31 December 2007. The increase was mainly due to (1) the issuance of shares for acquisition of subsidiary; (2) the proceeds raised through the Global Offering in October 2007; and (3) the net profit retained by the Group for 2007.

Total assets amounted to approximately RMB8,240.7 million as at 31 December 2007 (2006: approximately RMB2,189.1 million) and total liabilities equaled approximately RMB3,196.6 million (2006: approximately RMB1,360.8 million). The increase was mainly due to the cash proceeds received from the Global Offering.

Current ratio was substantially improved from 1.7 in 2006 to 4.2 in 2007.

Financial Resources and Liquidity

In 2007, the Group derived its sources of fund primarily from income generated from business operations, bank borrowings, cash proceeds raised from the Global Offering, which were used to finance its business operations and investment in development projects. The Group expects income generated from business operations and bank borrowings continue to be the main sources of funding in the coming year.

As at 31 December 2007, the Group's bank balance and cash amounted to approximately RMB2,658.2 million (2006: approximately RMB308.9 million) with the total borrowings of approximately RMB1,190.2 million (2006: approximately RMB566.0 million). As at 31 December 2007, we were in a net cash position.

Borrowings

Bank Borrowings

The Group had bank borrowings of approximately RMB883.8 million as at 31 December 2007 (2006: RMB330.9 million), and the repayment time is as follows:

	2007 *RMB Million*	**2006** *RMB Million*
Within one year	**74.9**	216.9
More than one year, but not exceeding two years	**115.0**	—
More than two years, but not exceeding five years	**693.9**	114.0
	883.8	330.9

The majority of bank borrowings is fixed rate borrowings, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rates on bank borrowings for the year are 6.9% (2006: 6.0% per annum). The Group has implemented certain interest rate management policies which mainly include, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Convertible Notes

On 9 February 2007, a subsidiary of the Company issued convertible notes of an aggregate principal amount of USD140.0 million and on 9 October 2007, this subsidiary redeemed convertible notes in the aggregate amount of USD 80.0 million. The convertible notes are subject to an interest of London Inter Bank Offer Rate plus 3.0% payable semi-annually. The Group did not use any financial instruments for hedging purpose as at 31 December 2007.

Contingent Liabilities

As at 31 December 2007, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by bank to purchasers amounting to approximately RMB333.5 million (2006: approximately RMB86.0 million).

This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for the repayment of outstanding mortgage principals together with accrued interest and penalty owed by defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2007 was to be discharged upon earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Commitment

As at 31 December 2007, the Group has approximately RMB2,783.3 million (2006: approximately RMB1,019.3 million) projects contracted but not provided for. In addition, there were other commitments of approximately RMB931.2 million which related to the consideration for acquisition of two pieces of land.

Foreign Currency risks

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the Global Offering were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. For 2007, the Group has recorded net exchange loss of approximately RMB49.2 million. The Group's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2007.

Pledge of assets

As at 31 December 2007, the Group pledged its building, property for development, properties under development, completed properties for sale and investment properties of approximately RMB305.4 million (2006: approximately RMB363.4 million) to various banks to secure project loans and general banking facilities granted to the Group.

Material acquisition and disposal of subsidiaries

Other than those mentioned in the Land bank section above, the Group does not have any acquisition and disposal of subsidiaries during the year.

Use of proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on 9 October 2007, and the Group has raised net proceeds of approximately HK$3,749 million from the Global Offering. The Company had applied approximately HK$743 million for the partial redemption of convertible notes, approximately HK$838 million for development of existing projects and approximately HK$465 million for land acquisition, which is in compliance with the intended use of proceeds as disclosed on page 186 of the Company's prospectus dated 21 September 2007. As at 31 December 2007, a balance of approximately HK$1,703 million remained as bank deposits.

Employees and Remuneration

As at 31 December 2007, the Group employed a total of 431 employees. The Group has adopted a performance based rewarding system to motivate its staff and such system was reviewed on a regular basis. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. The Group is also subject to social insurance contribution plans organized by the PRC governments, In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund.

Moreover, a share option scheme has been adopted in September 2007 to retain talents who made significant contribution to the Group. As at 31 December 2007, share option in respect of a total of 11,929,000 shares of the Company was granted to certain Directors and employees. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

Directors and Senior Management

1. Mr. Guo Zi Wen
2. Mr. Guo Zi Ning
3. Mr. Hu Da Wei
4. Mr. Leung Ping Chung, Hermann
5. Mr. Zheng Jian Jun
6. Mr. Ma Kwai Yuen
7. Mr. Paul Steven Wolansky
8. Mr. Tsui King Fai
9. Mr. Song Xian Zhong

Guo Zi Wen (郭梓文), *Chairman*

Guo Zi Wen (郭梓文), aged 43, is the founder of the Company and its subsidiaries (`Group”). He is also an executive Director and the chairman of the Board. Mr. Guo is also the chief executive officer of the Company. He is primarily responsible for the formulation of development strategies of the Company, as well as supervising the project planning, financing, design and marketing. Mr. Guo graduated with a Master's degree in business management from Jinan University (暨南大學) in June 2006. He is currently a committee member of the Chinese People's Political Consultative Conference in Guangdong Province (廣東省政協委員), the vice-chairman of the Federation of Industry and Commerce in Guangdong Province (廣東省工商聯副會長) and the chairman of the Guangdong Provincial Private Enterprise Investment Association (廣東省民營企業投資協會會長). Except for being a Director in the Company, Mr. Guo has not held directorship in other listed company during the past three years. He is the Director of the subsidiaries of the Group. In 2001, Mr. Guo Zi Wen was honored by National Main Stream Media (全國主流媒體) and Chinese Real Estate Association (中國房地產協會) as one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC (中國房地產十大風雲人物之一). In 2004, Mr. Guo Zi Wen received the National Real Estate Special Contribution Award (中國房地產特別貢獻獎) and the China Real Estate Theory Research Contribution Award (中國房地產理論研究貢獻獎). Mr. Guo Zi Wen was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC (中國房地產十大傑出企業家) in 2004. He was the manager of Panyu Jian An Decoration Company (番禺市建安裝潢公司) and a Director and manager-in-chief of Zi Ye. Panyu Jian An Decoration Company and Zi Ye are both construction companies where Mr. Guo Zi Wen gained his industry experience related to our businesses.

Guo Zi Ning (郭梓寧), *Executive Director*

Guo Zi Ning (郭梓寧), aged 46, is an executive vice-president and executive Director of the board of directors. He is primarily responsible for financial management, cost control, investment management and human resources management. In July 1989, he graduated from Journal of Guangzhou Economic Management College and graduated from China Geology University with a Degree in law and later obtained a Master of Business Administration degree from Asia International Open University (Macau) Postgraduate College in December 2006. He joined the Group in 1998. He ceased to be a Director of Aoyuan Limited during the period of being the vice-president of Beijing Normal University Nanguo Aoyuan Primary School. Mr. Guo Zi Ning was reappointed as a Director of Aoyuan Limited in 2006. Except for being a Director in the Company, Mr. Guo has not held directorship in other listed company during the past three years. He is the Director of the subsidiaries of the Group.

Hu Da Wei (胡大為), *Executive Director*

Hu Da Wei (胡大為), aged 45, is an executive Director of our Board, the vice-president and chief technical officer of the Group. He is primarily responsible for property development of our group companies and is in charge of the Project Planning Centre, Brand Marketing Centre, Design Integration Centre and Commercial Operation Centre of the Group. He graduated from Hunan University of Science and Technology in 1988 majoring in architecture. From 1988 to 1998, he served as a designer in Guangdong Guangzhou Panyu Architecture Design Institute (廣東省廣州市番禺建築設計院). He joined the Group in December 1998, and has served as the vice general manager of Guangzhou Olympic Garden, general manager of Panyu Olympic Garden, director and president of the Aoyuan Group, vice chairman and president of Guangzhou Olympic Property Investment Company Limited and executive Director of Foshan Aoyuan (one of the Group's brand franchising projects). He has over 10 years of experience in real estate development and management. Except for being a Director of the Company, Mr. Hu does not hold any other directorship in listed public companies in the three years preceding his appointment.

Zheng Jian Jun (鄭健軍), *Executive Director*

Zheng Jian Jun (鄭健軍), aged 37, is a vice-president and an executive Director of the board of Directors. He is primarily responsible for internal audit management, information technology management and supervising legal affairs. He graduated from Tongui University with a Bachelor's degree in industrial management in 1993. He graduated from Zhong Shan University with a Master's degree in business administration in June 2001. He became a PRC registered accountant in 1997 and a PRC registered tax adviser in 2000. He joined the Group in April 2003. Except for being a Director in the Company, Mr. Zheng has not held directorship in other listed company during the past three years. He is the Director of the subsidiaries of the Group.

Paul Steven Wolansky, *Non-Executive Director*

Paul Steven Wolansky, aged 52, has been appointed as non-executive Director and the vice-chairman of the board of Directors on 3 April 2007 under an appointment letter for a specific term which may be extended for such period as the Company and Mr. Wolansky may agree in writing. He has over 15 years of fund management and direct investment experience. He received a Bachelor of Arts degree from Amherst College, a Juris Doctor degree from Harvard Law School, and is admitted as a member of the bar of the State of New York. Mr. Wolansky is the chairman and the chief executive officer of New China Management Corp., the investment manager of The Cathay Investment Fund, Ltd., and New China Capital Management LLC, the investment manager of Cathay Capital Holdings, L.P. and Cathay Capital Holdings II, L.P. The Cathay funds have been investing in private equity in China since 1992, and Cathay Sino Property Ltd., a substantial shareholder of the Company, is wholly owned by Cathay Capital Holdings, L.P. Mr. Wolansky is one of the limited partners of Cathay Captial Holdings, L.P. Mr. Wolansky was previously a Director of Lomas Financial Corporation (``Lomas''), which filed a voluntary petition for reorganization under Chapter 11 of the United States Federal Bankruptcy Code on 10 October 1995. Lomas was in financial difficulties prior to such petition and Mr. Wolansky was appointed by Cold Spring Partners and Cold Spring Associates, LP, which were companies in the business of buying distressed debts, to represent the interests of the creditors with a view to concluding a reorganization plan for Lomas. Lomas filed a plan of reorganization on 3 July 1996 and the plan of reorganization was confirmed by the relevant United States court on 1 October 1996, when Lomas was cleared of its bankruptcy status. The legal proceedings in relation to Lomas' voluntary petition for reorganization have since completed.

Mr. Wolansky is able to fulfill his fiduciary duties as a non-executive Director of the board of Directors in accordance with Rule 3.08 of the Listing Rules, and has the character, experience, and integrity and is able to demonstrate a standard of competence commensurate with his position as a non-executive Director of our board, pursuant to Rule 3.09 of the Listing Rules. Mr. Leung Ping Chung, Hermann is the alternate director to Mr. Wolansky.

Mr. Wolansky was a non-executive Director of China Resources Land Limited (華潤置地有限公司), a Hong Kong listed company, from 1996 to 2006 and a non-executive Director of Warderly International Holdings Limited (匯多利國際控股有限公司), a Hong Kong listed company, until May 2007. Mr. Wolansky is also currently a non-executive Director of Centron Telecom International Holding Limited (星辰通信國際控股有限公司), a company whose shares are listed on the Main Board of the Stock Exchange. He joined the Group in June 2006 as a representative of Cathay Sino Property Ltd. as a result of Cathay Sino Property Ltd.'s subscription of the shares of Add Hero Holdings Limited. In light of Mr. Wolansky's relevant experience in equity investment and corporate financing, the Company appointed him as a non-executive Director with the aim of bringing in more financing opportunities to the Company.

Leung Ping Chung, Hermann (梁秉聰), *Non-Executive Director*

Leung Ping Chung, Hermann (梁秉聰),aged 52, has been appointed as non-executive Director of the Company on 3 April 2007 under an appointment letter for a specific term which may be extended for such period as the Company and Mr. Leung may agree in writing. He is an existing non-executive Director of the Company nominated by Cathay Sino Property Ltd. He is also the alternate director to Mr. Wolansky. He graduated from the Chinese University of Hong Kong (香港中文大學) with a Bachelor's degree in social sciences in 1979. He graduated from the Chinese University of Hong Kong with a Master's degree in 1982. He is an executive Director of New China Capital Management (HK) Ltd. He is a non-executive Director of Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a PRC listed company, which shares are listed on the Shenzhen Stock Exchange. He was an alternate non-executive Director of Warderly International Holdings Limited (匯多利國際控股有限公司), a Hong Kong listed company, until May 2007. Mr. Leung is also currently a non-executive Director of Centron Telecom International Holdings Limited (星辰通信國際控股有限公司) and Vinda International Holdings Limited (維達國際控股有限公司), companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Save as disclosed above, Mr. Leung did not hold any other directorships in listed public companies during the past three years.

Ma Kwai Yuen (馬桂園), *Independent Non-Executive Director*

Ma Kwai Yuen (馬桂園), aged 55, has been appointed as independent non-executive Director of the Company on 13 September 2007 under an appointment letter for a specific term which may be extended for such period as the Company and Mr. Ma may agree in writing. He is currently an executive Director of a consulting company in Hong Kong. He has previously held positions as the corporate planning manager of Sino Land Company Limited (信和置業有限公司) and a consultant of Jardine Management Consulting Services Pty., Ltd. Currently, Mr. Ma is an independent non-executive Director of PacMOS Technologies Holdings Limited and Vision Tech International Holdings Limited, Hong Kong listed companies. He is a fellow member of the Chartered Institute of Cost and Management Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Certified Practising Accountants Australia. Mr. Ma has over 30 years of professional experience in accounting, financial management and business consultancy.

Directors and Senior Management (continued)

Tsui King Fai (徐景輝), *Independent Non-Executive Director*

Tsui King Fai (徐景輝), aged 58, has been appointed as independent non-executive Director of the Company on 13 September 2007 under an appointment letter for a specific term which may be extended for such period as the Company and Mr. Tsui may agree in writing. He is a Director of WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has over 30 years of experience in accounting, finance and investment management, particularly in investments in China. Mr. Tsui worked for two of the ``Big Four'' audit firms in Hong Kong and the United States of America. He has previously served as the independent non-executive Director of the Hong Kong Building and Loan Agency Limited. Mr. Tsui is currently acting as independent non-executive Director of Lippo Limited, Lippo China Resources Limited, Hong Kong Chinese Limited and Vinda International Holdings Limited, all of which are listed on the Stock Exchange. He graduated from the University of Houston with a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honors. Mr. Tsui is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants.

Song Xian Zhong (宋獻中), *Independent Non-Executive Director*

Song Xian Zhong (宋獻中),aged 45, has been appointed as independent non-executive Director of the Company on 13 September 2007 under an appointment letter for a specific term which may be extended for such period as the Company and Professor Song may agree in writing. He is currently the head of the development planning division at Jinan University (暨南大學). Professor Song is also the Director of the China Accountants Society, a member of the Finance Department Accounting Standards Expert Committee, and the vice-chairman of the Guangzhou Audit Society. He is an independent Director of Guangdong Electric Power Development Co., Ltd. (廣東省電力發展股份有限公司) and an independent Director of and a member of the audit committee of Guangzhou Development Industry (Holdings) Co., Ltd. (廣州發展實業控股集團股份有限公司), both listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. He is also an independent Director of Guangzhou Donghua Enterprise Co., Ltd. (廣州東華實業股份有限公司), a company listed on the Shanghai Stock Exchange. Professor Song has over 20 years of teaching and research experience in the fields of accounting and finance, and has published many books and articles on topics such as enterprise finance management, reorganization finance and socially responsible accounting for business enterprises.

Tse Wai Wah (謝惠華), Senior Management

Tse Wai Wah (謝惠華), aged 41, is chief financial officer and qualified accountant of the Group. Mr. Tse joined the Group in October 2007, and is primarily responsible for financial management and control as well as the relationship with the investors. He is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants, holds MBA from UNCC, America, and has over 15 years of experience in auditing, accounting and finance.

Tian Lei (田磊), Senior Management

Tian Lei (田磊), aged 43, is an assistant to the president of the Group and general manager of our Chongqing project company. He is primarily responsible for project management and business expansion of the Group in Chongqing area. He graduated from Hunan University in 1986 with a major in civil engineering, and is a senior engineer. From 1986 to 1988, he worked as a teacher of construction budget in Zhuzhou College of Metallurgical Technology (株洲冶金工業學院). He was the Head of production technology division (生產技術科) of Guangdong Heyuan Construction and Comprehensive Development Corporation (廣東省河源市建設綜合開發總公司) from 1988 to 1992, and vice manager of Jiangnan Construction Engineering Company (江南建築工程公司) of Guangdong Panyu Jiangnan Construction Group (廣東省番禺江南建設集團) from 1992 to 1999. He joined the Group in May 1999, and was general manager of Panyu Olympic Garden, general manager of Guangzhou Olympic Garden, and general manager of Guangzhou Aoyuan Properties Management Company (廣州奧園物業公司). He has over 10 years of experience in management of real estate development.

Zhang Lin (張林), Senior Management

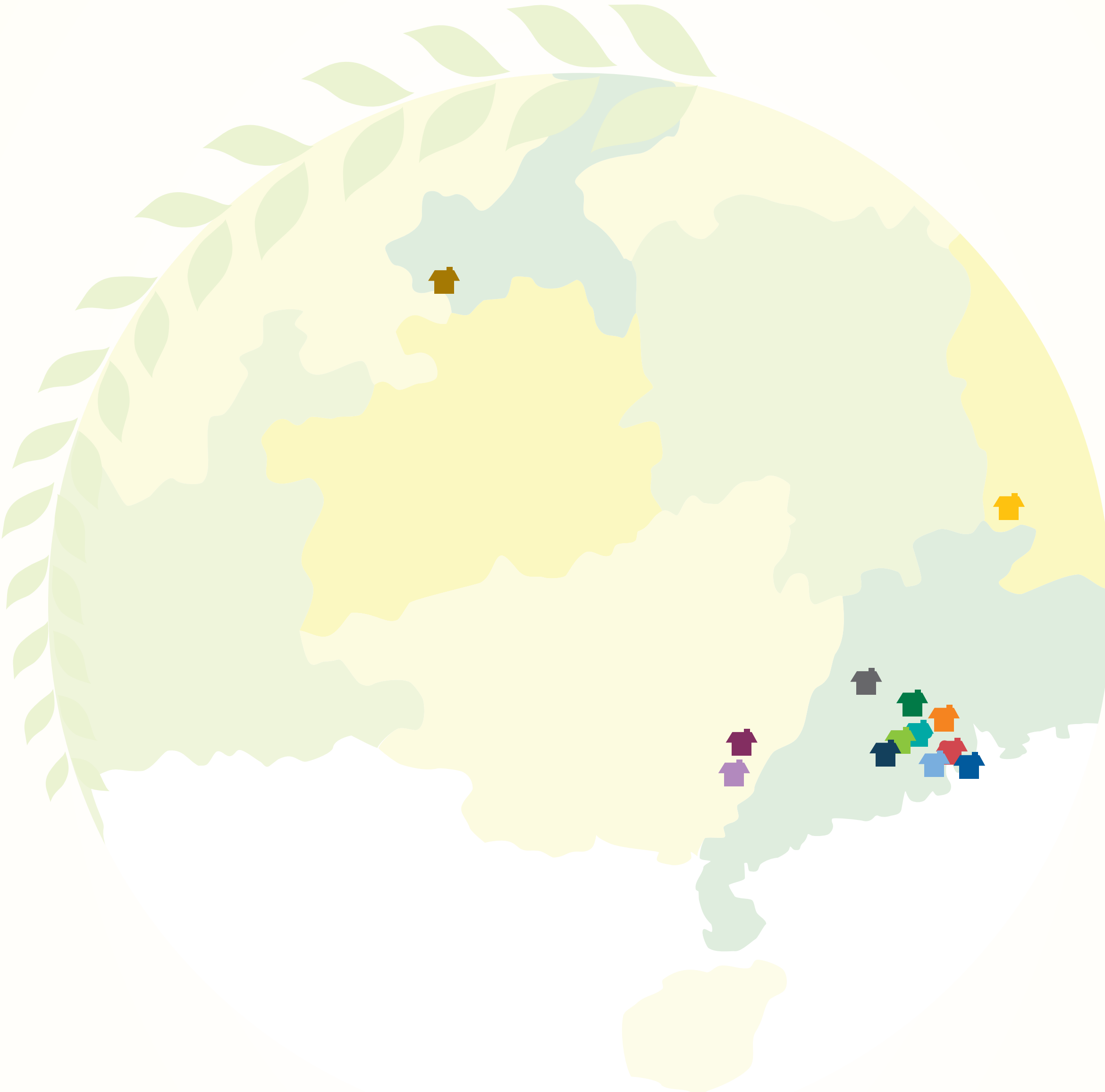
Zhang Lin (張林), aged 45, is an assistant to the president and Director of our human resource Centre, primarily responsible for management of human resource. He graduated from Northeast Normal University in 1990, and holds a Master of Science degree. He used to work in government and large-scale enterprises, has over 20 years of experience in administration, human resource management, marketing planning and practices. From 1990 to 1997, he worked in Research Centre of Economy, Technology and Social Development (經濟、技術與社會發展研究中心) of the Jilin provincial government, involved in studies on insurance, real estate, meso economics and regional economics. He was an assistant to human resource general manager of Guotai Junan Securities, and an assistant to president and human resource general manager of Chinalion Securities. From 2006 to June 2007, he was human resource Director of Suning Universal Group. He joined the Group in June 2007 as Director of our human resource centre.

Li Xing (李興), Senior Management

Li Xing (李興) aged 36, is an assistant president. He is primarily responsible for the financing plan of the Group. He graduated from Guangdong University of Business Studies in 1994 and holds a Bachelor of Statistics. From 2006 to 2008, he worked in Hopson Development Holdings Limited Tianjin Company as a finance Director & assistant general manager. From 1999 to 2005, he was the vice general manager and finance Director of HK Punice Trading Company Limited. From 1994 to 1999, he worked in Guangdong Foodstuffs Import & Export Group Corporation as Finance Manager. He joined the Group in March 2008.

Liang Ying (梁瑩), Senior Management

Liang Ying (梁瑩), aged 36, graduated from Beijing Modern Management College (北京現代管理學院) in Industrial and Commercial Management in July 1993, and is currently reading a Master's Degree from the University of Stirling. Ms. Liang is our Chairman's assistant and the chief operating officer of investor relations. In this role, she is responsible for the overall operations of our project companies, as well as our brand management. In 2005, she served as the general manager in Shanghai for Garlande Maison (嘉麟名坊國際貿易（上海）有限公司) in Shanghai, the sole distributor in the PRC for Barker Furniture, a leading U.S. company in the furniture business.



Projects Summary

Nanguo Aoyuan

Beijing Fourth District

Sydney Second District

Nanguo Aoyuan（南國奧園）

Nanguo Aoyuan is located in Hanxi Road, Panyu District in the city of Guangzhou, Guangdong Province. The project occupies a total site area of approximately 509,435 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 809,360 sq.m. Nanguo Aoyuan is an integrated residential community which has drawn its inspiration from sports and education themes. It comprises low-rise and high-rise apartment buildings and commercial properties with extensive ancillary facilities. It also has a kindergarten, a primary school and a middle school, co-managed by the Group and Beijing Normal University.

As of 31 December 2007, four of the five phases of our Nanguo Aoyuan project have been completed and the completed property developments occupied a site area of approximately 459,702 sq.m. with a GFA (including saleable and non-saleable) of approximately 663,059 sq.m. Construction of such completed property developments commenced in June 2000 and was completed in December 2007. They comprised 4,071 residential units with a saleable GFA of approximately 480,073 sq.m., three apartment buildings with a saleable GFA of approximately 9,905 sq.m., which were temporarily used for employee housing purposes, commercial space with a saleable GFA of approximately 61,433 sq.m., community ancillary facilities with a saleable GFA of approximately 87,711 sq.m. and 1,599 car parking spaces. As of 31 December 2007, 4,062 residential units with a saleable GFA of approximately 479,243 sq.m., commercial space with a saleable GFA of approximately 56,438 sq.m. and 1,474 car parking spaces had been sold. As of 31 December 2007, residential space with a saleable GFA of approximately 830 sq.m., commercial space with a saleable GFA of approximately 4,995 sq.m., community ancillary facilities with a saleable area of approximately 87,711 sq.m. and 125 car parking spaces remained unsold.

As of 31 December 2007, a golf course with site area of approximately 70,000 sq.m. and two buildings with a GFA of approximately 14,164 sq.m. are held for medium term lease.

As of 31 December 2007, the properties under development occupied a site area of approximately 22,130 sq.m. with a GFA (including saleable and non-saleable) of approximately 118,283 sq.m. Construction of such properties under development commenced in April 2007 and is expected to be completed in August 2008. They are expected to comprise 864 residential units with a saleable GFA of approximately 94,785 sq.m. and 750 car parking spaces. Pre-sale of the properties under development commenced in December 2007, and had obtained the relevant pre-sale permits with respect to approximately 18,253 sq.m. of GFA as of January 2008. The total budgeted costs to be incurred for the properties under development were approximately RMB348 million and as of 31 December 2007, approximately RMB186 million had incurred.

As of 31 December 2007, the properties held for future development occupied a site area of approximately 27,603 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 28,018 sq.m.

As of 31 December 2007, the total development costs (including land costs, construction costs and capitalized finance costs) incurred for Nanguo Aoyuan were approximately RMB2,388.3 million. It is estimated that an additional amount of approximately RMB543.6 million is required to complete the development of Nanguo Aoyuan. Development of Nanguo Aoyuan is undertaken by Guangzhou Panyu Olympic Real Estate Development Company Limited, wholly-owned project company by the Group.

Panyu Aoyuan

Block 2, The Champion City
(Jin Ao Garden)

Block 1, 2,The Champion City
(Jin Ao Garden)

Panyu Aoyuan（番禺奧園）

Panyu Aoyuan is located in Shiliang Road, southern part of Shiqiao, Panyu District in the city of Guangzhou, Guangdong Province. The project occupies a total planned site area of approximate 235,614 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 344,743 sq.m. Panyu Aoyuan is an integrated residential community developed based on an Australian theme, comprising low-rise and high-rise apartment buildings, villas and commercial properties. It has a wide range of facilities designed for children, such as a children's recreation park and library.

The Champion City group, the fourth phase of Panyu Aoyuan, occupies a total site area of 79,000 sq.m., with a total GFA of 184,953 sq.m..

The project is developed under three phases. Phase One occupies a site area of 16,000 sq.m., with a total GFA (including saleable and non-saleable) of 53,348 sq.m., 143 car parking spaces and a total residence of 276 units. In Phase One, there are 18 townhouse units which measures around 300 sq.m. each; the apartment units primarily consist of large layout which measures 120 to 140 sq.m., with the minimum not less than 120 sq.m.; there are also a few 250-300 sq.m. duplex units with a garden or balcony on the first or top floor. These duplex units target the highest-end market among the large-layout group in Shiqiao. Phase One commenced pre-sale on 1 July 2007 and had been sold out.

Phase Two occupies a total site area of 35,000 sq.m., with a total GFA (including saleable and non-saleable) of 61,087 sq.m., 243 car parking spaces and a total residence of 288 units. Phase Two features a pseudo-Gothic style. The floor area of units range from 130 to 240 sq.m.. The two largest buildings are equipped with a sight-seeing elevator, a split-level design, four-meter-high halls and three-meter-high rooms. Some host bedrooms are up to five meters high and can be divided up one more room. Among all the layouts, 70% of them has a private garden, a co-stairway, a south to north convection, one parking space for one residence, nine different world-chic sample house designs including the design work by Mr. Kenneth Ko, a famous Hong Kong interior designer. Phase Two commenced pre-sale on 2 October 2007 and have all sold out.

Phase Three occupies a total site area of 28,000 sq.m., with a total GFA (including saleable and non-saleable) of 70,518 sq.m., 112 car parking spaces and a total residence of 378 units. Phase Three primarily consists of 90-sq.m layout units, which are under construction commenced in December 2007 and are expected to be completed in December 2008.

As of 20 February 2008, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Panyu Aoyuan were approximately RMB805.4 million. It is estimated that an additional amount of approximately RMB327.1 million is required to complete the development of Panyu Aoyuan. Development of Panyu Aoyuan is undertaken by Guangzhou Panyu Jin Ye Real Estate Development Company Limited, wholly-owned project company by the Group.

Panyu Aoyuan was honored many awards in 2007. In April 2007, the Champion City was co-awarded by the Guangzhou Real Estate Association and *Panyu Daily* of the "Citizen's Favorite Golden Residence in Guangzhou New Urban Centre of 2006"（「2006年度廣州新中心城區最受市民喜愛金牌名盤」）.

In May 2007, the unit 02, 2nd stairway (large layout), Phase Four, Champion City, Panyu Aoyuan was awarded the "1st May Gold Award of Guangzhou's Top Housing Layout 2007"（「2007年廣州金牌戶型評薦五一金牌獎」）by *Southern Metropolis Daily.*

In October 2007, the unit 303, 1st stairway (innovative layout), No.9 "Shang Yu", Champion City, Panyu Aoyuan was awarded the "1st October Gold Award of Guangzhou's Top Housing Layout"（「2007年廣州金牌戶型評薦十一金牌獎」）by *Southern Metropolis Daily.*

Guangzhou Aoyuan

Eastern District,
Guangzhou Aoyuan

Ao Huan Road,
Eastern District,
Guangzhou Aoyuan

Guangzhou Aoyuan (廣州奧園)

Guangzhou Aoyuan is located in Mutual State Road, 105 North in the city of Guangzhou, Guangdong Province. The project occupies a total site area of approximately 153,500 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 288,270 sq.m. Guangzhou Aoyuan is an integrated residential community that was designed based on Olympic themes and combines low-rise and high-rise apartment buildings and commercial properties with extensive sports facilities.

As of 30 December 2007, two phases of our Guangzhou Aoyuan project were completed and the completed property developments occupied a site area of approximately 141,641 sq.m. with a GFA (including saleable and non-saleable) of approximately 258,967 sq.m. Construction of such completed property developments commenced in April 1999 and was completed in December 2006. They comprised 2,150 residential units with a saleable GFA of approximately 201,024 sq.m., commercial space with a saleable GFA of approximately 40,673 sq.m., ancillary facilities with a saleable GFA of approximately 947 sq.m. and 348 car parking spaces. As of 31 December 2007, 2,144 residential units with a saleable GFA of approximately 199,948 sq.m., commercial space with a saleable GFA of approximately 32,597 sq.m. and 228 car parking spaces had been sold. As of 31 December 2007, residential space with a saleable GFA of approximately 1,076 sq.m., commercial space with a saleable GFA of approximately 8,076 sq.m., ancillary facilities with a saleable GFA of approximately 947 sq.m. and 108 car parking spaces remained unsold. As of 31 December 2007, commercial properties with a GFA of approximately 8,649 sq.m. are held for medium term lease.

As of 31 December 2007, there is no property under development. The properties held for future development occupied a site area of approximately 11,859 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 29,303 sq.m.

As of 31 December 2007, the total development costs (including land costs, construction costs and capitalized finance costs) incurred for Guangzhou Aoyuan were approximately RMB843.1 million. It is estimated that an additional amount of approximately RMB74.9 million is required to complete the development of Guangzhou Aoyuan. Development of Guangzhou Aoyuan is undertaken by Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited, wholly-owned project company by the Group.

Nansha Aoyuan

Second District, Townhouse

Second District, Townhouse

Nansha Aoyuan (南沙奧園)

Nansha Aoyuan is located in Zhuijiangdong Road, Nansha Economic Development Zone in the city of Guangzhou, Guangdong Province. The project occupies a total planned site area of approximately 246,570 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 345,178 sq.m. Nansha Aoyuan is a residential development comprising villas, high-rise apartment buildings, multi-rise apartment buildings and low-rise apartment buildings.

The District 2 lake villa was launched on 21 July 2007 with a GFA of approximately 24,374 sq.m, comprising of 140 residential units. The total sales of the project achieved as of 31 December 2007 were RMB222 million.

Block 22 of District 2 high-rise buildings were launched on 22 September 2007, with a GFA of approximately 22,773 sq.m. It had been delivered to the purchasers on 31 December 2007. This property project comprises of 162 residential units. As of 31 December 2007, the total sales achieved were RMB128 million.

Block 14 and Block 3 of District 4 buildings were launched on 1 October 2007, with a GFA of approximately 23,732 sq.m and expected to deliver on 31 October 2008. This property project comprises of 72 residential units. As of 31 December 2007, the total sales achieved were approximately RMB81.7 million.

As of 31 December 2007, the properties under development occupied a site area of approximately 153,220 sq.m. with a GFA (including saleable and non-saleable) of approximately 183,219 sq.m. Construction of such properties under development commenced in December 2007 and is expected to be completed in December 2008.

As of 31 December 2007, the properties held for future development occupied a site area of approximately 93,350 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 91,080 sq.m. As of 31 December 2007, the total development cost (including land costs, construction costs and capitalized finance costs) incurred for Nansha Aoyuan were approximately RMB501.8 million. It is estimated that an additional amount of approximately RMB518.3 million is required to complete the development of Nansha Aoyuan. Development of Nansha Aoyuan is undertaken by Aoyuan Group Company Limited, wholly-owned company by the Group.

Since the date of its first-sale, Nansha Aoyuan has always been the top seller and satisfied its customers with its unique scene surrounded by hill, forest, lake or sea. It was awarded as the "Top Ten Favorite Residential Property in 2007" and the "Model Community Influencing China" by *Guangzhou Daily* and the "Harmonious Community" by *New Express*.

Aoyuan Haijing Cheng

Commercial Properties

Block AB,
Aoyuan Hai Jing Cheng
Serviced Apartment

Aoyuan Hai Jing Cheng（奧園海景城）

The Aoyuan Hai Jing Cheng project is located in Jingang Road, Nansha District, the new seashore area in the city of Guangzhou, Guangdong Province. It is a comprehensive commercial and residential project comprising of stores, office buildings and residential units. It combines multi-functions including recreation, catering, entertainment, shopping, office and residence.

The project is located in the prime site of Nansha District, with the Nansha District People's Government, which will soon be ready for use, to its west and Jingang Road, the main traffic artery of Nansha, to its north, and in combination with the developing Nansha Mall, Yitao Commercial Street and Jinzhou Commercial Street, form a new business and economic center of Nansha. The location of the project enjoys tremendous advantages, which will be developed into a new political and commercial centre of Nansha in the future, and the transportation here is very convenient, with Jinzhou and Jiaomen metro stations within only three-minute's drive respectively. Therefore, the project shows great investment value and attractive appreciation potential.

The project has an aggregate site area of 64,778 sq.m and an aggregate expected GFA (including saleable and non-saleable) of 235,869 sq.m.

As of 31 December 2007, the aggregate site area of start-ups is 64,778 sq.m and the aggregate GFA of start-ups (including saleable and non-saleable) is 235,869 sq.m, of which the Phase One Project of 29 suits of four-storey street stores is entirely completed, with a completed GFA of 10,448 sq.m.; 27 of the 29 suits of stores were sold, with a sold GFA of 8,749 sq.m. and a sales revenue of approximately RMB66 million.

Construction of Hai Jing Cheng project commenced on 19 July 2007, and is expected to be completed entirely on 31 December 2008.

The total budgeted investment for Hai Jing Cheng project is expected to be approximately RMB1,227.1 million, of which approximately RMB298.7 million is attributable to the acquisition of the relevant land use rights and approximately RMB928.4 million is attributable to the project construction and development cost. As of 31 December 2007, the total development costs (including costs of acquisition of land, construction costs and capitalized finance costs) incurred by Aoyuan Hai Jing Cheng project were approximately RMB427.8 million. It is estimated that an additional amount of approximately RMB799.3 million is required to complete the overall Aoyuan Hai Jing Cheng project. Development of Hai Jing Cheng is undertaken by Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited, wholly-owned project company by the Group.

Panyu Commercial Properties

Projection View of Panyu Commercial Properties

Projection View of Panyu Commercial Properties

Panyu Commercial Properties（番禺商業物業）

A parcel of land ("Panyu Commercial Properties") located at north to Fude Road, South downtown, Panyu District, Guangzhou, Guangdong Province was successfully acquired by the Group in December 2007. Panyu Commercial Properties occupy a total site area of 64,861 sq. m. with an expected GFA (including saleable and non-saleable and subject to final approval by relevant government department) of approximately 244,838 sq. m.. Panyu Commercial Properties will be a comprehensive commercial and residential project comprising a grand shopping mall and serviced apartments. It combines multi-functional facilities for recreation, catering, entertainment, shopping and residence.

On 28 March 2008, the Company entered into a conditional memorandum of understanding ("MOU") with MGP Asia III Holdings (BVI) Limited ("MGPA Co"), a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of a real estate investment fund advised by MGPA (Bermuda) Limited, pursuant to which both parties agreed to develop Panyu Commercial Properties held by a joint venture company, which will be subsequently owned as to 50% by each of the Company and MGPA Co.

The overall construction and design plan has been submitted to relevant government department for approval as of 31 March 2008. The construction is expected to commence in September 2008 and the properties are expected to be completed by the end of 2010. As of 31 March 2008, the land premium has been fully paid and no material construction cost has been incurred.

Fogang Aoyuan

Independent Villas, Southern District

Independent Villas, Southern District

Fogang Aoyuan (佛岡奧園)

Fogang Aoyuan is located at Shijiao town, Fogang County, Qingyuan City, Guangdong Province. To the east it's about two kilometers from the county government; to the south it's connected to National Highway 106 and Beijing-Zhuhai Highway; to the west it's only one kilometer from downtown Fogang. With an aggregate site area of 427,033 sq.m. and a total planned GFA of 1,432,681 sq.m, the project comprises four architectural groups and two spectacular sights, namely, the riverside townhouse group, the riverside duplex villa group, the riverside hotel, the independent villa group, as well as the coastal river sight and the Mediterranean commercial sight. The overall planning of the project is principally villas with a diversified Mediterranean architectural style. Combining with hotels, commercial streets, entertainment centers, fitness & sports plaza and green area etc, a luxury residential community with gorgeous scenery and world-class standard will be created.

As of 31 December 2007, a total of 415 villas and commercial streets had been developed in the Southern District, the Northern District, the First District and the Third District, with a development area of over 100,000 sq.m. The total investment value of the development is approximately RMB520 million, while the value of the initially launched units amounts to approximately RMB400 million. As of 31 December 2007, 7 pre-sale permits for 290 saleable units with a total site area of 78,635 sq.m had been obtained. Moreover, all permits are overall authorization of the unit's property right. Among the saleable properties, 90 independent villas, 83 townhouses, 61 duplex villas and 53 shops, with a total amount of approximately RMB420 million had been sold, representing approximately 80% of the aggregate turnover.

As of 31 December 2007, 143 units remained to be launched in Fogang Aoyuan (including saleable and non-saleable), with a total site area up to 30,000 sq.m. Besides, there are 276 units with a total site area of approximately 93,610 sq.m (including saleable and non-saleable) held for development and sale in 2008, including 68 garden villas in the Western District, 68 villas in the Fourth District, 112 villas in the Fifth District and 64 shared-ownership apartments in hotel. The construction properties under development are expected to be completed in December 2008.

The total budgeted investment for Fogang Aoyuan is expected to be approximately RMB2,867 million, of which approximately RMB96.1 million is attributable to the acquisition of the relevant land use rights and approximately RMB2,770.9 million is attributable to the construction and development of the project. As of 31 December 2007, the development costs (including land costs, construction costs and capitalized finance costs) incurred for Fogang Aoyuan was approximately RMB274.8 million. It is estimated that an additional amount of approximately RMB2,592.2 million is required to complete the development of Fogang Aoyuan. The development of Fogang Aoyuan is undertaken by Fogang Tong Li Sheng Investment Development Company Limited, wholly-owned project company by the Group.

Chongqing Aoyuan Cannes

Commercial Street,
District A, Chongqing
Aoyuan Cannes

Commercial Street,
District B, Chongqing
Aoyuan Cannes

Chongqing Aoyuan Cannes（重慶奧園康城）

Chongqing Aoyuan Cannes (former Jiang Wan Yu Jing 江灣御景）is located in Jiubing Road, the centre of Chongqing city. It has the scarce close view of Yangtse River with a total site area of 138,400 sq.m. and expected GFA (including saleable and non-saleable) of approximately 600,000 sq.m. Taking the theme of "healthy life, comprehensive town", Chongqing Aoyuan Cannes will be the new standard of the themed properties in Chongqing, which mainly comprises apartment buildings.

In the end of 2007, Chongqing Aoyuan Cannes, was honored "The Most Expected Property in 2008"（2008最值得期待樓盤）in the 3rd Annual Real Estate Awards of Chongqing（重慶第三屆地產年榜）, and it is "The Most Expected Property in 2008" honored by the millions of reader of Chongqing, "The Most Expected Property in 2008" honored by Real Estate Industry Association of Chongqing and Chongqing City Construction Comprehensive Exploitation Association, and "The Most Expected Property in 2008" honored by China International City Case Study Committee（中國國際城市案例研究委員會）and China Index Research Institute.

As of November 2007, pursuant to the laws and regulations of mainland China, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit had been obtained. Construction works of a GFA of approximate 600,000 sq.m. commenced in November 2007. The work has been implemented on the schedule.

Over 350,000 sq.m. out of the GFA of Chongqing Aoyuan Cannes is expected to be completed by the end of 2008 and the remaining is expected to be completed by March 2009. The pre-sale of Chongqing Aoyuan Cannes, is expected to commence in mid 2008 and achieve a sales volume of over 300,000 sq.m. in 2008.

Development of Chongqing Aoyuan Cannes is undertaken by Chongqing Chuangguan Real Estate Development Company Limited, wholly-owned project company by the Group.

As of 31 December 2007, the total development costs (including costs of acquisition of land, construction costs and capitalized finance cost) incurred by Chongqing Aoyuan Cannes were approximately RMB173.8 million. It is estimated that an additional amount of approximately RMB1,427.8 million is required to complete the overall Chongqing Aoyuan Cannes.

Yulin Aoyuan

Projection View of High-rise Apartment Building

Yulin Aoyuan (玉林奧園)

Yulin Aoyuan is located in Renmin East Road, the vicinity of the Yulin City Sports Center in Yulin City, Guangxi Zhuang Autonomous Region. The project occupies an aggregate site area of approximately 55,987 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 342,066 sq.m. As of 31 December 2007, all properties at Yulin Aoyuan were held for future development.

The total budgeted investment for Yulin Aoyuan is expected to be approximately RMB952.6 million, of which approximately RMB29.5 million is attributable to the acquisition of the relevant land use rights and approximately RMB923.1 million is attributable to the construction and development of the project. As of 31 December 2007, the development costs (including land costs, construction costs and capitalized finance costs) incurred for Yulin Aoyuan was approximately RMB118.8 million. It is estimated that an additional amount of approximately RMB833.8 million is required to complete the development of Yulin Aoyuan. Development of Yulin Aoyuan is undertaken by Yulin Aoyuan Real Estate Development Company Limited, wholly-owned project company by the Group.

Yulin Aoyuan Cannes

Phase One,
Yulin Aoyuan Cannes

Yulin Aoyuan Cannes（玉林奧園康城）

Yulin Aoyuan Cannes is located in Renmin East Road, the vicinity of the Yulin City sports Centre in Yulin City, Guangxi Zhuang Autonomous Region. The project occupies an aggregate site area of approximately 157,728 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 963,421 sq.m. As of 31 December 2007, all properties at Yulin Aoyuan Cannes were held for future development.

The total budgeted investment for Yulin Aoyuan Cannes is expected to be approximately RMB2,364.0 million, of which approximately RMB83.6 million is attributable to the acquisition of the relevant land use rights and approximately RMB2,280.4 million is attributable to the construction and development of the project. As of 31 December 2007, the development costs (including land costs, construction costs and capitalized finance costs) incurred for Yulin Aoyuan Cannes were approximately RMB269.7 million. It is estimated that an additional amount of approximately RMB2,094.3 million is required to complete the development of Yulin Aoyuan Cannes. Development of Yulin Aoyuan Cannes is undertaken by Yulin Aoyuan Cannes Real Estate Development Company Limited, wholly-owned project company by the Group.

Shenyang Aoyuan

Projection View of International Exchange Centre, designed by Akins

Shenyang Aoyuan • International Animation City (瀋陽奧園 • 國際動漫產業城)

In June 2007, a parcel of land located in Dongling District, Shenyang City, Liaoning Province, is acquisited through a listing-for-sale. The project occupies an aggregate site area of approximately 5,886,667 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 9,760,000 sq.m. On 16 October 2007, a parcel of land with 437,336 sq.m. (net developable area: 327,335 sq.m.) was acquired at the price of RMB158 million in aggregate, and a net unit price of RMB483 per square meter. The GFA is expected to be 327,000 sq.m. and the State-Owned Land Use Certificate was obtained on 24 December 2007.

It is planned to engage fully in the construction of the 115,000 sq.m. resettlement community in March 2008 and expecting to complete the resettlement by the end of this year. The construction of the Industrial Park occupying an aggregate site area of 150,000 sq.m, which will be constituted by International Animation Exchange Centre, International Animation Headquarter and Animation Avenue etc., will also be fully launched this year.

An aggregate investment of RMB237.3 million has incurred for the project by now.

Development of Shengyang Aoyuan is undertaken by Shengyang Aoyuan Dong Man Cheng Properties Company Limited, wholly-owned project company by the Group.

Guo Ao Investment Development Centre

Block D, Guo Ao Investment Development Centre

Guo Ao Investment Development Centre (國奧投資發展中心)

Guo Ao Investment Development Centre is located in Nansha Economic Development Zone in the city of Guangzhou, Guangdong Province. The project occupies a total site area of approximately 32,570 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 126,017 sq.m. It is expected to comprise commercial retail units and offices.

The project has been completed in 2007. As of 31 December 2007, commercial retail unit and offices with a saleable GFA of approximately 93,866 sq.m. had been sold and 32,151 sq.m. remained unsold.

Development of Guo Ao Investment Development Centre is undertaken by Guangzhou Nansha Guo Ao Real Estate Development Company Limited, wholly-owned project company by the Group.

Guangzhou Aoyuan Cannes

Projection View of Guangzhou Aoyuan Cannes

Guangzhou Aoyuan Cannes（廣州奧園康城）

Guangzhou Aoyuan Cannes is located in Bin Jiang Road, southern part of Shiqiao, Panyu District in the city of Guangzhou, Guangdong Province. The project occupies a total site area of approximately 103,825 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 156,607 sq.m. It comprises multi-rise residential buildings with a GFA of 102,337 sq.m., high-rise residential properties with a GFA of 25,584 sq.m., public services of residential area (including the kindergarten) with a GFA of 6,686 sq.m., and 550 car parking spaces.

The total budgeted investment for Guangzhou Aoyuan Cannes is expected to be approximately RMB710.8 million, of which approximately RMB374.0 million is attributable to the acquisition of the relevant land use rights and approximately RMB336.8 million is attributable to the construction and development of the project.

Guangzhou Aoyuan Cannes has just paid the first installment of land premium. The Cannes project is officially launched and is expected to accept the subscription registration in August 2008.

Development of Guangzhou Aoyuan Cannes is undertaken by Guangzhou Aoyuan Cannes Real Estate Development Company Limited, wholly-owned project company by the Group.

Jiangxi Aoyuan

Project view of Jiangxi Aoyuan Gan Yue Logistics and Commercial Mall

Jiangxi Aoyuan（江西奧園）

Jiangxi Aoyuan is located in Longnan County in the city of Ganzhou, Jiangxi Province. The project occupies a total site area of approximately 195,856 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 588,107 sq.m. Jiangxi Aoyuan is a project comprising high-rise and low-rise apartment buildings and low-rise commercial properties.

As of 31 December 2007, one of the four phases of Jiangxi Aoyuan project had been completed and the completed property developments occupied a site area of approximately 21,537 sq.m. with a GFA (including saleable and non-saleable) of approximately 28,944 sq.m. Construction of such completed property developments commenced in November 2005 and was completed in November 2007. They comprised commercial space with a saleable GFA of approximately 28,944 sq.m. As of 31 October 2007, approximately 20,396 sq.m. of GFA had been sold and approximately 8,548 sq.m. of GFA remained unsold.

As of 31 December 2007, the properties under development occupied a site area of approximately 5,716 sq.m. with a GFA (including saleable and non-saleable) of approximately 15,799 sq.m. Constructions of such properties under development commenced in July 2007 and are expected to be completed by March 2008. They are expected to comprise low-rise apartment building with a saleable GFA of approximately 15,799 sq.m. Presale of the properties under development was commenced in September 2007 and the relevant pre-sale permits with respect to approximately 15,799 sq.m. of GFA had been obtained as of 15 October 2007. The total budgeted costs to be incurred for the properties under development were approximately RMB13.5 million.

As of 31 December 2007, the properties held for future development occupied a site area of approximately 168,603 sq.m. with an expected GFA (including saleable and non-saleable) of approximately 543,364 sq.m.

As of 31 December 2007, the development costs for completed area (including land costs, construction costs and finance costs) incurred for Jiangxi Aoyuan were approximately RMB98.3 million. It is estimated that an additional amount of approximately RMB844.8 million is required to complete the development of Jiangxi Aoyuan. Development of Jiangxi Aoyuan is undertaken by Longnan Jin Cheng Real Estate Development Company Limited, wholly-owned project company by the Group.

Corporate Governance Report

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance.

The Board will strive for adhering to the principles of corporate governance and will adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

In year 2007, the Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviations as disclosed in this report.

The board of Directors (the "Board") will review and improve the corporate governance practice of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

1. The Board of Directors

The Board's major roles are to oversee the management, businesses, strategic directions and financial performance of the Group as well as optimizing return to shareholders.

The Board is currently composed of a total of 9 members, which includes 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The biographies of the Directors are set out on pages 20 to 25 of this annual report. The Board believes that the independent non-executive Directors shall offer their independent judgment on issues in connection with the Group's strategies and, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. Mr. Guo Zi Wen is the younger brother of Mr. Guo Zi Ning.

The Board is responsible for the leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management of the Company is responsible for the day-to-day management and operation of the Group as well as the formulation of organizational structure, control systems and internal procedures and processes subject to the Board's approval.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards during the period from 9 October 2007, the date on which the trading of the shares of the Company commenced on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), up to 31 December 2007.

Chairman and Chief Executive Officer

The provision A.2.1 of the Code provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Guo Zi Wen acts as the chairman and chief executive officer of the Company. He is responsible for effective running of the board and formulating business strategies. He also provides leadership for effective running of the Company's business and implementing the policies devised by the board. The Board believes that Mr. Guo Zi Wen in his dual capacity as the chairman and chief executive office of the Company, can provide strong and consistent leadership for the development of the Group

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard all interests of shareholders, and as such, the interests of the Company and its shareholders can be protected.

All independent non-executive Directors have offered sufficient time and efforts to serve the Company and they possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinions.

For the year ended 31 December 2007, all independent non-executive Directors of the Company had confirmed their independence to the Company in accordance with the Listing Rules.

All our independent non-executive Directors will retire at the forthcoming annual general meeting ("AGM") of the Company and will be subject to re-election.

Appointments, Re-election and Removal of directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract or an appointment letter with the Company for a specific term. Such term is subject to his re-election by the Company at an AGM upon retirement. The Articles of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company and shall then be eligible for re-election.

Under the Company's articles of association ("Articles"), one-third of all Directors (whether executive or non-executive) is subject to retirement by rotation and re-election at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

The members of the Company may, at any general meeting convened and held in accordance with the Articles to remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

2 full Board meetings were convened in the year under review. The attendance of the Directors at these Board meetings is set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Guo Ziwen *(chairman and chief executive officer)*	2/2
Mr. Guo Zining *(vice-president)*	1/2
Mr. Zheng Jianjun	1/2
Non-executive Directors	
Mr. Paul S. Wolansky *(vice-chairman)*	1/2
Mr. Leung Ping Chung Hermann	2/2
Independent non-executive Directors	
Mr. Ma Kwai Yuen	2/2
Mr. Song Xian Zhong	2/2
Mr. Tsui King Fai	2/2

There is no attendance record for Mr. Hu Da Wei as Mr. Hu was appointed as Director with effect from 8 April 2008.

The Company Secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all Directors. A draft of the minutes is circulated to all Directors for comments and approval as soon as practicable after the meeting.

All Directors are provided with relevant materials relating to the matters in issue before the meetings and have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board meetings have been conducted in accordance with the Articles, as well as relevant rules and regulations.

Nomination Committee

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. The Nomination Committee is comprised of Mr. Guo Zi Wen, Mr. Leung Ping Chung, Hermann, Mr. Ma Kwai Yuen, Professor Song Xian Zhong and Mr. Tsui King Fai. Mr. Guo Zi Wen is the chairman of the said committee.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the independent non-executive Directors) are sought. The Nomination Committee will consider (1) the breadth and depth of management and/or leadership experience of the candidate; (2) financial literacy or other professional or business experience of the candidate that are relevant to the Company and its business; and (3) the experience in or knowledge of national operations of the candidate. All candidates must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.

During the year ended 31 December 2007, there was no meeting held by the Nomination Committee since its establishment on 13 September 2007 due to the fact that the Company was just listed on the Stock Exchange in October 2007 and the present directors were appointed in April and September 2007 and April 2008. The Committee held one meeting subsequent to the year end date. It reviewed the current structure, size and composition of the Board.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Directors' and senior management's remuneration and other benefits. The remuneration of all Directors and senior management's is subject to regular monitoring by the Remuneration Committee to ensure that the level of their remunerations is reasonable. Their written terms of reference are in line with the Code provisions. The Remuneration Committee is comprised of Mr. Leung Ping Chung, Hermann, Mr. Tsui King Fai and Mr. Ma Kwai Yuen. Mr. Leung is the chairman of such committee.

The Company's policy on remuneration is to maintain fair and competitive packages on business needs and industry practice. For determining the level of fees payable to members of the Board of Directors, the market rates and factors such as each Director's workload and required commitments will be taken into account. The following factors are considered when determining the remuneration packages of executive Directors:

— Business needs and company development;

— Responsibilities of the Directors and individual contribution;

— Changes in appropriate markets, e.g. supply/demand fluctuations and changes in competitive conditions;

— Retention considerations and individual potential.

During the year ended 31 December 2007, there was no meeting held by the Remuneration Committee since its establishment on 13 September 2007 due to the fact that the Company was just listed on the Stock Exchange in October 2007 and the present Directors were appointed in April and September 2007 and April 2008. A meeting was held subsequent to the year end date. It reviewed the remuneration package of the Directors and senior management of the Group.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee is also responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and considering any questions of resignation or dismissal of such auditors. The Audit Committee meets whenever deem necessary with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provisions. The audit committee consists of three independent non-executive Directors of the Company. Mr. Ma is the chairman of the said committee.

Following the establishment of Audit Committee on 13 September 2007, three meetings have been held in 2008. All members attended the meetings. The Committee reviewed, together with senior management and the external auditors, the internal control system, the accounting principles and practices adopted by the Company, statutory compliance and financial reporting matters.

2. Financial Reporting and Internal Control

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the consolidated financial statements of the Group. In the preparation of consolidated financial statements, international financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied.

The Board aims at presenting a comprehensive, clear and balanced assessment of the Group's performance, position and prospect in the annual report to the shareholders, and make appropriate disclosure and announcements in a timely manner. The management provides such explanation and information to enable the Board to make an informed assessment of the matters put before the Board. The Directors acknowledge their responsibilities for preparing the financial statements for the Group.

The statement of the external auditors of the Company regarding their working scope and responsibilities is set out in the "Independent Auditor's Report" on page 63 in this annual report.

External Auditors' Remuneration

Deloitte Touche Tohmatsu, the external auditors of the Company, is responsible for providing audit services in connection with annual financial statements of the Group for the year ended 31 December 2007.

During the year under review, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was HK$2,800,000. Fees for non-audit services amounted to an aggregate amount of HK$5,360,000, comprising services charge for the followings:

	HK$
Act as reporting accountants in respect of the issue of prospectus dated 21 September 2007	3,700,000
Review of internal control	660,000
Other services	1,000,000

Internal Control

The Board has overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets. The Board has conducted a review on the effectiveness of the internal control system of the Company and its subsidiaries.

An internal audit department has been established to perform regular financial and operational reviews and conduct audits of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended.

During the course of audit performed by the externals auditors, they will report on the weakness in the Group's internal control and accounting procedures which come to their attention. The internal audit department monitors the follow-up actions in response to their recommendations.

3. Communications with Shareholders and Investor Relations

The Group uses various formal channels of communication to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual reports are printed and sent to all shareholders and also posted on the Company's corporate website http://aoyuan.com.cn. Press releases are posted on the Company's corporate website. The Company's website provides email address, postal address, fax number and telephone number by which enquiries can be put to the Board. Being constantly updated in a timely manner, the website also contains a wide range of additional information of the Group's business activities. As a standard part of the investors relations program to maintain a constant dialogue of the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintain a high level of corporate transparency and follow a policy of disclosing relevant information to shareholders, investors, analysts and bankers. Keeping the shareholders aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

As at 31 December 2007, the Company has a diversified shareholding structure with a 35.7% public float.

The following are the key investor relations events held in 2007, after our listing on the Stock Exchange:

Events	**Date**
2007 Morgan Stanley Asia Pacific Summit	November 2007
Merrill Lynch Pearl River Delta Investor Forum	November 2007

Report of the Directors

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

Corporate Reorganization

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2004 Second Revision) of the Cayman Islands on 6 March 2007.

Pursuant to a reorganization to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group.

Details of reorganization are set out in the Company's Prospectus dated 21 September 2007.

The shares of the Company were listed on the main board of the Stock Exchange on 9 October 2007.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development and property investment.

An analysis of the Group's turnover and operating profit for the year by principal activities is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group as at 31 December 2007 are set out in the consolidated financial statements on pages 65 to 129.

The Directors now recommend the payment of a final dividend of RMB5.5 cents per share to the shareholders on the register of members on 10 June 2008, amounting to approximately RMB123.9 million and the retention of the remaining profit for the year of approximately RMB478.5 million.

Property, Plant and Equipment

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

The valuation of the Group's properties was approximately RMB14.3 million at 30 June 2007. The additional depreciation that would be charged against the consolidated income statement of the Group had those properties been stated at such valuation will be approximately RMB225.0 thousand for the year ended 31 December 2007.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

Convertible Notes

On 9 February 2007, a subsidiary of the Company issued convertible notes of an aggregate principal amount of US$140.0 million and on 9 October 2007, this subsidiary redeemed convertible notes in the aggregate amount of US$80.0 million. Details of movements during the year in the convertible notes of the Group are set out in note 28 to the consolidated financial statements.

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

Since the listing date and up to 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from 5 June 2008 (Thursday) to 10 June 2008 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending and voting at the 2008 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716,17-F Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 4 June 2008 (Wednesday).

Reserves

Details of the movement in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

Use of Proceeds from the Global Offering

The Company's shares were listed on the Stock Exchange on 9 October 2007, and the Group has raised net proceeds of approximately HK$3,749 million from the Global Offering. The Company had applied approximately HK$743 million for the partial redemption of convertible notes, approximately HK$838 million for development of existing projects and approximately HK$465 million for land acquisition, which is in compliance with the intended use of proceeds as disclosed on page 186 of the Company's prospectus dated 21 September 2007. As at 31 December 2007, a balance of approximately HK$1,703 million remained as bank deposits.

Charitable Donations

The charitable donations made by the Group during the year amounted to RMB3.5 million (2006: RMB250,000).

Financial Summary

A four-year financial summary of the Group is set out on pages 130.

Directors and Directors' service contracts

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

Executive directors

Mr. Guo Ziwen (Chairman & CEO)	(appointed on 3 April 2007)
Mr. Guo Zining (Vice President)	(appointed on 3 April 2007)
Mr. Zheng Jianjun	(appointed on 3 April 2007)
Mr. Hu Da Wei	(appointed on 8 April 2008)

Non-executive directors

Ms Jiang Miner	(appointed on 6 March 2007 and resigned on 3 April 2007)
Mr. Paul Steven Wolansky (Vice Chairman)	(appointed on 3 April 2007)
Mr. Leung Ping Chung Hermann	(appointed on 3 April 2007)

Independent non-executive directors

Mr. Ma Kwai Yuen	(appointed on 13 September 2007)
Mr. Song Xian Zhong	(appointed on 13 September 2007)
Mr. Tsui King Fai	(appointed on 13 September 2007)

In accordance with Article 86(3) of the Company's Article of Associations, all Directors will retire, and being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting ("AGM").

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

Each of Mr. Guo Ziwen, Mr. Guo Zining and Mr. Zheng Jiang Jun has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors of the Company has entered into a letter of appointment with the Company and is appointed for a specific term commencing from 13 September 2007 which may be extended for such period as the Company and the Director may agree in writing.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Other than as disclosed in note 41 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

In order to eliminate competing business with the Group, on 20 September 2007, Mr. Guo Ziwen, Mr. Guo Zining and Ms. Jiang Miner entered into a deed of non-competition with the Company.

As at the date of this report, none of the Directors are considered to have any interest, either direct or indirect, in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

In compliance with the deed of non-competition signed on 20 September 2007, Mr. Guo Ziwen, Mr. Guo Zining and Ms. Jiang Miner hereby make an annual declaration on his/her compliance with the non-competition undertaking.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2007, the interests of Directors and Chief Executive of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares under equity derivatives of the Company:

	Number of shares			
Name of Director	Corporate Interest	Underlying shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the issued share capital
Mr. Guo Zi Wen	1,154,325,000 (Note 1)	—	1,154,325,000	51.2%
Mr. Paul Steven Wolansky	293,175,000 (Note 2)	300,000 (Note 3)	293,475,000	13.0%
Mr. Leung Ping Chung Hermann	293,175,000 (Note 2)	4,581,000 (Note 3)	297,756,000	13.2%

Notes:

(1) The entire equity capital of Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Min Er.

(2) Shares held by Cathay Sino Property Ltd, which is wholly-owned by Cathay Capital Holdings L.P.. Mr. Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann are limited partners of Cathay Capital Holdings L.P.. Details have been shown in the section of "Substantial Shareholders".

(3) Details of share options held by the Directors are shown in "Share Options" section of this report.

Save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of Directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period from 9 October 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 31 December 2007.

Connected Transactions

During the year ended 31 December 2007, the Group entered into the following connected transactions as defined under the Listing Rules. In the opinion of the directors, such connected transactions were carried out in the normal course of business and are fair and reasonable and in the interest of the Company's shareholders as a whole.

1. Construction contract

During the year ended 31 December 2007, the Group signed a series of construction contracts with Guangzhou Zi Ye Construction and Installation Company Limited ("Zi Ye") and Guangzhou Shun Cheng Construction and Decoration Company Limited ("Shun Cheng") in which Mr. Guo Zi Wen and Mr. Guo Zi Ning had beneficial interest respectively. Pursuant to the construction contracts, Zi Ye and Shun Cheng provided construction and decoration services in respect of Nansha Aoyuan & Nanguo Aoyuan projects. The construction fees paid to Zi Ye and Shun Cheng were approximately RMB13.1 million and RMB3.9 million respectively during the period when they were the connected parties to the Company. Prior to the listing of the shares of the Company on the Stock Exchange, Mr. Guo Zi Wen and Mr. Guo Zi Ning have disposed of their interests in the above companies to the independent third parties.

2. Financial assistance to connected persons

On 1 July 2006, the Group entered into loan agreements with Zi Ye. Pursuant to the terms of the Loan Agreements, the loan was repayable on demand and interest-bearing with an annual interest rate of 10.0%. In June 2007, the loan was repaid by Zi Ye and the interest for the year ended 31 December 2007 amounted to RMB2.4 million.

3. Rental income from connected parties

In January 2007, the Group entered into three individual tenancy agreements with Guangzhou Panyu Beijing Normal University Nan Ao Kindergarten ("Kindergarten"), Guangzhou Panyu Beijing Normal University Nan Ao School ("School"), and Guangzhou Nanguo Ao Yuan Golf Hotel Company Limited ("Hotel"). The Kindergarten and School were wholly owned entities, but with no substantial control by the Group. The Hotel was a subsidiary of Zi Ye, a company in which the director Mr. Guo Zi Wen had a beneficial interest.

Pursuant to the tenancy agreements, the Group leased buildings to Kindergarten and School and a golf course to Hotel. All properties are located in Nanguo Aoyuan. The rental income from Kindergarten, School, and Hotel amounted to RMB525,000, RMB1,050,000 and RMB2,057,143 respectively during the period when they were connected parties to the Company. Prior to the listing of the shares of the Company on the Stock Exchange, the Group has disposed of all interest in Kindergarten and School to the independent third parties and Mr. Guo Zi Wen has disposed of his interest in Zi Ye to the independent third parties.

Share Options

On 13 September 2007, the Company adopted a share option scheme (the "Scheme"). Details of the options granted by the Company pursuant to the Scheme and the options outstanding as at 31 December 2007 were as follows:

			Number of options				
	Date of grant	Exercisable period	Granted on 23 October 2007	Exercise during the year	Lapsed during the year	Balance at 31 December 2007	Exercise price per share
Executive Director							
Mr. Zheng Jian Jun	23 Oct 2007	Date of 2007 result announcement to 31 Dec 2010	1,069,000	—	—	1,069,000	6.55
Non-executive Director							
Mr. Paul Steven Wolansky	23 Oct 2007	1 Jan 2008 to 31 Dec 2008	300,000	—	—	300,000	6.55
Mr. Leung Ping Chung, Hermann	23 Oct 2007	1 Jan 2008 to 31 Dec 2008	4,581,000	—	—	4,581,000	6.55
Independent non-executive Directors							
Mr. Ma Kwai Yuen	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	300,000	—	—	300,000	6.55
Mr. Song Xian Zhong	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	300,000	—	—	300,000	6.55
Mr. Tsui King Fai	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	300,000	—	—	300,000	6.55
Company Secretary							
Mr. Lo Hang Fong	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	1,069,000	—	—	1,069,000	6.55
Employees	23 Oct 2007	Date of 2007 result announcement to 31 Dec 2010	4,010,000	—	—	4,010,000	6.55
			11,929,000	—	—	11,929,000	

Particular of the Scheme are set out in note 39 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 December 2007, revenue attributable to the largest customer of the Group amounted to approximately 30.5% of the total revenue in the year and the five largest customers of the Group amounted to approximately 57.4% of the Group's revenue in the year.

For the year ended 31 December 2007, purchases attributable to the largest supplier of the Group amounted to approximately 28.1% of the total purchases in the year and the five largest suppliers of the Group amounted to approximately 61.8% of the Group's purchases in the year.

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

Substantial Shareholders

As at 31 December 2007, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 336 of the SFO were as follows:

Name	Capacity[2]	Number of shares	Voting power (%) (approximate)
Ace Rise Profits Limited[1]	Beneficial owner	1,154,325,000	51.2%
Sturgeon Limited[1]	Controlled corporation	1,154,325,000	51.2%
Seletar Limited[1]	Controlled corporation	1,154,325,000	51.2%
Serangoon Limited[1]	Controlled corporation	1,154,325,000	51.2%
Credit Suisse Trust Limited[1]	Trustee	1,154,325,000	51.2%
Guo Zi Wen[1]	Settlor/Bebeficiary of The Golden Jade Trust	1,154,325,000	51.2%
Jiang Min Er[1]	Settlor/Bebeficiary of The Golden Jade Trust	1,154,325,000	51.2%
Cathay Sino Property Ltd. [2]	Beneficial owner	293,175,000	13.0%
Cathay Capital Holdings, L.P. [3]	Controlled corporation	293,175,000	13.0%
Cathay Master GP, Ltd. [3]	Controlled corporation	293,175,000	13.0%
Paul Steven Wolansky [4]	Trustee and beneficial owner	293,475,000	13.0%
Leung Ping Chung, Hermann [4]	Controlled corporation and beneficial owner	297,756,000	13.2%
Capital Asset Management, Inc [5]	Controlled corporation	383,043,462	17.0%
Trust Asset Mangement LLP [5]	Controlled corporation	383,043,462	17.0%
Donald Sussman Selwyn [5]	Controlled corporation	383,043,462	17.0%

Notes:

(1) *The entire equity capital of Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Min Er.*

(2) *293,175,000 Shares are registered in the name of Cathay Sino Property Ltd.*

(3) *Cathay Sino Property Ltd. is wholly-owned by Cathay Capital Holdings, L.P.. Cathay Master GP Ltd. is the general partner of Cathay Capital Holdings, L.P.. Under the SFO, Cathay Master GP, Ltd. and Cathay Capital Holdings, L.P. are deemed to be interested in the Shares held by Cathay Sino Property Ltd.*

(4) *Since Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann are limited partners of Cathay Capital Holdings, L.P., they are deemed to be interested in the 293,175,000 Shares held by Cathay Sino Property Ltd. Mr. Wolansky and Mr. Leung have also been granted options with the right to convert into 300,000 and 4,581,000 Shares respectively.*

(5) *Capital Asset Management, Inc is the general partner of Trust Asset Management LLP, which has 45% interest in Cathay Master GP Ltd.. When Mr. Donald Sussman Selwyn is holding 100% interest in Capital Asset Management, Inc, they are all deemed to be interested in the 293,175,000 Shares held by Cathay Sino Property Ltd. 89,868,462 Shares are held in the form of convertible notes issued to Sunrise Partners Limited Partnership. When Trust Asset Management LLP is the general partner of Sunrise Partners Limited Partnership, Capital Asset Management, Inc, Trust Asset Management LLP and Mr. Donald Sussman Selwyn are deemed to be interested in the 89,868,462 Shares under the SFO.*

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the public float as required by the Listing Rules since its listing on the Stock Exchange and up to 31 December 2007.

Auditors

The financial statements for the year have been audited by Deloitte Touche Tohmatsu. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board
GUO Ziwen
Chairman

Hong Kong, 15 April 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHINA AOYUAN PROPERTY GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 129, which comprise of the consolidated balance sheet 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 International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 RMB	2006 RMB
Revenue	5	**2,501,396,803**	883,732,871
Cost of sales		**(1,176,985,527)**	(428,953,936)
Gross profit		**1,324,411,276**	454,778,935
Other income	6	**105,242,869**	116,064,966
Change in fair value of investment properties		**20,963,802**	67,562,674
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**55,142,196**	—
Selling and distribution costs		**(71,101,989)**	(14,009,604)
Administrative expenses		**(148,793,780)**	(52,530,118)
Change in fair value of embedded derivatives component of convertible notes		**64,289,406**	—
Other expenses		**(29,056,791)**	(41,416,523)
Loss on redemption of convertible notes		**(86,266,068)**	—
Finance costs	7	**(30,615,722)**	(2,113,508)
Share of results of jointly controlled entities		**(232,157)**	(1,629,952)
Profit before taxation	8	**1,203,983,042**	526,706,870
Income tax expense	9	**(601,612,413)**	(227,403,097)
Profit for the year		**602,370,629**	299,303,773
Profit attributable to:			
Equity holders of the Company		**602,401,155**	299,540,283
Minority interests		**(30,526)**	(236,510)
		602,370,629	299,303,773
Earnings per share (cents)			
Basic	11	**36**	34
Diluted	11	**30**	34

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 RMB	2006 RMB
Non-current assets			
Property, plant and equipment	13	63,969,284	40,846,610
Prepaid lease payments	14	24,926,852	35,053,265
Investment properties	15	353,750,000	158,123,500
Available-for-sale investments	16	—	550,000
Interests in jointly controlled entities	17	—	29,731,468
Goodwill	18	—	—
Deferred taxation assets	30	5,939,196	11,772,318
		448,585,332	276,077,161
Current assets			
Inventories	19	12,017	87,678
Properties for sales	20	2,593,118,772	1,036,175,317
Other property interests	21	86,952,073	86,933,922
Trade and other receivables	22	2,299,321,854	267,380,051
Prepaid lease payments	14	6,274,821	6,155,632
Amounts due from related parties	23	—	111,543,854
Amounts due from jointly controlled entities	24	—	54,325,594
Restricted bank deposits	25	148,246,327	41,529,240
Bank balances and cash	25	2,658,200,677	308,871,732
		7,792,126,541	1,913,003,020
Current liabilities			
Trade and other payables	26	823,913,201	292,400,669
Sales deposits		234,889,812	147,463,945
Amounts due to related parties	27	—	41,042,540
Taxation payable		641,366,552	221,063,368
Advance payments of convertible notes	28	—	235,099,800
Derivative financial instruments	28	80,050,963	—
Secured bank loans	29	74,912,000	216,873,000
		1,855,132,528	1,153,943,322
Net current assets		5,936,994,013	759,059,698
Total assets less current liabilities		6,385,579,345	1,035,136,859

Consolidated Balance Sheet (continued)

At 31 December 2007

	Notes	2007 RMB	2006 RMB
Non-current liabilities			
Secured bank loans	29	**808,900,000**	114,000,000
Deferred taxation liabilities	30	**226,173,555**	92,858,832
Convertible notes	28	**306,399,992**	—
		1,341,473,547	206,858,832
Net assets		**5,044,105,798**	828,278,027
Capital and reserves			
Share capital	31	**21,837,988**	81,143
Reserves		**5,022,267,810**	827,819,680
Equity attributable to equity holders of the Company		**5,044,105,798**	827,900,823
Minority interests		**—**	377,204
Total equity		**5,044,105,798**	828,278,027

The consolidated financial statements on pages 65 to 129 were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

Guo Zi Wen
Director

Guo Zi Ning
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company											
	Share capital RMB	Share premium RMB	PRC statutory reserve RMB (Note 1)	Capital reserve RMB (Note 2)	Special reserve RMB (Note 3)	Other reserves RMB (Note 4)	Property revaluation reserve RMB (Note 5)	Share option reserve RMB (Note 6)	Retained profits RMB	Total RMB	Minority interests RMB	Total RMB
At 1 January 2006	300,000,811	—	8,541,402	21,600,000	(21,210,400)	—	—	—	147,097,467	456,029,280	21,614,979	477,644,259
Profit for the year and total recognised income	—	—	—	—	—	—	—	—	299,540,283	299,540,283	(236,510)	299,303,773
Elimination of share capital of existing subsidiary upon Group Reorganisation	(300,000,000)	—	—	6,000,000	—	—	—	—	—	(294,000,000)	—	(294,000,000)
Capital injection	—	—	—	3,600,000	—	—	—	—	—	3,600,000	—	3,600,000
Issue of shares	63,698	—	—	—	—	—	—	—	—	63,698	—	63,698
Private placement	16,634	389,751,028	—	—	—	—	—	—	—	389,767,662	—	389,767,662
Share issue expenses	—	(11,200,000)	—	—	—	—	—	—	—	(11,200,000)	—	(11,200,000)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(100,000)	(100,000)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	4,499,900	—	—	—	4,499,900	(20,901,265)	(16,401,365)
Distribution to shareholders	—	—	—	(20,400,000)	—	—	—	—	—	(20,400,000)	—	(20,400,000)
At 1 January 2007	81,143	378,551,028	8,541,402	10,800,000	(21,210,400)	4,499,900	—	—	446,637,750	827,900,823	377,204	828,278,027
Profit for the year and total recognised income	—	—	—	—	—	—	—	—	602,401,155	602,401,155	(30,526)	602,370,629
Elimination of share capital of existing subsidiary upon Group Reorganisation	(81,143)	—	—	—	—	—	—	—	—	(81,143)	—	(81,143)
Deemed distribution on acquisition of additional interest in subsidiaries	—	—	—	(10,800,000)	—	—	—	—	(44,300,000)	(55,100,000)	—	(55,100,000)
Issue of shares upon Group Reorganisation	97	—	—	—	—	—	—	—	—	97	—	97
Capitalisation issue of shares	14,542,403	(14,542,403)	—	—	—	—	—	—	—	—	—	—
Surplus on revaluation of properties	—	—	—	—	—	—	50,313,546	—	—	50,313,546	—	50,313,546
Deferred taxation liability arising from revaluation of properties	—	—	—	—	—	—	(12,578,470)	—	—	(12,578,470)	—	(12,578,470)
Issue of shares by placing and public offering	7,295,488	3,786,358,012	—	—	—	—	—	—	—	3,793,653,500	—	3,793,653,500
Share issue expenses	—	(173,936,416)	—	—	—	—	—	—	—	(173,936,416)	—	(173,936,416)
Share-based payments	—	—	—	—	—	—	—	11,532,706	—	11,532,706	—	11,532,706
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(346,678)	(346,678)
At 31 December 2007	21,837,988	3,976,430,221	8,541,402	—	(21,210,400)	4,499,900	37,735,076	11,532,706	1,004,738,905	5,044,105,798	—	5,044,105,798

Notes:

1. *The Articles of Association of certain subsidiaries require the appropriation of 5% to 10% of their profit after taxation each year to the PRC statutory reserve as determined by their board of directors. The PRC statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.*

2. *Capital reserve represents the capital contribution by former minority shareholders of certain subsidiaries which are under the common control of Mr. Guo Zi Wen ("Mr. Guo"), a director of the Company, and his wife, Ms. Jiang Min Er ("Mrs. Guo") as the consolidated financial statements have been prepared using principles of merger accounting. The remaining interest in these subsidiaries were acquired by the Group during the Group Reorganisation. The payment for the acquisition were deemed partly as return of capital contribution and partly as distribution to the shareholders debited to capital reserve and retained earnings, respectively.*

3. *Special reserve represents the revaluation difference arising from the acquisition of additional interest in a subsidiary which debited to special reserve upon the acquisition date.*

4. *Other reserves represent the discount arising from acquisition of additional interests in subsidiaries from a related company in which Mr. Guo Zi Ning is a director.*

5. *During the year ended 31 December 2007, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB50,313,546.*

6. *During the year ended 31 December 2007, the Group granted share options to the directors and employees, share option reserve amounting to RMB11,532,706 is recognised.*

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 RMB	2006 RMB
OPERATING ACTIVITIES		
Profit before taxation	**1,203,983,042**	446,492,557
Adjustments for:		
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	**(55,142,196)**	—
Transaction costs attributable to embedded derivatives component of convertible notes	**8,067,709**	—
Change in fair value of investment properties	**(20,963,802)**	(67,562,674)
Change in fair value of embedded derivatives component of convertible notes	**(64,289,406)**	—
Loss on redemption of convertible note	**86,266,068**	—
Finance costs	**30,615,722**	2,113,508
Share of results of jointly controlled entities	**232,157**	1,629,952
Gain on disposal of subsidiaries	**—**	(3,146,219)
Share based payments	**11,532,706**	—
Depreciation of property, plant and equipment	**3,967,135**	10,220,319
Amortisation of prepaid lease payments	**7,059,925**	236,404
Interest income	**(101,283,613)**	(1,119,908)
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	**235,249**	(98,765,878)
Loss on deferred consideration settlement	**—**	1,529,118
Impairment of goodwill	**—**	7,434,722
Unrealised foreign exchange loss (gain)	**49,207,275**	(5,534,555)
Discount on acquisition	**(101,678)**	(3,233,330)
Operating cash flows before movements in working capital	**1,159,386,293**	290,294,016
Increase in prepaid lease payments	**(2,215,993)**	(32,584,184)
Decrease in inventories	**75,661**	27,653
Increase in properties for sale	**(689,425,689)**	(17,922,677)
Increase in trade and other receivables	**(1,735,037,233)**	(151,435,536)
Increase in amounts due from related parties	**—**	(31,777,460)
Increase in trade and other payables	**369,091,343**	6,926,236
Decrease in sales deposits	**(8,062,962)**	(384,780,214)
Increase in amounts due to related parties	**—**	2,018,076
Cash used in operations	**(906,188,580)**	(319,234,090)
Enterprise Income Tax paid	**(54,739,854)**	(5,995,202)
Interest paid	**(102,231,375)**	(27,034,167)
NET CASH USED IN OPERATING ACTIVITIES	**(1,063,159,809)**	(352,263,459)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2007

	2007 RMB	2006 RMB
INVESTING ACTIVITIES		
Interest received	**101,283,613**	1,119,908)
Purchases of property, plant and equipment	**(8,246,216)**	(775,468)
Additions in other property interests	**(18,151)**	(1,360,819)
Acquisition of subsidiaries	**(262,751,332)**	(10,226,127)
Payment of amounts owing to vendors of acquisition of subsidiaries	**(407,601,064)**	—
Deemed distribution upon acquisition of additional interests in subsidiaries	**(55,100,000)**	(20,602,757)
Acquisition of additional interest in a subsidiary	**(245,000)**	—
Disposal of subsidiaries	**—**	(356,784)
Proceeds on disposal of available-for-sales investments	**550,000**	—
Proceeds on disposal of property, plant and equipment and prepaid lease payments	**148,600**	69,538,040
Proceeds on disposal of investment properties	**—**	120,800,508
Advance to jointly controlled entities	**(73,601,927)**	(17,501,000)
Increase in restricted bank deposits	**(106,717,087)**	(33,477,988)
(Advance to) repayment from related parties	**(4,107,599)**	667,119,612
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(816,406,163)**	774,277,125
FINANCING ACTIVITIES		
Issue of shares	**3,793,653,597**	389,831,360
Share issue expense	**(143,515,843)**	(11,200,000)
Distributions to shareholders	**(81,143)**	(314,400,000)
New bank loans raised	**1,020,690,032**	114,000,000
Repayment of bank loans	**(467,751,032)**	(241,744,000)
Contributions from minority shareholders of subsidiaries	**—**	3,600,000
Advance payments of convertible notes received	**—**	240,634,355
Advance from jointly controlled entities	**62,003**	—
Repayment to related parties	**(343,282)**	(343,379,064)
Proceeds on issue of convertible notes	**855,683,399**	—
Transaction costs of convertible notes	**(25,663,117)**	—
Redemption compensation paid to noteholders	**(116,936,452)**	—
Repayment of convertible notes	**(604,406,400)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,311,391,762**	(162,657,349)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,431,825,790**	259,356,317
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(82,496,845)**	—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**308,871,732**	49,515,415
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH	**2,658,200,677**	308,871,732

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. Group Restructuring and Basis of Preparation of Consolidated Financial Statements

The Company was incorporated on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") from 9 October 2007. The Company's ultimate holding company is Ace Rise Profits Limited, incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Nanguo Aoyuan, Hanxi Road, Zhong Cun Town, Panyu, the People's Republic of China (the "PRC"), respectively.

Pursuant to a series of group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the SEHK, the Company issued shares in exchange for the entire issued share capital of Add Hero Holdings Limited and thereby became the holding company of the Group on 6 September 2007. Details of the Group Reorganisation are set out in the prospectus dated 21 September 2007 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2007 and 2006 have been prepared as if the Company has always been the holding company of the Group using the principles of merger accounting as set out in Note 3. On this basis, the results of the Group for the year ended 31 December 2007 and 2006 include the Company and its subsidiaries with effect from 1 January 2006 or since their respective date of incorporation or establishment where this is a shorter period.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. Adoption of New and Revised International Financial Reporting Standards

The Group has applied all the standards, amendments and interpretations ("IFRS") issued by the International Accounting Standards Boards, which are effective for the Group's financial year beginning 1 January 2007.

The Group has not early applied the following new and revised standards or interpretations that have been issued at the date of this report but are not yet effective:

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

2. Adoption of New and Revised International Financial Reporting Standards (continued)

[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

[5] Effective for annual periods beginning on or after 1 July 2009

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of IFRS 3 (Revised) and IAS 27 (Revised). The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. Significant Accounting Policies

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

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

Basis of consolidation

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

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

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests 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.

Merger accounting for business combination involving entities under common control

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

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

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

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

Business combinations other than involving entities under common control

The acquisition of businesses, other than those involving entities under common control, 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 IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

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.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on the acquisition of a business or the additioinal interest in a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business recognised at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, while discount arising on the excess of the fair values of the underlying assets and liabilities attributable to the additional interests in the subsidiaries over the cost of the acquisition credited to consolidated income statement.

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve.

Property, plant and equipment

Property, plant and equipment, including buildings for administrative purpose, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into accounts of their residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

Prepaid lease payments

Prepaid lease payments are carried at cost and amortised over the lease term on a straight-line basis.

3. Significant Accounting Policies (continued)

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property 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 asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which the ventures 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 sheets at cost as adjusted for post-acquisition changes in the Group's share of the net assets 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. 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.

Impairment of intangible assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Inventories

Inventories, representing raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. Significant Accounting Policies (continued)

Properties for sale

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.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including 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.

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 receivable (including trade and other receivables, amounts due from related parties, amounts due from jointly controlled entities, restricted bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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, loans and receivables or held-to-maturity investments.

The available-for-sale equity investments of the Group do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

Trade receivables 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 estimated future cash flows discounted at the original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, 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 a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was 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. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of the 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 or any new asset obtained and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Convertible notes

Conversion option embedded in convertible notes that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Such convertible notes issued by the Group containing liability component and conversion option, noteholder redemption option, issuer redemption option (collectively the "embedded derivatives component") are classified separately into respective items on initial recognition. At the date of issue, both the liability and embedded derivatives component are recognised at the fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The embedded derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and embedded derivatives component in proportion to the allocation of the proceeds. Transaction costs relating to the embedded derivatives component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related parties and secured bank loans are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments

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

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 far 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 IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Derivative financial instruments

Embedded derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Revenue recognition

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

Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as sales deposit from customers under current liabilities.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated income statement on a straight-line basis over the relevant lease term.

Consulting income

Consulting income is recognised when services are rendered.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Hotel operation income
Income from hotel operation is recognised when services are rendered.

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

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 period in which they are incurred.

Leasing

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

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Sale and leaseback
A sale and leaseback transaction involves the sale of properties and the leasing back of the same assets.

When a sale and leaseback transaction results in an operating lease and is established at fair value, any profit or loss is recognised immediately. When the sale price of properties is below fair value, any profit or loss is recognised immediately except that, when the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the properties are expected to be leased. When the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the properties is expected to be leased.

Government grants
Grants related to depreciable assets are presented as deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets.

Taxation

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

The tax currently payable is based on taxable profit for the year, taxable profit differs from net 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 income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation 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.

The carrying amount of deferred taxation 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, 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.

Deferred taxation 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 taxation is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Foreign currencies

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

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period expect 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.

4. Key Sources of Estimation Uncertainty

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

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

Properties under development for sale and properties held for sale are stated at the lower of the cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information.

Convertible notes

As described in note 28, the Group's convertible notes contain a number of embedded derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. The determination of fair value was made after consideration of a number of factors, including: the Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; the nature and prospects of the PRC property market; the Group's business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. These factors are subject to uncertainty.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Segment Information

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

Principal activities are as follows:

Property development — developing and selling of properties in the PRC
Property investment — leasing of investment properties

Other operations include the provision of consulting services and hotel operation.

5. Segment Information (continued)

Revenue and results

	Year ended 31 December 2007			
	Property development RMB	Property investment RMB	Others RMB	Total RMB
Revenue	2,488,269,326	8,469,163	4,658,314	2,501,396,803
Segment results	1,214,820,863	76,967,910	562,831	1,292,351,604
Other income				105,242,869
Unallocated corporate expenses				(140,786,890)
Change in fair value of derivative component of convertible notes				64,289,406
Loss on redemption on convertible notes				(86,266,068)
Finance costs				(30,615,722)
Share of results of jointly controlled entities				(232,157)
Profit before taxation				1,203,983,042
Income tax expense				(601,612,413)
Profit for the year				602,370,629

Note: During the year, revenue and segment results amounting to RMB1,434,949,669 and RMB807,389,312 respectively included in the property development segment were derived from corporate bulk sales.

Balance sheet

	As at 31 December 2007			
	Property development RMB	Property investment RMB	Others RMB	Total RMB
Assets				
Segment assets	4,844,628,663	381,695,319	656,913	5,226,980,895
Unallocated corporate assets				3,013,730,978
Total assets				8,240,711,873
Liabilities				
Segment liabilities	1,148,167,034	18,663,909	847,131	1,167,678,074
Unallocated corporate liabilities				2,028,928,001
Total liabilities				3,196,606,075

Note: At 31 December 2007, segment assets amounting to RMB1,026,628,941 were derived from corporate bulk sales.

5. Segment Information (continued)

Other information

	Year ended 31 December 2007				
	Property development RMB	Property investment RMB	Others RMB	Unallocated RMB	Total RMB
Capital additions	4,397,829	53,969	—	3,794,418	8,246,216
Depreciation of property, plant and Equipment	3,072,295	16,892	379,469	498,479	3,967,135
Amortisation of prepaid lease payments	—	7,059,925	—	—	7,059,925
Loss on disposal of property, plant and equipment	(235,249)	—	—	—	(235,249)

Revenue and results

	Year ended 31 December 2006			
	Property development RMB	Property investment RMB	Others RMB	Total RMB
Revenue	876,763,450	2,264,935	4,704,486	883,732,871
Segment results	408,059,448	31,472,364	(1,102,156)	438,429,656
Gain on disposal of property, plant and equipment and prepaid lease payments	—	—	98,765,878	98,765,878
Unallocated other income				17,299,088
Unallocated corporate expenses				(24,044,292)
Finance costs				(2,113,508)
Share of results of jointly controlled entities	(1,629,952)	—	—	(1,629,952)
Profit before taxation				526,706,870
Income tax expense				(227,403,097)
Profit for the year				299,303,773

5. Segment Information (continued)

Balance sheet

	As at 31 December 2006			
	Property development RMB	Property investment RMB	Others RMB	Total RMB
Assets				
Segment assets	1,376,708,996	194,217,396	1,834,482	1,572,760,874
Interests in jointly controlled entities	29,731,468	—	—	29,731,468
Unallocated corporate assets				586,587,839
Total assets				2,189,080,181
Liabilities				
Segment liabilities	500,265,698	1,018,000	23,075,486	524,359,184
Unallocated corporate liabilities				836,442,970
Total liabilities				1,360,802,154

Other information

	Year ended 31 December 2006				
	Property development RMB	Property investment RMB	Others RMB	Unallocated RMB	Total RMB
Capital additions	541,955	—	82,836	182,183	806,974
Depreciation of property, plant and equipment	6,576,507	—	3,391,821	251,991	10,220,319
Amortisation of prepaid lease payments	205,856	—	30,548	—	236,404
Loss on disposal of property, plant and equipment	—	—	98,765,878	—	98,765,878

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

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

6. Other Income

	2007 RMB	2006 RMB
Other income comprises of:		
Bank interest income from over-subscription monies	78,318,339	—
Bank interest income	22,965,274	1,119,908
Gain on disposal of subsidiaries	—	3,146,219
Gain on disposal of property, plant and equipment and prepaid lease payments	—	98,765,878
Discount arising on acquisition of additional interest in a subsidiary	101,679	3,233,330
Net foreign exchange gain	—	5,534,555
Others	3,857,577	4,265,076
Total	105,242,869	116,064,966

7. Finance Costs

	2007 RMB	2006 RMB
Interest on bank loans wholly repayable within five years	(40,075,577)	(27,034,167)
Interest on convertible notes	(108,074,722)	—
	(148,150,299)	(27,034,167)
Less: Amount capitalised in properties for sale under development	117,534,577	24,920,659
	(30,615,722)	2,113,508

Interest capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 11.3% (2006: 5.5%) to expenditure on the qualifying assets.

8. Profit Before Taxation

	2007 RMB	2006 RMB
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including directors' emoluments	48,112,072	10,880,986
Retirement benefit scheme contributions	808,085	477,012
Total staff costs	48,920,157	11,357,998
Less: Amount capitalised in properties for sale under development	(5,754,671)	(627,357)
	43,165,486	10,730,641
Amortisation of prepaid lease payments	7,059,925	236,404
Auditors' remuneration	3,000,000	176,000
Depreciation of property, plant and equipment	3,967,135	10,220,319
Gain on disposal of property, plant and equipment	(235,294)	—
Impairment of goodwill included in administrative expenses	—	7,434,722
Net foreign exchange loss	49,207,275	—
Rental expenses in respect of rented premises under operating leases	6,208,172	434,289
Rental income in respect of investment properties under operating leases, less outgoings of RMB839,567 (2006: RMB170,705)	(7,629,596)	(2,094,230)

9. Income Tax Expense

	2007 RMB	2006 RMB
Income tax expense recognised comprises of:		
Enterprise Income Tax in the PRC for the year	**(130,043,343)**	(89,639,417)
Deferred taxation *(note 30)*		
— Current year	**(139,030,632)**	(57,549,367)
— Attributable to change in tax rate	**12,461,257**	—
Land appreciation tax	**(344,999,695)**	(80,214,313)
Income tax expense for the year	**(601,612,413)**	(227,403,097)

The Group's PRC Enterprise Income Tax is calculated at 33% of the estimated assessable profit for the year. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights and all property development expenditures.

Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. The effect of this change has been reflected in the calculation of deferred taxation balance at 31 December 2007.

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

	2007 RMB	2006 RMB
Profit before taxation	**1,203,983,042**	526,706,870
Tax charge at PRC Enterprise Income Tax rate of 33%	**(397,314,404)**	(173,813,267)
Tax effect of share of results of jointly controlled entities	**(76,612)**	(537,884)
Tax effect of expenses not deductible in determining taxable profit *(note 1)*	**(87,910,211)**	(3,865,926)
Tax effect of income that are not taxable in determining taxable profit	**58,978,800**	2,115,976
Tax effect of tax losses not recognised	**(812,218)**	(1,140,842)
Land appreciation tax	**(344,999,695)**	(80,214,313)
Tax effect to utilisation of tax losses for previous years	**2,866,631**	—
Tax effect of deductible share issue expenses capitalised in share premium	**649,813**	3,696,000
Decrease in opening deferred taxation liabilities resulting from a decrease in applicable tax rate	**12,461,257**	—
Differential tax rate on temporary differences of subsidiaries *(note 2)*	**40,622,476**	—
Tax effect of land appreciation tax *(note 3)*	**113,849,901**	26,470,723
Others	**71,849**	(113,564)
Tax expenses for the year	**(601,612,413)**	(227,403,097)

9. Income Tax Expense (continued)

Notes:

(1) *Tax effect of expenses not deductible in determining taxable profit for the year mainly represents interest expenses on convertible notes, legal and professional fees in connection with the listing of the Company's share in the SEHK and insurance of convertible notes.*

(2) *The amount represents the effect of the new tax rate applied on the taxable temporary differences arisen during the year.*

(3) *The tax effect of land appreciation tax for the year ended represents the land appreciation tax calculated according to the relevant PRC tax law.*

10. Directors' and Employees' Remuneration

Directors' emoluments

	2007 RMB	2006 RMB
Fees	—	—
Salaries and allowances	7,681,389	945,900
Discretionary bonus	—	—
Retirement benefit scheme contributions	—	—
	7,681,389	945,900

	Salaries and allowances RMB	Discretionary bonus RMB	Retirement benefit scheme contributions RMB	Total RMB
Year ended 31 December 2007				
Executive director:				
Guo Zi Wen ("Mr. Guo") (郭梓文)	2,409,194	—	—	2,409,194
Guo Zi Ning (郭梓寧)	2,303,800	—	—	2,303,800
Zheng Jian Jun (鄭健軍)	2,469,762	—	—	2,469,762
Non-executive director:				
Leung Ping Chung, Hermann (梁秉聰)	42,138	—	—	42,138
Paul S. Wolansky	42,138	—	—	42,138
Independent non-executive director:				
Song Xian Zhong	126,414	—	—	126,414
Ma Kwai Yuen	161,529	—	—	161,529
Tsui King Fai	126,414	—	—	126,414
	7,681,389	—	—	7,681,389

10. Directors' and Employees' Remuneration (continued)

Directors' emoluments (continued)

	Salaries and allowances RMB	Discretionary bonus RMB	Retirement benefit scheme contributions RMB	Total RMB
Year ended 31 December 2006				
Executive director:				
Guo Zi Wen (郭梓文)	526,035	—	—	526,035
Guo Zi Ning (郭梓寧)	184,408	—	—	184,408
Zheng Jian Jun (鄭健軍)	235,457	—	—	235,457
Non-executive director:				
Leung Ping Chung, Hermann (梁秉聰)	—	—	—	—
Paul S. Wolansky	—	—	—	—
Independent non-executive director:				
Song Xian Zhong	—	—	—	—
Ma Kwai Yuen	—	—	—	—
Tsui King Fai	—	—	—	—
	945,900	—	—	945,900

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 3 (2006: 2) executive directors whose emoluments are set out above. The emoluments of the remaining 2 (2006: 3) highest paid individuals are as follows:

	2007 **RMB**	2006 RMB
Fees Salaries and allowances	**2,012,324**	901,029
Retirement benefit scheme contributions	**19,664**	—
	2,031.988	901,029

Their emoluments were within the following bands:

	2007	2006
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$2,000,000	**1**	—

During the year ended 31 December 2007 and 2006, no remuneration was paid by the Group to any of the directors or the three highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the year ended 31 December 2007 and 2006.

11. Earnings Per Share

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

Earnings

	2007 RMB	2006 RMB
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	602,401,155	299,540,283
Effect of dilutive potential ordinary shares:		
Interest on convertible notes charged to consolidated income statement	16,436,904	—
Change in fair value of embedded derivatives component of convertible notes	(66,979,962)	—
Exchange difference	(19,454,944)	—
Earnings for the purpose of diluted earnings per share	532,403,153	299,540,283

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,671,164,384	881,589,041
Effect of dilutive potential ordinary shares:		
Convertible notes	80,177,450	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,751,341,834	881,589,041

The diluted earnings per share for the convertible notes have not included the effect of potential ordinary shares outstanding for the portion of convertible notes which have been redeemed during the year as these are anti-dilutive during the year.

No diluted earnings per share for share options has been presented because the exercise price of the Company's option was higher than the average market price of shares for 2007.

12. Prosposed Dividend

	2007 RMB	2006 RMB
Final dividend proposed after the balance sheet date of RMB5.5 cents per share (2006: RMB nil per share)	123,887,500	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

13. Property, Plant and Equipment

	Buildings RMB	Office equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
COST					
At 1 January 2006	54,819,429	14,784,042	22,957,143	16,577,140	109,137,754
Acquisition of subsidiaries	—	31,506	—	—	31,506
Additions	—	775,468	—	—	775,468
Disposal of subsidiaries	—	(2,400,061)	—	(498,600)	(2,898,661)
Disposals	(15,558,029)	—	(1,057,793)	(7,849,941)	(24,465,763)
At 31 December 2006	39,261,400	13,190,955	21,899,350	8,228,599	82,580,304
Acquisition of subsidiaries	10,164,813	480,261	1,273,844	46,124	11,965,042
Transfer to investment properties	(34,726,637)	—	—	—	(34,726,637)
Additions	—	4,126,198	3,443,786	676,232	8,246,216
Transfer from properties for sale	32,713,541	—	—	—	32,713,541
Disposals	—	—	(1,179,969)	—	(1,179,969)
At 31 December 2007	47,413,117	17,797,414	25,437,011	8,950,955	99,598,497
DEPRECIATION					
At 1 January 2006	9,590,720	10,755,025	14,969,045	8,194,843	43,509,633
Provided for the year	3,250,110	1,811,719	2,490,214	2,668,276	10,220,319
Disposal of subsidiaries	—	(1,554,421)	—	(498,600)	(2,053,021)
Eliminated on disposals	(2,640,717)	—	(697,990)	(6,604,530)	(9,943,237)
At 31 December 2006	10,200,113	11,012,323	16,761,269	3,759,989	41,733,694
Provided for the year	916,080	716,829	1,831,335	502,891	3,967,135
Transfer to investment properties	(9,275,496)	—	—	—	(9,275,496)
Disposals	—	—	(796,120)	—	(796,120)
At 31 December 2007	1,840,697	11,729,152	17,796,484	4,262,880	35,629,213
CARRYING VALUES					
At 31 December 2007	45,572,420	6,068,262	7,640,527	4,688,075	63,969,284
At 31 December 2006	29,061,287	2,178,632	5,138,081	4,468,610	40,846,610

13. Property, Plant and Equipment (continued)

The following useful lives are used in the calculation of depreciation:

Buildings	20 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years

During the year ended 31 December 2007, Buildings of RMB32,713,504 were transferred from properties for sale as a result of the change in use of property.

14. Prepaid Lease Payments

The carrying amount of prepaid lease payments represents land use rights held under medium-term lease in the PRC and is analysed as follows:

	2007	2006
	RMB	RMB
Current asset	**6,274,821**	6,155,632
Non-current asset	**24,926,852**	35,053,265
	31,201,673	41,208,897

During the year ended 31 December 2007, prepaid lease payments of RMB8,624,713 were transferred to investment properties as a result of the change in use of property. Prepaid lease payments of RMB3,461,421 were transferred from Properties for sales as a result of the change in use of property.

During the year ended 31 December 2006, the Group disposed of a hotel property to a third party and the related prepaid lease payments of RMB1,398,998 was derecognised accordingly.

15. Investment Properties

	RMB
At 1 January 2006	292,058,214
Net change in fair value recognised in the consolidated income statement	67,562,674
Disposals	(201,497,388)
At 31 December 2006	158,123,500
Transfer from property, plant and equipment and prepaid lease payments	84,389,400
Transfer from properties for sale	90,273,298
Net change in fair value recognised in the consolidated income statement	20,963,802
At 31 December 2007	353,750,000

15. Investment Properties (continued)

The fair value of the Group's investment properties at the date of transfer, at 31 December 2006 and at 31 December 2007 has been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

As at 31 December 2007, certain of the Group's investment properties with an aggregate carrying value of approximately RMB52,820,000 (2006: RMB48,824,000) were pledged to secure certain banking facilities granted to the Group.

The carrying value of investment properties shown above comprises:

	2007 **RMB**	2006 RMB
Properties situated on land with land use rights held under long lease in the PRC	**353,750,000**	158,123,500

16. Available-for-sale Investments

	2007 **RMB**	2006 RMB
Unlisted equity investments, at cost	**—**	550,000

The above unlisted equity investments represent the investment in unlisted equity securities issued by private entities in the PRC. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

During the year ended 31 December 2007, the above unlisted equity investments were disposed of by the Group with a consideration of RMB550,000.

17. Interests In Jointly Controlled Entities

	2007 **RMB**	2006 RMB
Cost of investment, unlisted	**67,050,300**	67,050,300
Share of post-acquisition results	**(9,070,171)**	(8,838,014)
Unrealised profits	**(28,480,818)**	(28,480,818)
Elimination upon acquisition	**(29,499,311)**	—
	—	29,731,468

17. Interests In Jointly Controlled Entities (continued)

As at 31 December 2006, the Group had interests in the following jointly controlled entities:

Name of entity	Place establishment	Proportion of registered capital held by the Group	Principal activities
廣州南沙國奥投資有限公司 (Guangzhou Nan Sha Guo Ao Investment Company Limited)	PRC	55%	Investment holding and project management
廣州南沙國奥房地產開發有限公司 (Guangzhou Nan Sha Guo Ao Real Estate Development Company Limited)	PRC	59.5%	Property development and management
廣州國奥物業管理有限公司 (Guo Ao Properties Management Company Limited)	PRC	57.03%	Property management

These entities were accounted for as jointly controlled entities as at 31 December 2006 in accordance with the memorandum and the articles of the companies, the shareholders are contractually agreed sharing of control over the companies. On 7 June 2007, the Group completed the acquisition of the remaining interest in these jointly controlled entities which became subsidiaries of the Group since then, details of the acquisition of additional interests in these companies are set out in Note 33.

Summarised financial information in respect of the Group's jointly controlled entities is set out follows:

	2007 **RMB**	2006 RMB
Total assets	**—**	399,503,151
Total liabilities	**—**	193,344,420
Net asset	**—**	206,158,731
Group share of jointly controlled entities' net assets before adjustment to unrealised profits	**—**	58,212,286
Total revenue	**—**	—
Total loss for the year	**(395,339)**	(2,856,196)
Share of jointly controlled entities' results for the year	**(232,157)**	(1,629,952)

18. Goodwill

	RMB
COST	
At 1 January 2006	802,687
Acquisition of additional interests in subsidiaries	7,434,722
At 31 December 2006 and 31 December 2007	8,237,409
IMPAIRMENT	
At 1 January 2006	802,687
Impairment loss recognised for the year	7,434,722
At 31 December 2006 and 31 December 2007	8,237,409
CARRYING VALUES	
At 31 December 2007	—
At 31 December 2006	—

During the year ended 31 December 2006, the Group acquired additional interest of 49%, 10%, 45% from minority shareholders of the subsidiaries, namely, Guangdong Aoyuan Property Company Limited ("GD Aoyuan Property Co"), Guangzhou Aoyuan Assets Management Company Limited ("GZ Assets ManCo"), Nansha Aoyuan Real Estate Co respectively of which the goodwill amounted to RMB7,250,663, RMB46,873 and RMB137,186 respectively. GD Aoyuan Property Co and GZ Assets ManCo are engaged in consultancy services and Nansha Aoyuan Real Estate Co is engaged in property development. These companies were inactive and the Group acquired the additional interests solely for the purpose of rationalisation of the organisation structure. The management assessed the future profitability of these companies and a full impairment loss was therefore recognised in 2006.

19. Inventories

	2007 RMB	2006 RMB
Raw materials and low-value consumables	**12,017**	87,678

20. Properties For Sale

	2007 RMB	2006 RMB
Properties for sale comprise of:		
Completed properties	**576,071,429**	316,357,788
Properties under development	**2,017,047,343**	719,817,529
	2,593,118,772	1,036,175,317

20. Properties For Sale (continued)

During the year ended 31 December 2007, completed properties with aggregate carrying amount of RMB35,131,102 were transferred to investment properties. The excess of the fair value of these properties at the date of transfer and their carrying amount, amounting to RMB55,142,196, is recognised in the consolidated income statement. In addition, RMB32,713,541 and RMB3,461,421 were transferred to property, plant and equipment and prepaid lease payments respectively.

At 31 December 2007, certain of the Group's properties for sales with carrying values of RMB252,545,728 (2006: RMB258,243,181) were pledged to secure certain banking facilities granted to the Group.

21. Other Property Interests

Other property interests relate to leasehold land in the PRC which is held under long lease. Pursuant to the written Decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2006] No.1196) (廣州市國土資源和房屋管理局總國房地[2006]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("Bureau of Land Resourses") on 15 December 2006, the subject property will be reverted to the Guangzhou municipal government. Accordingly, the amount is reclassified as current at 31 December 2006.

On 21 March 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On 2 April 2007, the Guangzhou municipal government issued its final determination in Administrative Review Decision (Sui Fu Fu Zi (2007) No. 67) (穗府覆字 (2007) 67 號文 — 行政覆議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has stated to the Group that the Group has the right to seek compensation in accordance with the relevant law and regulations. The directors of the Company are of the opinion that the land premium which the Group paid when it first acquired the land use right and other ancillary expenses, including expenses incurred during the reclamation process, would be refunded to the Group. The directors of the Company are also of the opinion that the recoverable amount of these property interests would not be less than the carrying amount which represents the historical cost incurred. The relevant procedures of refund and compensation are still under process up to the date when the consolidated financial statements are authorised for issue.

The controlling shareholder of the Company agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

At 31 December 2007, other property interests with carrying amount of nil (2006: RMB56,357,406) were pledged to banks to secure the facilities granted to the Group.

22. Trade and Other Receivables

	2007 **RMB**	2006 RMB
Trade receivables	**1,371,507,859**	96,207,762
Receivable arising from disposal of property, plant and equipment	**58,516,380**	58,516,380
Receivable arising from disposal of investment properties	**80,696,880**	80,696,880
Other receivables	**141,824,328**	4,652,768
Advance to suppliers	**381,855,226**	19,404,658
Deposits for land use rights	**259,773,080**	—
Prepayments and deposits	**5,148,101**	7,901,603
	2,299,321,854	267,380,051

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

	2007 **RMB**	2006 RMB
Age:		
0 to 60 days	**1,038,350,874**	87,594,718
61 to 180 days	**263,963,713**	2,310,343
181 to 365 days	**2,442,425**	3,730,635
1–2 years	**66,200,670**	2,429,234
2–3 years	**550,177**	16,400
Over 3 years	**—**	126,432
	1,371,507,859	96,207,762

22. Trade and Other Receivables (continued)

Trade receivables

Trade receivables mainly represent receivable from banks for mortgage sale of properties and receivable from corporate sale customers. Normally the average credit period on sale of properties is 60 days. For the corporate sale customers, the average credit period extends to 180 days or one year. Of the trade receivables balance at 31 December 2007, RMB298,200,424 and RMB728,428,517 will be received in June 2008 and December 2008 respectively according to the corporate sale agreements. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

In determining the recoverability of a 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 reporting date.

Included in other receivables mainly represent temporary receivables which are not past due. The directors of the Company consider that no delay in repayment and no impairment are expected.

There were no receivables that were past due or impaired. Based on experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of the receivables as they have no history of default. At the balance sheet date, trade receivables of the Group's top three customers amounted to RMB1,037,188,941. There are no other customers who represent more than 5% of the total balance of trade receivables. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

23. Amounts Due from Related Parties

	2007 RMB	2006 RMB
Guangzhou Gang Pan Decoration Works Company Limited ("廣州市港番裝飾工程有限公司") ("Gang Pan")	—	31,777,460
Guangzhou Olympic Garden Properties Management Company Limited ("廣州奧林匹克花園物業管理有限公司")	—	444,331
Guangdong Aoyuan Properties Management Company Limited Nan Guo Olympic Garden Branch Company ("廣東奧園物業管理有限公司南國奧林匹克花園分公司")	—	1,387,428
Guangzhou Nanguo Ao Yuan Golf Hotel Company Limited ("廣州南國奧園高爾夫酒店有限公司") ("Golf Hotel Co")	—	313,583
Guangzhou Zi Ye Construction and Installation Company Limited ("廣州市梓業建築安裝工程有限公司") ("Zi Ye")	—	64,252,102
Guangdong Aoyuan Properties Management Company Limited ("廣東奧園物業管理有限公司") ("GD Aoyuan Properties Management Co")	—	13,368,950
	—	111,543,854

Mr. Guo has beneficial interests in the above related parties. The remaining balance were interest free, unsecured and fully repaid during the year.

On 1 July 2006, Zi Ye entered into loan agreements with Aoyuan Group Company Limited ("Aoyuan Limited") and Panyu Jin Ye ("Loan Agreements"). Pursuant to the terms of the Loan Agreement, the balance with Zi Ye as at 1 July 2006 designated as loan bearing interest at 10% per annum. The loan was secured by 2% equity interests in Aoyuan Limited and Panyu Jin Ye.

24. Amounts Due from Jointly Controlled Entities

	2007 RMB	2006 RMB
Nansha Guo Ao InvCo	—	53,699,600
Nansha Guo Ao Real Estate Co	—	625,994
	—	54,325,594

Amounts due from jointly controlled entities were interest free, unsecured and mainly represented advances to jointly controlled entities for settlement of their construction fees. On 7 June 2007, all jointly controlled entities have been transferred to subsidiaries after the Group completed the acquisition of the remaining interests in jointly controlled entities.

25. Restricted Bank Deposits/bank Balances and Cash

Restricted bank deposits

These deposits are restricted for the payment to the constructions and carry variable interest rate with an interest rate of 0.72% per annum. The restricted bank deposits will be released upon the completion of the development of properties.

Bank balances and cash

The bank balances carry variable interest rates with an average interest rate of 0.758% and 2.356% per annum for the year for bank accounts in the PRC and Hong Kong respectively.

26. Trade and Other Payables

	2007 RMB	2006 RMB
Trade payables	**500,587,688**	200,480,288
Other payables	**211,137,243**	59,406,310
Other taxes payable	**112,188,270**	32,514,071
	823,913,201	292,400,669

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payment of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 32.

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

	2007 RMB	2006 RMB
Age:		
0 to 60 days	**141,417,690**	53,563,627
61 to 180 days	**195,530,328**	13,528,328
181 to 365 days	**48,353,400**	3,382,082
1–2 years	**48,534,537**	66,567,810
2–3 years	**27,537,449**	37,806,356
Over 3 years	**39,214,284**	25,632,085
	500,587,688	200,480,288

As at 31 December 2007, the balance of RMB52,193,000 (2006: RMB74,633,000) with age over 1 year mainly represents the retention money of approximately 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and repayable to constructors after 1–2 years.

27. Amounts Due to Related Parties

	2007 RMB	2006 RMB
Golf Hotel Co	—	1,014,766
Hong Kong Jinye Holdings Limited (“香港金業集團股份有限公司”)	—	1,551,343
Guangzhou Mei Shan Construction and Development Company Limited (“廣州市梅山建設綜合開發有限公司”)	—	4,149,400
Guangzhou Shun Cheng Construction and Decoration Company Limited (“廣州順誠建築裝飾工程有限公司”)	—	12,521,263
Gang Pan	—	2,982,326
Zi Ye	—	15,957,614
Shi Zi Yang Zheng Enterprise of Guangzhou Nansha Economic and Technological Development Zone (“廣州南沙經濟技術開發區獅子洋養生事業有限公司”) (“Nansha SZY”)	—	2,865,828
	—	41,042,540

Mr. Guo has beneficial interests in the above related parties. The amounts due to related parties were interest free, unsecured and fully repaid during the year.

28. Advance Payments of Convertible Notes/Convertible Notes/Derivative Financial Instruments

On 21 November 2006, Add Hero Holding Limited (“Add Hero”, a wholly owned subsidiary of the Company) and Sunrise Partners Limited Partnership (“Sunrise Partners”) entered into a note purchase agreement (“Preliminary Note Purchase Agreement”), under which Add Hero agreed to issue convertible notes in aggregate principal amount of US$60,000,000 to Sunrise Partners, subject to negotiation and finalisation of the terms between the parties. Pursuant to the Preliminary Note Purchase Agreement, Add Hero received an advance payment of US$30,000,000 (equivalent to approximately RMB240,634,355) from Sunrise Partners on 21 November 2006.

Following the negotiation between the parties, Add Hero and Sunrise Partners entered into a final note purchase agreement on 5 January 2007 (“Original Note Purchase Agreement”), whereby Add Hero issued 7.95% Senior Secured Convertible Notes in aggregate principal amount of US$60,000,000 (equivalent to approximately RMB469,263,600) due 2012 (“Original Notes”). Add Hero shall on the maturity date pay an amount equal to the aggregate principal amount of the Original Notes outstanding on the maturity date, plus accrued and unpaid interest thereon.

Pursuant to another note purchase agreement (the “Note Purchase Agreement”) entered with by Add Hero on 9 February 2007, Add Hero issued convertible notes in aggregate principal amount of US$140,000,000 (equivalent to approximately RMB1,096,317,754) due 2012 (“Convertible Notes”) in which (i) Convertible Notes in aggregate principal amount of US$60,000,000 were issued to Sunrise Partners in exchange for the Original Notes; and (ii) Convertible Notes in aggregate principal amount of US$80,000,000 were issued to the investors other than Sunrise Partners (Sunrise Partners and investors other than Sunrise Partners, together “Noteholders”).

Upon the issuance of the Convertible Notes, the Original Note Purchase Agreement and the Original Notes were terminated and ceased to be effective.

28. Advance Payments of Convertible Notes/Convertible Notes/Derivative Financial Instruments (continued)

The Convertibles Notes entitle the Noteholders to convert them into the Company's ordinary shares at any time prior to 13 February 2012 (the "Maturity Date") at a conversion price as set out in the Note Purchase Agreement.

During 18 months following the International Public Offering ("IPO") and prior to the Maturity Date, if the volume weighted average price of Add Hero has equaled or exceeded 130% of the conversion price in effect on 20 of the last 30 trading days, Add Hero shall have the option to redeem all the Convertible Notes at their principal amount plus accrued and unpaid interest up to the date of redemption in cash.

Interest of London Inter Bank Offer Rate ("LIBOR") plus 3% is paid in the event that IPO occurs by 15 July 2008. If IPO fails to occur by July 2008, interest of LIBOR plus 5.75% shall be paid.

Noteholders shall have the right to request redemption upon occurrence of a Liquidity Event at 102% of the outstanding principal amount of the Convertible Notes plus accrued and unpaid interest.

Convertible Notes contain liability component stated at amortised cost and conversion option, issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related. Issue costs of RMB25,663,117 are apportioned between the liability component and embedded derivatives component based on their relative fair values at the date of issue. An issue cost of RMB17,603,432 relating to the liability component is included into the fair value of liability component at the date of issue. The effective interest rate of the liability component is 19.2%.

On 5 September 2007, Noteholders and the Group signed a consent letter and agreed that Add Hero shall, at the IPO, redeem convertible notes with aggregate principal amount of US$80,000,000 held by investors other than Sunrise Partners at a redemption premium rate of 20.625% of the redeemed principal amount minus interests which had been paid by the Group. A loss on redemption amounting to RMB86,266,068 has been charged to the consolidated income statement.

Sunrise Partners remains as a investor after the IPO upon receiving a consent fee equal to US$1,800,000 (equivalent approximately to RMB13,626,000). The consent fee incurred has been adjusted to the carrying amount of the liability component and amortised over the remaining term of the Convertible Notes.

28. Advance Payments of Convertible Notes/Convertible Notes/Derivative Financial Instruments (continued)

The movements of the liability and embedded derivatives components of the Convertible Notes are set out as below:

	Liability component RMB	**Embedded Derivatives component** RMB
Amount initially recognised	320,407,027	146,581,900
Additions	397,121,785	195,442,534
Interest charged	108,074,722	—
Interest paid	(62,155,799)	—
Redemption	(423,758,173)	(197,684,065)
Change in fair value	—	(64,289,406)
Exchange difference	(33,289,570)	—
At 31 December 2007	306,399,992	80,050,963
Fair value at 31 December 2007	358,184,237	80,050,963

A probability weighted binomial model was used to assess the fair value of the conversion option. The probability for the occurrence of conversion was estimated using a binomial price tree. The main inputs to the valuation of the conversion option included the implied price of the underlying stock, exercise price, life of the option, expected volatility, expected dividend yield and the risk free rate.

Embedded derivatives of the Convertible Notes comprise:

(a) The fair value of option of the noteholders to convert the convertible notes into equity of the Company; and

(b) The fair value of the option of the Company to redeem the convertible notes.

The Binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	31 December 2007
Conversion Price	International Public Offering Price of the Company, i.e. HK$5.2
Risk free rate of interest	4.36%
Time to expiration	4.12 years
Volatility	49%

Notes:

(a) The risk free rate of interest adopted was based on the market yield of government bond as of the balance sheet date.

(b) The volatility adopted was based on the share price volatility of comparable companies in the past four years.

(c) The fair value of the Company's redemption option was developed by the fair values of the conversion option with and without the redemption option.

29. Secured Bank Loans

	2007 RMB	2006 RMB
The secured bank loans repayable as follows:		
Within one year	**74,912,000**	216,873,000
More than one year, but not exceeding two years	**115,000,000**	—
More than two years, but not exceeding five years	**693,900,000**	114,000,000
	883,812,000	330,873,000
Less: Amount due within one year shown under current liabilities	**(74,912,000)**	(216,873,000)
	808,900,000	114,000,000

Majority of the bank borrowings are fixed rate borrowings, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rates on bank borrowings for the year are 6.90% per annum (2006: 6.00% per annum). At 31 December 2007, certain of the Group's investment properties with an aggregate carrying value of approximately RMB52,820,000 (2006: RMB48,824,000) were pledged to secure certain banking facilities granted to the Group.

30. Deferred Taxation

The deferred taxation liabilities recognised by the Group and movements thereon during the period are as follows:

	Change in fair value of investment properties RMB	Revaluation of properties RMB	Temporary difference on revenue recognition and related cost of sales RMB	Tax losses RMB	Other temporary differences RMB	Total RMB
At 1 January 2006	32,852,043	—	—	(7,326,132)	(1,988,764)	23,537,147
(Credit) charge to consolidated income statement	(13,954,742)	—	68,258,456	(5,810,650)	9,056,303	57,549,367
At 31 December 2006	18,897,301	—	68,258,456	(13,136,782)	7,067,539	81,086,514
Charge to equity for the period	—	12,578,470	—	—	—	12,578,470
Charge to consolidated income statement *(note 9)*	5,240,950	13,785,466	111,856,607	8,108,592	39,017	139,030,632
Effect of change in tax rate *(note 9)*	(4,581,081)	—	(6,166,833)	—	(1,713,343)	(12,461,257)
At 31 December 2007	19,557,170	26,363,936	173,948,230	(5,028,190)	5,393,213	220,234,359

30. Deferred Taxation (continued)

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

	2007 RMB	2006 RMB
Deferred taxation assets	**(5,939,196)**	(11,772,318)
Deferred taxation liabilities	**226,173,555**	92,858,832
	220,234,359	81,086,514

As at 31 December 2007, the Group had unused tax losses of RMB59,991,613 (2006: RMB66,525,507) available to offset against future profits. A deferred taxation asset has been recognised in respect of RMB28,756,783 (2006: RMB39,808,433) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of RMB31,234,830 (2006: RMB26,717,074) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2007 RMB	2006 RMB
2007	**—**	—
2008	**17,561,813**	18,761,813
2009	**3,155,711**	3,155,711
2010	**1,342,456**	1,342,456
2011	**3,457,094**	3,457,094
2012	**5,717,756**	—
	31,234,830	26,717,074

31. Share Capital

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
On the date of incorporation *(note a)*	38,000,000	380,000
Increase during the year *(note d)*	99,962,000,000	999,620,000
At 31 December 2007	100,000,000,000	1,000,000,000
Issued and fully paid:		
Allotted and issued on the date of incorporation *(note a)*	1	—
Issue of shares upon the Group Reorganisation *(note c)*	9,999	100
Issue of shares by capitalisation *(note e)*	1,499,990,000	14,999,900
Issue of shares by placing and public offering *(note f)*	752,500,000	7,525,000
At 31 December 2007	2,252,500,000	22,525,000

	RMB
Shown in the consolidated balance sheet	
At 31 December 2007	21,837,988

Details of the changes in the Company's share capital during the period are as follows:

(a) The Company was incorporated on 6 March 2007 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, one nil-paid share was allotted and issued to the initial subscriber of the Company on 6 March 2007 and was then transferred to Ms. Jiang Min Er.

(b) On 15 June 2007, Ms. Jiang Min Er transferred the one nil-paid Share to Ace Rise Profits Limited.

(c) On 6 September 2007, the Company acquired the entire issued share capital of Add Hero from Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., in consideration of which the Company allotted and issued 7,790, 159 and 2,050 shares to Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., respectively and credited as fully paid the allotted 9,999 shares and the one nil-paid share. Prior to the completion of the global offering on 9 October 2007, the Company was owned by Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd. as to 77.91%, 1.59% and 20.50%, respectively.

(d) Pursuant to a written resolution passed on 13 September 2007, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 99,962,000,000 shares of HK$0.01 each, which rank pari passu in all respects with the then existing shares.

31. Share Capital (continued)

(e) Pursuant to the written resolution passed on 18 September 2007, an aggregate of 1,499,990,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, to Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., by way of capitalisation of share premium ("Capitalisation Issue") for an aggregate amount of HK$14,999,900.

(f) On 9 October 2007, 700,000,000 shares of HK$0.01 each were issued by way of placing to professional and institutional investors and public offer to the public at a price of HK$5.20 per share. On 18 October 2007, over-allotment of 52,500,000 shares of HK$0.01 each in the Company at a price of HK$5.20 per share was issued pursuant to the international underwriting agreement.

All the shares which were issued by the Company during the year rank pari passu with each other in all respects.

The share capital shown on the consolidated balance sheet at 31 December 2006 represented the amount of capital of Add Hero as at that date before the Group Reorganisation.

32. Financial Instruments

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk which includes interest rate risk, foreign currency risk and price risk and credit risk and liquidity risk and the use of financial derivatives and non-derivative financial instruments. The policies on how to mitigate these risks are set out below.

(i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability, derivative financial instrument and equity instrument are disclosed in note 3.

(ii) Categories of financial instruments

	2007 **RMB**	2006 RMB
Financial assets		
Available-for-sale investments	—	550,000
Loans and receivables (including cash and cash equivalents)	**4,459,023,349**	783,650,471
Financial liabilities		
Amortised cost	**2,014,125,193**	1,006,854,176
Financial liabilities through profit or loss		
— Derivative financial instruments	**80,050,963**	—

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

(iii) Financial risk management objectives

The 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

(iv) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank borrowings. 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. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings and the liability component of the convertible notes. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the balance sheet dates and the stipulated change taking place at the beginning of the financial years and held constant throughout the years in the case of instruments that have floating rates. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by RMB9,711,000 (2006: RMB4,170,000) for the year.

The Group's sensitivity to interest rates has increased over the years mainly due to the increase in variable-rate debt instruments.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

(iv) Market risk (continued)

Price risks

The Group is exposed to price risk in respect of the conversion option and redemption options embedded in the Convertible Notes which allow the Convertible Notes to be converted into the Company's share or redeemed.

If the volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the profit for the year would decrease/increase by RMB7,560,000 and RMB3,674,000, respectively.

If the equity price had been 5% higher/lower while all other input variables of the valuation model were held constant, the profit for the year would decrease/increase by RMB9,875,000 and RMB5,215,000, respectively.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables, and majority of borrowings are denominated in RMB. The Group is subject to foreign exchange rate risk arising from recognised assets and liabilities which are denominated in the currency other than the functional currency. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollar and United States dollar. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2007 **RMB**	2006 RMB
Assets		
Hong Kong dollars	**1,167,465,039**	354,383
United States dollars	**289,613,996**	1,192,727
Liabilities		
Hong Kong dollars	**31,281,907**	—
United States dollars	**386,450,955**	235,099,800

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

(iv) Market risk (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The Group mainly exposes to United States dollars and Hong Kong dollars. The following table details the Group's sensitivity to a 10% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes convertible notes, bank borrowings as well as bank balances denominated in foreign currencies. A positive number indicates an increase in profit or loss for the year where the RMB strengthens against the relevant currency. If there is 10% increase in RMB against the relevant foreign currencies, the increase (decrease) in the profit or loss for the year is shown as below:

	2007 **RMB**	2006 RMB
United States Dollars		
Profit for the year	**6,488,000**	15,672,000
Hong Kong Dollars		
Loss for the year	**(76,124,000)**	(24,000)

The Group's sensitivity to foreign currency has increased during the year mainly attributable to the exposure to bank borrowings and bank balances denominated in foreign currencies.

(v) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of restricted bank deposits, bank balances, trade and other receivables and amounts due from related parties and jointly controlled entities, as stated in the consolidated balance sheet.

The management closely monitors its credit exposure by implementation of policies for determination of credit limits, credit approvals and making necessary follow-up actions to minimise its credit risk throughout the year. In addition, the Group reviews the recoverable amount of amount due from each counterparty at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

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

For properties that are pre-sold 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 repossess the properties for resale. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

(vi) 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 shareholders through the optimisation of the debt and equity mix.

The capital structure of the Group consists of net debt, which includes secured bank loans and convertible notes disclosed in notes 29 and 28, respectively, and equity attributable to equity holders of the Company, comprising capital 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 of the Company 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.

The Group's capital risk management strategy remains unchanged over the years.

(vii) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

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

	Weighted average interest rate	0–60 days RMB	61–180 days RMB	181–365 days RMB	1–2 years RMB	2–3 years RMB	Over 3 years RMB	Adjustments RMB	Total carrying amount RMB
At 31 December 2007									
Financial liabilities									
Non-interest bearing	—	327,635,515	247,173,960	177,931,233	49,820,745	21,351,748	—	—	823,913,201
Variable interest rate	7.93%	84,544,915	—	591,404,976	—	—	—	(294,637,899)	381,311,992
Fixed interest rate	6.71%	9,062,025	18,124,050	27,186,075	165,657,250	584,663,625	148,819,875	(144,612,900)	808,900,000
TOTAL		421,242,455	265,298,010	796,522,284	215,477,995	606,015,373	148,819,875	(439,250,799)	2,014,125,193

	Weighted average interest rate	0–60 days RMB	61–180 days RMB	181–365 days RMB	1–2 years RMB	2–3 years RMB	Over 3 years RMB	Adjustments RMB	Total carrying amount RMB
At 31 December 2006									
Financial liabilities									
Non-interest bearing	—	221,726,646	25,632,085	126,430,690	53,563,627	13,528,328	—	—	440,881,376
Variable interest rate	7.95%	235,099,800	—	—	—	—	—	—	235,099,800
Fixed interest rate	6.00%	195,023,000	—	22,474,108	—	127,991,400	—	(14,615,508)	330,873,000
TOTAL		651,849,446	25,632,085	148,904,798	53,563,627	141,519,728	—	(14,615,508)	1,006,854,176

32. Financial Instruments (continued)

Fair value of financial instruments

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

The fair value of financial assets and financial liabilities (excluding derivative instruments) is 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 and financial guarantee contracts is calculated based on generally accepted option pricing models.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial information approximate their fair values, except for the liability component of convertible notes as disclosed in note 28.

33. Acquisition of Subsidiaries

On 4 April 2007, the Group completed the acquisition of the entire issued capital of Fogang Tonglisheng Investment and Development Company Limited (佛岡同力盛投資發展有限公司) ("Fogang Tonglisheng") from several independent third parties, at a consideration of RMB85,372,749. Pursuant to the sale and purchase agreement, other than the consideration of RMB85,372,749, the Group is required to settle outstanding other payables, amounts due to the related parties and secured bank loans totalling to RMB20,699,750 at the acquisition date.

In May 2007, the Group entered into a sale and purchase agreement with independent third parties, South China Property International Limited and Top Plan (HK) Limited ("Top Plan"), in connection with the acquisition of the entire interest in Chongqing Chuangguan Real Estate Development Company Limited (重慶創冠房地產開發有限公司) ("Chongqing Chuangguan") through the acquisition of its Hong Kong incorporated parent company, Elite Land Development Limited (怡利發展有限公司) ("Elite Land") at a total consideration of RMB381,945,200, which includes an amount of RMB184,921,915 which represents the amount owed by Chongqing Chuangguan to the vendors and their related companies which would be repaid as agreed with the vendors.

As described in note 17, on 7 June 2007, the Group completed the acquisition of the remaining 45% share in its jointly controlled entities, Nansha Guo Ao Invco and its jointly controlled entities (the "Nansha Group"). The consideration was settled by the properties for sale owned by the Nansha Group at cost of RMB45,030,483.

In March 2007, the Group entered into a sale and purchase agreement with Top Plan, in connection with the acquisition of the entire interest in Chongqing Fashion Technology Company Limited (重慶時尚置業有限公司) ("Chongqing Fashion") at a consideration of RMB210,000,000, which includes an amount of RMB201,979,399 which represents the amount owed by Chongqing Fashion to the vendor and its related companies which would be repaid as agreed with the vendor.

Owing to the delays which prolonged the approval of the application for transfer of legal ownership of Chongqing Fashion, in October 2007, the Group entered into a supplementary agreement with Top Plan, pursuant to which, Top Plan agreed to transfer all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, Chongqing Fashion is accounted for as a subsidiary of the Company since October 2007.

33. ACQUISITION OF SUBSIDIARIES (continued)

The acquisition of Fogang Tonglisheng, Elite Land, Nansha Group and Chongqing Fashion are accounted for as acquisition of assets and liabilities as these subsidiaries acquired are not business.

The net assets of Fogang Tonglisheng, Elite Land, Nansha Group and Chongqing Fashion acquired are as follows:

	RMB
Net assets	
Property, plant and equipment	11,965,042
Properties for sale	866,319,736
Trade and other receivables	181,253,117
Bank balances and cash	27,665,303
Trade and other payables	(626,767,940)
Sales deposits	(95,488,829)
	364,946,429
Interests in joint controlled entities	(29,499,311)
	335,447,118
Satisfied by:	
Cash	290,416,635
Properties held for sale	45,030,483
	335,447,118
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(290,416,635)
Bank balances and cash of subsidiaries acquired	27,665,303
	(262,751,332)

33. ACQUISITION OF SUBSIDIARIES (continued)

On 30 September 2006, the Group acquired properties for sale through acquiring 100% equity interest in Longnan Jin Cheng Real Estate Co for a consideration of RMB11,460,000, which was determined with reference to the market value of properties. This acquisition is accounted for as acquisition of assets and liabilities as the subsidiary acquired is not a business. The net assets of Longnan Jin Cheng Real Estate Co acquired are as follows:

	RMB
Net assets	
Property, plant and equipment	31,506
Properties for sale	13,508,959
Trade and other receivables	2,396,382
Bank balances and cash	1,233,873
Trade and other payables	(5,710,720)
	11,460,000
Satisfied by:	
Consideration paid	11,460,000

Net cash outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

Consideration paid	(11,460,000)
Bank balances and cash of a subsidiary acquired	1,233,873
	(10,226,127)

34. Disposal of Subsidiaries

During the year ended 31 December 2006, the Group disposed of its 100% interest in Golf Hotel Co, 90% interest in Guangzhou Hua Yun Trading Company Limited and 100% interest in Guangzhou Fengda Real Estate Development Company Limited at an aggregate consideration of RMB1,400,000, which was determined with reference to the registered capital.

Golf Hotel Co was disposed to Zi Ye, a company in which Mr. Guo held 98% beneficial interest and Nansha SZY, a company in which Mr Guo held 99.98% beneficial interest.

HuaYun was disposed to GD Aoyuan Properties Management Co, a company in which Mr. Guo held 98% beneficial interest.

34. Disposal of Subsidiaries (continued)

The net liabilities of subsidiaries at the date of disposal were as follows:

	2006 RMB
Net liabilities disposed:	
Property, plant and equipment	845,640
Inventories	199,083
Trade and other receivables	3,240,474
Bank balances and cash	356,784
Trade payables	(6,288,200)
	(1,646,219)
Minority interests	(100,000)
Gain on disposal	3,146,219
Total consideration	1,400,000
Satisfied by:	
Amounts due from related parties	1,400,000
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(356,784)

The subsidiaries disposed of did not contribute significantly to the Group's cash flows, turnover and profit from operations during the period prior to disposal.

35. Major Non-cash Transactions

The Group had the following major non-cash transactions during the year ended 31 December 2007 and 2006, respectively:

(i) During the year ended 31 December 2006, a subsidiary of the Group sold investment properties and a property together with the related prepaid lease payments to 廣州盛業投資管理有限公司 (Guangzhou Cheng Ye Investment Management Company Limited) for an aggregate consideration of RMB309,362,800 which was determined with reference to an independent valuation. According to the terms of the agreement, 55% of the contract price was settled upon delivery of the properties and the remaining balance should be settled one year from the date of delivery of the properties. At 31 December 2007, the outstanding balances of the consideration for the disposal are RMB139,213,260 (2006: RMB139,213,260).

(ii) During the year ended 31 December 2006, the Group sold certain properties for a consideration of RMB33,620,000 to Zhong Ti Assets Company Limited ("Zhong Ti"), an independent third party. Such receivables were partly offset by the consideration payables, and aggregated current account balances and an outstanding arrangement fee with Zhong Ti of RMB36,290,882. A gain from such settlement of RMB2,670,882 was credited to the consolidated income statement for the year ended 31 December 2006.

(iii) During the year ended 31 December 2006, the Group sold certain properties for a consideration of RMB40,584,000 to the vendor. Such receivables were partially settled by consideration payable and an outstanding arrangement fee to the vendor of an aggregate amount of RMB36,384,000. A loss from such settlement of RMB4,200,000 was charged to the consolidated income statement for the year ended 31 December 2006.

(iv) During the year ended 31 December 2006, a subsidiary of the Company disposed of its interests in Golf Hotel Co and Guangzhou Hua Yun Trading Company Limited for a total consideration of RMB1,400,000. The consideration had not yet been settled at 31 December 2006 and settled subsequently in 2007.

(iv) During the year ended 31 December 2007, the Group acquired 45% interest of its jointly controlled entity, Nansha Guo Ao Invco and its jointly controlled entities. The consideration was settled by the properties for sales owned by the Group at cost RMB52,529,483 of which RMB7,499,000 is used to settle amounts due to the former shareholder.

(vi) During the year ended 31 December 2007, the Group entered into corporate sale and purchase agreements for the sale of properties owned by the Group, the fair value of total consideration of the corporate sales amounted to RMB1,434,949,669. According to the terms of the agreements, 30% of the contract price was settled upon delivery of the properties and the remaining 20% and 50% of the contract price will be settled in June 2008 and December 2008 respectively.

36. Contingent Liabilities

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

	2007 **RMB**	2006 RMB
Guarantees given to banks in connection with facilities granted to third parties	**333,475,912**	86,032,000

The Group acted as guarantor to the mortgage bank loans granted to purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers default the repayment of bank loans. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.

37. Other Commitments

	2007 **RMB**	2006 RMB
Construction cost commitment contracted for but not provided	**2,783,252,007**	1,019,324,102
Other commitments *(Note)*	**931,197,930**	475,749,000

Note:
On 23 November 2007 and 6 December 2007, the Group entered into two sales and purchase agreements with Guangzhou Land Bureau (廣州市國土資源局) for the acquisition of two pieces of land located in Guangzhou for a total consideration of RMB1,021,290,000. As at 31 December 2007, RMB90,092,070 was paid as deposit for such acquisition.

38. Operating Lease Commitments

As lessor

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

	2007 **RMB**	2006 RMB
Within one year	**9,825,405**	8,999,484
In the second to fifth year inclusive	**10,865,128**	14,232,101
After five years	**6,975,638**	—
	27,666,171	23,231,585

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

As lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007 **RMB**	2006 RMB
Within one year	**7,490,259**	6,445,021
In the second to fifth year inclusive	**19,964,520**	24,673,595
After five years	**1,890,202**	3,000,303
	29,344,981	34,118,919

Operating lease payments mainly represent rentals payable by the Group for sign boards subletting to the tenants. Leases are negotiated with range from 1 to 19 years and rentals are fixed for an average term of 1-19 years.

During the year, the Group has entered into certain sales and leaseback transactions for the properties for sales. RMB4,540,000 (2006: RMB73,700,000) were recognised as revenue during the year while the relevant operating lease commitment of RMB28,086,522 (2006: RMB32,584,184) as at 31 December 2007 were included in the above. The lease terms range from 5 to 8 years with an option for renewal by the Group.

39. Share-based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23 October 2007 for the primary purpose of providing incentives to directors and eligible employees and will expire on 31 December 2008, 31 December 2009 and 31 December 2010 by proposed portion respectively. Under the Scheme, 11,929,000 shares options were granted to eligible employees and directors to subscribe for shares in the Company.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 11,929,000, representing 0.53% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised according to the schedule set out below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair value at grant date HK$
2007	1,015,800	23 October 2007	23 October 2007 to the day before 2007 result announcement date	2007 result announcement date until 31 December 2008	6.55	1.276
2007	1,523,700	23 October 2007	23 October 2007 to the day before 2008 result announcement date	2008 result announcement date until 31 December 2009	6.55	1.731
2007	2,539,500	23 October 2007	23 October 2007 to the date before 2009 result announcement date	2009 result announcement date until 31 December 2010	6.55	2.069
2007	4,881,000	23 October 2007	23 October 2007 to 31 December 2007	1 January 2008 to 31 December 2008	6.55	1.262
2007	1,969,000	23 October 2007	23 October 2007 to 31 March 2008	1 April 2008 to 31 December 2008	6.55	1.278

During the year ended 31 December 2007, total 11,929,000 shares options were granted and no option granted is exercised by the grantee.

39. Share-based Payment Transactions (continued)

Equity-settled share option scheme (continued)

These fair values were calculated using the Binominal model. The inputs to the model were as follows:

	2007
Weighted average share price	HK$6.55
Exercise price	HK$6.55
Expected volatility	45%
Expected life	Whole life of each share option
Risk-free rate	3%–3.3%
Expected dividend yield	1.5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of RMB11,532,706 for the year ended 31 December 2007 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. 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 the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

40. Retirement Benefit Plan

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

41. Related Party Transactions

(1) The Group had material transactions during the year with related parties as follows:

	2007 **RMB**	2006 RMB
Rental expenses	**—**	275,408
Rental income	**3,632,143**	223,750
Construction fee paid	**16,999,452**	128,394,197
Interest income	**2,360,000**	2,860,000

The above transactions were entered into with the companies in which Mr. Guo has beneficial interests.

(2) The remuneration of key management (excluding remunerations of directors) during the year is as follows:

	2007 **RMB**	2006 RMB
Salaries and other allowances	**4,227,491**	1,919,433

The retirement benefit contributions of the directors during the year ended 31 December 2007 was not material and paid by other related companies.

(3) Details of the balances with the related parties are set out in notes 23 and 24 respectively.

(4) At, 31 December 2006, Zi Ye has pledged certain of its properties to a bank to secure bank borrowings of RMB130,000,000 to the Group. The security was released in February 2007.

42. Particulars of the Subsidiaries

Details of the Group's subsidiaries at 31 December 2007 and 2006 as follows:

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Able Run Management Limited*	British Virgin Islands ("BVI")	100%	US$100	Investment holding
Able Sharp Limited*	BVI	100%	US$100	Investment holding
Ace Crown Limited*	Hong Kong	100%	HK$1.00	Investment holding
Act Fast Investments Limited*	BVI	100%	US$100	Investment holding
Act Now International Limited*	BVI	100%	US$100	Investment holding
Ace Super International Limited*	BVI	100%	US$100	Investment holding
Ace Will Holdings Limited*	BVI	100%	US$100	Investment holding
Active Top Group Limited*	BVI	100%	US$100	Investment holding
Add Gain Investments Limited	BVI	100%	US$100	Investment holding
Add Hero Holding Limited	BVI	100%	US$10,000	Investment holding
Add Lion Profits Limited	BVI	100%	US$100	Investment holding
Add Move Investments Limited*	BVI	100%	US$100	Investment holding
Add Power Investments Limited	BVI	100%	US$100	Investment holding
Add Right Investments Limited	BVI	100%	US$100	Investment holding
Add Union Management Limited*	BVI	100%	US$100	Investment holding
All Favour Investments Limited*	BVI	100%	US$100	Investment holding
All New Profit Limited	BVI	100%	US$100	Investment holding
Alchmede Holdings Limited*	BVI	100%	US$100	Investment holding
Allied Channel Limited*	Hong Kong	100%	HK$1.00	Investment holding
Allied Era Investments Limited*	BVI	100%	US$100	Investment holding
Alpha Winner Limited*	Hong Kong	100%	HK$1.00	Investment holding
Allywin Limited*	BVI	100%	US$100	Investment holding

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Ample Mount Holdings Limited*	BVI	100%	US$100	Investment holding
Anway Investment Limited*	Hong Kong	100%	HK$1.00	Investment holding
Aoyuan Grand Place Investments and Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Aoyuan Cannes Investments and Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Asiacity Development Limited*	BVI	100%	US$100	Investment holding
Asia Prime Limited*	Hong Kong	100%	HK$1.00	Investment holding
Asia Profit International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Auto High Management Limited*	BVI	100%	US$100	Investment holding
Auto Joy Enterprises Limited*	BVI	100%	US$100	Investment holding
Auto Smart Profits Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited*	Hong Kong	100%	HK$1.00	Investment holding
CAPG Limited* (Former known as China Aoyuan Property Group Limited)	Hong Kong	100%	HK$1.00	Investment holding
Canton Link Investment Limited*	Hong Kong	100%	HK$1.00	Investment holding
Century Earth Limited*	Hong Kong	100%	HK$1.00	Investment holding
Charmtex Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
Channel Time International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Cheer King International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Chinaview Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
China Planet Limited*	Hong Kong	100%	HK$1.00	Investment holding
Citiasia (H.K.) Limited*	Hong Kong	100%	HK$1.00	Investment holding

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
East Harvest Investment Limited*	Hong Kong	100%	HK$1.00	Investment holding
Everview (H.K.) Limited*	Hong Kong	100%	HK$1.00	Investment holding
Everward Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Fairbo International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Fullco International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Gaintime (H.K.) Limited*	Hong Kong	100%	HK$1.00	Investment holding
Gold Deluxe Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
Grand Gold (H.K.) Limited*	Hong Kong	100%	HK$1.00	Investment holding
Happy Genius Management Limited*	BVI	100%	US$100	Investment holding
Head Hero International Limited*	BVI	100%	US$100	Investment holding
High Boom International Limited*	BVI	100%	US$100	Investment holding
Joy Power Holdings Limited*	BVI	100%	US$100	Investment holding
Landco Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Mantex International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Meco Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Merit Access Investments Limited*	BVI	100%	US$100	Investment holding
Merit Route Investments Limited*	BVI	100%	US$100	Investment holding
New Aoyuan City Investments and Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
New Empire Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
New Empire International Limited*	Hong Kong	100%	HK$1.00	Investment holding
Nice More Investments Limited*	BVI	100%	US$100	Investment holding
Olympic Village Investments and Development Limited*	Hong Kong	100%	HK$1.00	Investment holding

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Olympic City Investments and Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Onwin Enterprises Limited*	Hong Kong	100%	HK$1.00	Investment holding
Orient Time Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Profit Point Holdings Limited*	BVI	100%	US$100	Investment holding
Rising Bright International Limited*	BVI	100%	US$100	Investment holding
Rising Fast Management Limited*	BVI	100%	US$100	Investment holding
Sanbo Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
Sharp Mate International Limited*	BVI	100%	US$100	Investment holding
Sino Victory Development Limited*	Hong Kong	100%	HK$1.00	Investment holding
Smart Million Holdings Limited*	BVI	100%	US$100	Investment holding
Speed Rich Holdings Limited*	BVI	100%	US$100	Investment holding
Speed Winner Limited*	Hong Kong	100%	HK$1.00	Investment holding
Teleimon International Limited*	BVI	100%	US$100	Investment holding
Time Well Investment (Group) Limited*	Hong Kong	100%	HK$1.00	Investment holding
Trump Luck International Limited*	BVI	100%	US$100	Investment holding
Top Field Group Limited*	BVI	100%	US$100	Investment holding
Topfair International Limited*	Hong Kong	100%	HK$1.00	Investment holding
United Joy Management Limited*	BVI	100%	US$100	Investment holding
Vagatori International Limited*	BVI	100%	US$100	Investment holding
Warkaville Holdings Limited*	BVI	100%	US$100	Investment holding
Warren Group Limited*	BVI	100%	US$100	Investment holding
Win Hero Group Limited*	BVI	100%	US$100	Investment holding

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Win Lucky Holdings Limited*	Hong Kong	100%	HK$1.00	Investment holding
Wisdom First Holdings Limited*	BVI	100%	US$100	Investment holding
Yolinga International Limited*	BVI	100%	US$100	Investment holding
重慶創冠房地產開發有限公司* (Chongqing Chuangguan Real Estate Development company Limited)	PRC	100%	US$11,000,000	Property development
怡利發展有限公司* (Elite Land Development Limited)	Hong Kong	100%	HK$10,000	Investment holding
佛崗同力盛投資發展有限公司* (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州奧林匹克物業投資有限公司 (Guangzhou Olympic Properties Investment Company Limited)	PRC	100%	RMB81,000,000	Investment holding

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held (note 1)	Issued and fully paid share capital/ registered share capital	Principal activities
廣州番禺奧林匹克房地產開發有限公司 (Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development
廣東奧園置業有限公司 (Guangdong Aoyuan Property Company Limited)	PRC	100%	RMB30,000,000	Provision of consultancy Services
廣州奧園複合地產管理有限公司 (Guangzhou Aoyuan Fuhe Real Estate Management Company Limited)	PRC	100%	RMB500,000	Provision of consultancy services
廣州奧林匹克置業投資有限公司 (Guangzhou Olympic Property Investment Company Limited)	PRC	100%	RMB6,000,000	Provision of consultancy services
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙奧園地產有限公司 (Guangzhou Nansha Aoyuan Real Estate Company Limited)	PRC	100%	RMB10,000,000	Property development
廣州南沙國奧房地產開發有限公司* (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,490,000	Property development
廣州國奧物業管理有限公司* (Guo Ao Properties Management Company Limited)	PRC	100%	RMB1,000,000	Property development
廣州南沙國奧投資有限公司* (Guangzhou Nansha Guo Ao Investment Company Limited)	PRC	100%	RMB100,000,000	Investment holding and project management
廣州奧園建設工程設計有限公司* (Guangzhou Aoyuan Construction Design Company Limited)	PRC	100%	RMB500,000	Property design and consultation

42. Particulars of the Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
洛陽奧園置業有限公司 (Luoyang Aoyuan Property Company Limited)	PRC	100%	RMB10,000,000	Property development
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB8,000,000	Property development
瀋陽奧園動漫城置業有限公司* (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development
瀋陽奧園動漫城裝飾工程有限公司* (Shenyang Aoyuan Dong Man Cheng Decoration Engineering Limited)	PRC	100%	RMB20,000,000	Property development
瀋陽南奧海景城置業有限公司* (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司* (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽都市華庭置業有限公司* (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽南奧動漫有限公司* (Shenyang Nan Ao Dang Man Company Limited)	PRC	100%	RMB500,000	Cartoon design and software development
玉林奧園房地產開發有限公司* (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司* (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development
重慶時尚置業有限公司# (Chongqing Fashion Technology Company Limited)	PRC	100%	RMB200,000,000	Property development

42. Particulars of the Subsidiaries (continued)

Notes:

1. *Add Hero is directly held by the Company and the remaining subsidiaries comprising the Group are indirectly held by the Company.*

2. *Except for BVI and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.*

3. *The holders of the convertible notes are not entitled to receive notice of or to attend or vote at any general meeting of Add Hero. The non-voting convertible notes practically carry no rights to dividends or to participate in any distribution on winding up.*

* *Companies were incorporated or acquired in 2007.*

\# *Pursuant to a supplementary agreement entered into by the Group in October 2007, the Group entitled all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, accordingly, Chongqing Fashion is regarded as a subsidiary of the Company since October 2007.*

FOUR YEAR FINANCIAL SUMMARY

Consolidated results

	Year ended 31 December			
	2007	2006	2005	2004
	RMB	RMB	RMB	RMB
Revenue	**2,501,396,803**	883,732,871	854,931,459	214,675,193
Profit before income tax	**1,203,983,042**	526,706,870	286,194,276	26,999,115
Income tax expenses	**(601,612,413)**	(227,403,097)	(96,620,787)	(34,871,495)
(Loss) profit for the year	**602,370,629**	299,303,773	189,573,489	(7,872,380)

Consolidated assets, equity and liabilities

As of 31 December

	2007	2006	2005	2004
	RMB	RMB	RMB	RMB
Assets				
Non-current assets	**448,585,332**	276,077,161	487,026,932	548,987,412
Current assets	**7,792,126,541**	1,913,003,020	1,872,033,231	2,300,438,864
Total assets	**8,240,711,873**	2,189,080,181	2,359,060,163	2,849,426,276
Equity and liabilities				
Total equity	**5,044,105,798**	828,278,027	477,644,259	265,061,782
Non-current liabilities	**1,341,473,547**	206,858,832	279,349,287	437,958,000
Current liabilities	**1,855,132,528**	1,153,943,322	1,602,066,617	2,146,406,494
Total liabilities	**3,196,606,075**	1,360,802,154	1,881,415,904	2,584,364,494
Total equity and liabilities	**8,240,711,873**	2,189,080,181	2,359,060,163	2,849,426,276

The Company was incorporated on 6 March 2007 as an exempted company with limited liability in the Carman Islands and became the holding company of the Group as a result of certain business combinations transactions on 6 September 2007. The financial summary has been presented on the basis that the Company had been the holding company of the Group from the beginning of the earliest period presented.

Corporate Information

Registered Office

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KY1-1111
Cayman Islands

Principal Place of Business in the PRC

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Zhong Cun Town
Panyu
PRC

Place of Business in Hong Kong

Room 5105, The Center
99 Queen's Road Central
Hong Kong

Website addresses

http://aoyuan.com.cn

Company Secretary

Lo Hang Fong, *LL.B*

Authorized Representatives

Guo Zi Wen
Guo Zi Ning

Qualified Accountant

Tse Wai Wah, *AICPA, CPA*

Members of the Audit Committee

Ma Kwai Yuen *(chairman)*
Song Xian Zhong
Tsui King Fai

Compliance Adviser

Somerley Limited
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Corporate Information

Principal Bankers

Industrial and Commercial Bank of China Limited
Agricultural Bank of China
Bank of Communications Co., Ltd.
Citic Ka Wah Bank Limited

Members of the Remuneration Committee

Leung Ping Chung, Hermann *(chairman)*
Tsui King Fai
Ma Kwai Yuen

Members of the Nomination Committee

Guo Zi Wen *(chairman)*
Leung Ping Chung, Hermann
Ma Kwai Yuen
Song Xian Zhong
Tsui King Fai

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F
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183 Queen's Road East
Wanchai
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