Annual Report 2007

FRANSHION PROPERTIES (CHINA) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 00817

Company Profile

Franshion Properties (China) Limited is a developer and investor of large-scale and quality real estate projects in the PRC, with an emphasis on commercial real estate. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 00817). The Group has developed several quality real estate projects in Beijing, Shanghai and Zhuhai, including Beijing Chemsunny World Trade Centre, Shanghai Fortune Plaza, Shanghai Zhangyang Riverside Garden, Shanghai Gaoyang International Passenger Transport Centre and Zhuhai Every Garden. The Group focuses on Huanbohai, Yangtze River Delta and Pearl River Delta as its principal development areas. The Group is committed to the development of high-end projects that are technologically advanced, environmentally friendly, energy saving and have product innovation features in first-tier cities and prime locations. The Group is determined to forge ahead, and further strengthen our brand value in order to become a leading enterprise in the commercial property market in the PRC.



Contents

CORPORATE INFORMATION

Company Name

Franshion Properties (China) Limited

Principal Office

Room 4702-03, 47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

Non-executive Directors

Mr. PAN Zhengyi *(Chairman)*
Ms. LI Lun *(Vice Chairman)*
Mr. WANG Hongjun

Executive Directors

Ms. LI Xuehua *(Chief Executive Officer)*
Mr. HE Binwu *(Vice President)*
Mr. JIANG Nan *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Chief Financial Officer

Mr. JIANG Nan

Qualified Accountant

Mr. LIAO Chi Chiun

Company Secretary

Mr. LIAO Chi Chiun

Authorised Representatives

Ms. LI Xuehua
Mr. JIANG Nan

Legal Advisers

Allen & Overy
9th Floor, Three Exchange Square
Central, Hong Kong

Tian Yuan Law Firm
11/F, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing 100032
People's Republic of China

Auditor

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

Stock Code

00817

Share Registrar and Transfer Office

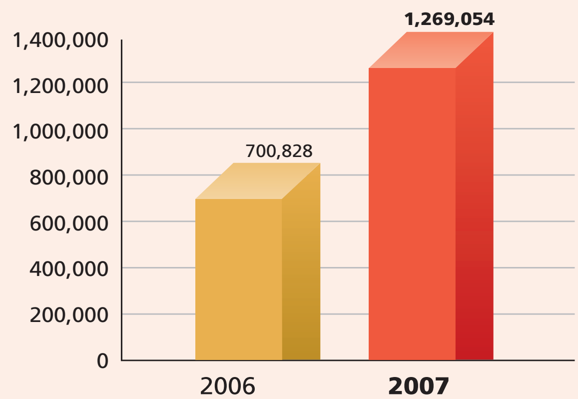
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Compliance Adviser

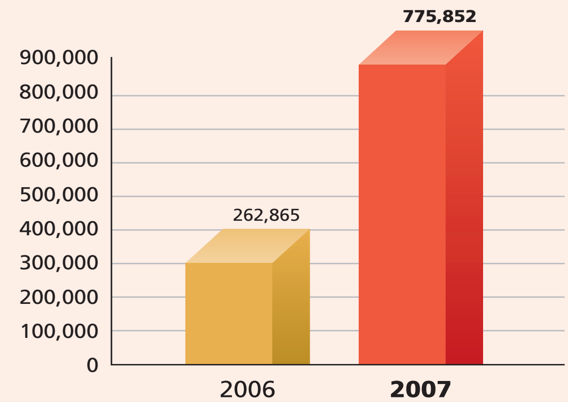
Piper Jaffray Asia Limited
39th Floor, Tower 1
Lippo Centre, 89 Queensway, Hong Kong

CHARTS OF TWO-YEAR FINANCIAL HIGHLIGHTS

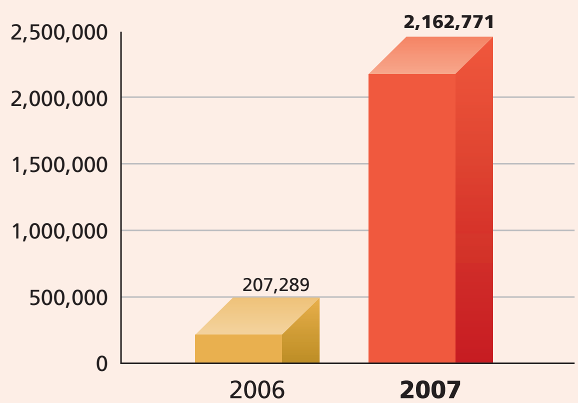
i. Revenue (HK$'000)



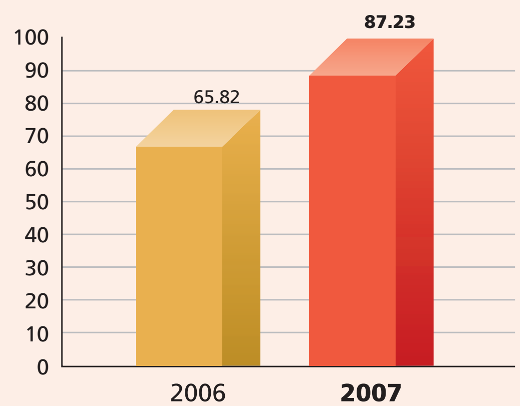
ii. Gross profit (HK$'000)



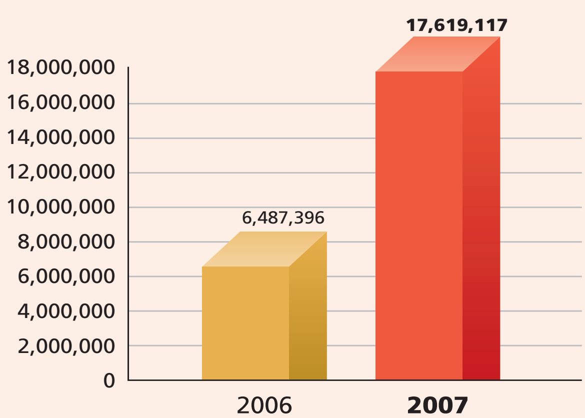
iii. Profit attributable to equity holders (HK$'000)



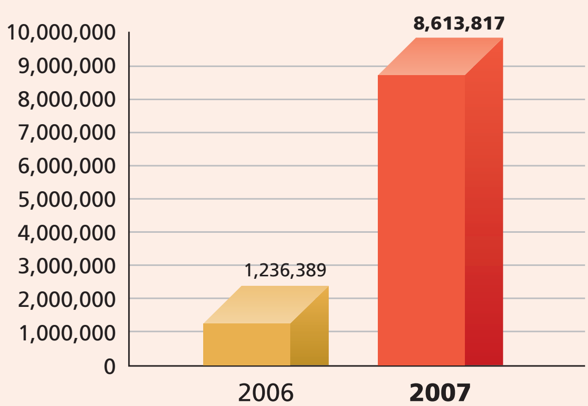
iv. Earnings per share – basic (HK cents)



v. Total assets (HK$'000)



vi. Equity attributable to equity holders (HK$'000)



CHAIRMAN'S STATEMENT

Mr. PAN Zhengyi
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Franshion Properties (China) Limited ("Franshion Properties", the "Company") and its subsidiaries (the "Group", "our Group", "we" or "us"), I am pleased to present the annual results of the Group for the twelve months ended 31 December 2007 (the "Period under Review").

During the Period under Review, profit attributable to equity holders of the Company amounted to HK$2,162.8 million, representing an increase of 943% over last year. Basic earnings per share was HK87.23 cents. Profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax, amounted to HK$468.2 million, representing an increase of 171% over last year. The Board of the Company has resolved to recommend the payment of a final dividend of HK2 cents per share. The proposed final dividend shall be subject to approval of shareholders in a general meeting.

The economy of China continued to maintain a stable and rapid growth in 2007, along with the trend of accelerated growth, optimized structure, enhanced efficiency and improved standard of living. According to the statistics of the National Bureau of Statistics of the PRC, the annual GDP in China in 2007 reached RMB24,661.9 billion, an increase of 11.4% over the previous year. The annual GDP growth rate has reached 10% or above for 5 consecutive years. The annual average disposable income of urban residents per capita reached RMB13,786, an increase of 17.2% over the previous year.

At the same time as there is rapid economic development, statistics of the National Bureau of Statistics also show that as a result of the nation's rapid development, its economic structure faces the threat of adjustment. Investments in property development increased substantially in 2007. The annual property development investments reached RMB2,528 billion, a growth of 30.2% over the previous year. Sale prices of housing in 70 medium and large cities increased by 7.6% as compared to the previous year. To safeguard the healthy and steady development of the property sector, the central government has promulgated a number of new administrative and economic measures, leading to a profound impact on the price trend and future operation model of the real estate market in the PRC.

In 2007, Franshion Properties has made remarkable progress in its development. On 17 August 2007, the Company was listed on The Stock Exchange of Hong Kong Limited. Its successful entry into the international capital market has laid a solid foundation for the long-term development of the Group.

During the Period under Review, the Group responded to market demands by speeding up its project development and positioning of its business. The leasing and sale of the Beijing Chemsunny World Trade Centre has commenced and has achieved remarkable results; the main structure of six riverfront office buildings of the Shanghai Gaoyang International Passenger Transport Centre project were completed; the preliminary work and construction preparation of the Eastern Site of Huishan Dock project was launched; and presale of Zhuhai Every Garden project was launched and was well-received by the market. In December, with the completion of the acquisition of Beijing Chemsunny World Trade Centre, Sinochem Tower and Wangfujing Grand Hotel, the strength of the Group was further consolidated.

The Directors believe that the regulating measures of the nation do not have any significant impact on Franshion Properties due to its unique, visionary and complementary business model of "development – investment – operation" of commercial properties. Furthermore, as a developer and operator of large-scale and quality commercial real estate, as well as an investor of real estate projects in first-tier cities in the PRC, the Group was able to achieve the business targets set for 2007 and obtained impressive returns.

We believe that the development of the PRC's commercial property market is in the midst of upward surge, with strong demand for commercial buildings and landmark buildings in major commercial districts of first-tier cities across the nation. The Group will continue to develop steadily and strive to develop and expand its business, with a view to becoming a major property developer and investor in the major cities and economic zones across the nation.

To attain the above objectives, the Group has formulated the following strategies:

- Strive to bring innovation, develop and acquire market-leading projects through continued acquisition of land development rights in prime locations, as well as reorganisations, mergers and acquisitions
- Increase our proportion of investment properties to achieve a balanced revenue profile
- Continue to consolidate and enhance the awareness of the brand name of "Franshion" and related products
- Continue to forge and strengthen strategic relationships with local partners
- Continue to follow international industry best practices and maintain an efficient organisational structure

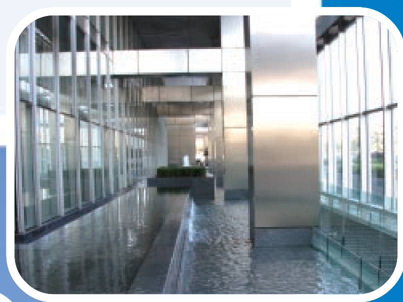
Looking ahead, I have every confidence in the prospects of the commercial property market in the PRC and that of the Group. Franshion Properties is well-positioned to take advantage of the rapid growth in the PRC commercial property sector, and will pursue its strategic objective of "developing and holding quality commercial properties in first-tier cities and prime locations", continue to expand its operating scale and enhance its operating content so as to enable our Group's business to grow steadily.

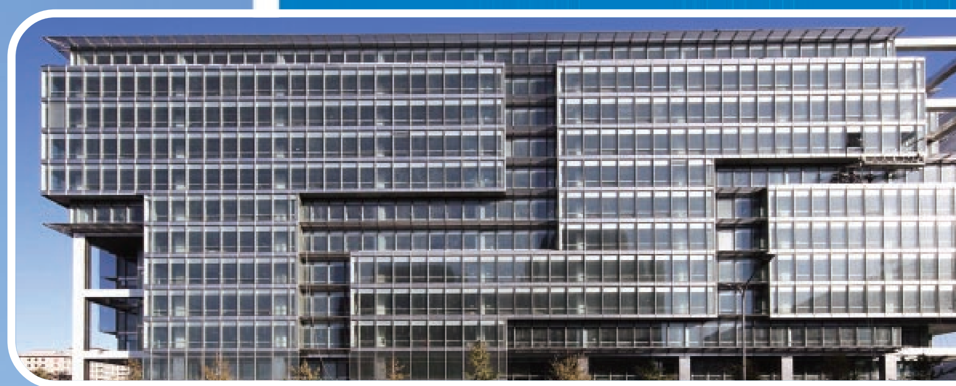
On behalf of the Board of Directors, I would like to take this opportunity to express our sincere gratitude to all our customers, business partners, shareholders, and all the employees of the Group. Leveraging on its unique business model and competitive strengths, Franshion Properties will continue to make every effort to forge ahead in the commercial property sector in the PRC and to strive for even better results, opening up brilliant prospects for the Group.

PAN Zhengyi
Chairman

Hong Kong
22 April 2008

CHEMSUNNY
World Trade Centre
凱晨世貿中心





MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a developer and investor of large-scale and quality real estate projects in the PRC, with an emphasis on commercial real estate. Under the favourable influence of the growing economy of the PRC, appreciation of Renminbi and prosperous property sector, the Group achieved outstanding results in 2007 by leveraging on its competitive strengths, including (i) market positioning of high-end commercial properties; (ii) possession of quality landmark investment properties and land use rights of prime locations; (iii) sound expansion strategies and capability of acquiring land at prime locations/high-quality investment properties; (iv) support of Sinochem Corporation and injection of quality assets; (v) experienced management team; and (vi) stable cash flow. For the year ended 31 December 2007, profit attributable to equity holders of the Company amounted to HK$2,162.8 million, an increase of 943% compared with HK$207.3 million in 2006. Profit attributable to equity holders before revaluation gains on investment properties, net of deferred tax, amounted to HK$468.2 million, an increase of 171% compared with HK$172.7 million in 2006.

BUSINESS REVIEW

Market Review

In 2007, the central government promulgated a series of macro-economic austerity measures to keep the rapid-growing economy from overheating by controlling money supply, credit supply and scale of investments in fixed assets so as to ensure a more balanced and sustainable economic development. The central government also regulated the property sector of the PRC by strengthening its control in land supply, raising benchmark interest rate of Renminbi and deposit reserve ratio of financial institutions, raising the percentage of down payment and loan rate for second-home buyers, and strengthening regulation on collection of land appreciation tax.

The monetary policy of the central government has a direct impact on the sources of financing for real estate developers. Funds raised from the capital markets cannot meet the substantial needs of real estate enterprises, and the raised entry barrier of the industry will bring about more opportunities for consolidation. At the same time, the increasingly stringent regulating measures of the government has resulted in stocking up of land by real estate enterprises, leading to more pressure and risks to their capital.

Despite a series of austerity measures and restrictions implemented by the government to control direct foreign investments in the real estate sector, the office building sector remained active with rising transaction volume and rent levels due to the support of strong economic growth, appreciation of Renminbi and improving results of foreign-invested enterprises in the PRC. With increased spending power of customers from the finance and information service industries, there will still be much room for expansion of the high-end market.

Listing review

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 August 2007. Its good results and sound expansion strategy won the confidence of investors. The shares were oversubscribed 40 times under the international offering, and 170 times under the public offering in Hong Kong. The offer price was finally determined at HK$2.35, which was at the highest-end of the offer price range.

Listing Ceremony on 17 August 2007

Corporate Business Review

Property Development

As at 31 December 2007, the Group has four property development projects at different stages in Shanghai, Zhuhai and Beijing, respectively.

As at 31 December 2007

	Total gross floor area (square metres)	Type of development project	Stage of completion	Expected completion date	Interest attributable to the Company (%)
Shanghai – Projects under development					
Site B of Shanghai Gaoyang International Passenger Transport Centre project	**297,125**	Mixed purposes	Under construction	2009	50%
Eastern Site of Huishan Dock project	**200,000**	Mixed purposes	Exploration and design	2012	50%
Zhuhai – Projects under development					
Zhuhai Every Garden project	**136,416**	Residential	Under construction	2008	100%
Beijing – Completed Projects					
Beijing Chemsunny World Trade Centre project	**193,936**	Offices	Completed	2006	100%
Total	**827,477**				

Shanghai – Projects under Development

Site B of Shanghai Gaoyang International Passenger Transport Centre Project

The Shanghai Gaoyang International Passenger Transport Centre is designed to be an integrated commercial area comprising a cruise terminal and business offices in the heart of Shanghai's central business district. In partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), two projects will be developed, one on Site A, and the other on Site B. We hold a 50% economic interest in the Site B developments and no interest in the Site A developments. On Site B, we plan to construct eight office buildings, one serviced apartment building (which is being converted into an office building), a music and cultural centre and an art gallery. Located along 880 metres of the western bank of the Huangpu river, the complex is adjacent to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. Currently, the supply of land for real estate developments in this prime location is limited.

Above is an artist's rendition of the Shanghai Gaoyang International Passenger Transport Centre

Site B of the Shanghai Gaoyang International Passenger Transport Centre project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 297,125 square metres. Construction work commenced in May 2004, and the Group expects that it will be completed in 2009.

Our interest in Site B of the Shanghai Gaoyang International Passenger Transport Centre project is held through our 50%-owned subsidiary Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin"). Pursuant to our contractual arrangements, the Group owns a 50% economic interest in Site B of the Shanghai Gaoyang International Passenger Transport Centre project.

As at 31 December 2007, 60% of the framework construction work of Site B of the Shanghai Gaoyang International Passenger Transport Centre project was completed. Installation of glass external walls commenced in November 2007. The green belt of the Huangpu river has been partially completed, with a green ratio of about 50%.

Eastern Site of Huishan Dock Project

The Huishan Dock project was designed to realize the core functions and the economies of scale of the shipping service industry, and to achieve synergies of international shipping enterprises. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by construction of a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modern office and commercial zone featuring a shipping centre. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including the yacht harbour.

The project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Gaoyang International Passenger Transport Centre, the two of which form a coastal area that doubled the length of the bund. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group has acquired the land use right of the Eastern Site of the project, with an area of 35,210 square metres. The Group intends to develop commercial properties, including offices, on the site. Upon completion, the development is expected to have a total gross floor area of approximately 200,000 square metres.

Our interest in the Eastern Site of the Huishan Dock project is held through our 50%-owned subsidiary Shanghai Huigang Real Estate Development Co., Ltd ("Huigang Real Estate"), and thereby the Group owns 50% of the economic interests in the Eastern Site of the project.

We are currently carrying out preliminary and construction preparation work on the site.

Zhuhai – Projects under development

Zhuhai Every Garden Project

The Zhuhai Every Garden project is the development of a complex of thirteen 8 to 31-storey residential apartment buildings located on the eastern side of Zhuhai's harbour, on the coast of the South China Sea, with beautiful views of the ocean on one side and mountains on the other.

The Zhuhai Every Garden project has a land area of approximately 43,499 square metres. Construction of the Zhuhai Every Garden project began in June 2006, and is expected to be completed in 2008. Upon completion, the development will have a total gross floor area of approximately 136,416 square metres. We expect to construct approximately 700 apartment units, 80% of which will have floor areas ranging between 80 and 150 square metres each. The remaining units are expected to have floor areas of approximately 200 square metres each. We also expect to develop approximately 729 car parking spaces.

Above is an artist's rendition of the Zhuhai Every Garden

The Zhuhai Every Garden apartment buildings are designed to incorporate a number of technologically-advanced design elements and amenities, including, among others, the following features:

- Amenities including retail shops, a clubhouse and a basement carpark with parking spaces for approximately 729 vehicles;
- A modern information technology infrastructure, including high-speed Internet and cable television connections;
- Energy-saving design features which allow good air ventilation, retention of heat in the winter and retention of cool air in the summer;
- Modern security features to safeguard our complex and tenants; and
- Design features to allow natural light to penetrate the building.

Our interest in Zhuhai Every Garden project is held through our 100%-owned subsidiary Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai"). In July 2007, we commenced pre-sale of residential units.

In 2007, construction works of Zhuhai Every Garden made good progress, and construction of 80% of the overall structure was completed. 80% of the outdoor decoration and installation of facilities were also completed. The buildings began to take shape. The pile foundation and the main structure construction were completed and passed quality inspection. The Zhuhai Every Garden project site was honoured as the "Advanced Exemplary Construction Site of Zhuhai City" in the first half of 2007. It is expected that the construction will be completed and be ready for occupation in August 2008.

On 15 July 2007, Zhuhai Every Garden was first launched for pre-sale. 548 units of the first phase, comprising 77,000 square metres, were offered for pre-sale, and 70% of the units were sold on that day. As at 31 December 2007, the Group has altogether pre-sold 506 units, comprising approximately 70,000 square metres, which represents 92% of the units and area of the first phase offered for pre-sale.

Beijing – Completed projects

Beijing Chemsunny World Trade Centre Project

Beijing Chemsunny World Trade Centre consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers, and is located on Fuxingmen Nei Street, within Beijing's financial district. The development is less than a ten minute walk from two subway lines and one block to the west of the Second Ring Road.

The project was constructed on approximately 21,659 square metres of land. The three office buildings comprise a gross floor area of approximately 193,936 square metres. The office buildings are connected by enclosed bridges. The underground floors house car parking spaces and storage areas. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the major construction, excluding interior decoration, was completed in December 2006.

Beijing Chemsunny World Trade Centre
(28 Fuxingmen Nei Street, Beijing)

We expect that the complex will house offices for approximately 80 to 120 companies, and as many as 5,000 of their employees. To distinguish itself from other properties in the Beijing real estate market, the project incorporates a number of distinctive design elements and features, including (i) a two-layer glass external wall with an area of 50,000 square metres designed by a Swiss engineering firm to allow efficient temperature regulation in the buildings and to save heating and cooling costs; (ii) a double atrium with a height of 57 metres and a combined total area of 3,000 square metres, which allows natural light to penetrate into the three office buildings; and (iii) a 2,800 square metres rooftop garden and 4,675 square metres of landscaped pools.

In 2007, we entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") to acquire a further 50% interest in Beijing Chemsunny Property Company Limited ("Chemsunny"). Completion of such acquisition took place in December 2007. Our 100% interest in the Beijing Chemsunny World Trade Centre project is held through our 100%-owned subsidiary Chemsunny.

The Central and West Towers of the Beijing Chemsunny World Trade Centre are held as our long-term investment available for lease, while the East Tower is available for sale by floor. The gross floor area of the East Tower is approximately 44,939 square metres.

Pre-sale of the East Tower formally commenced in October 2006. As at 31 December 2007, out of the total gross floor area of 44,939 square metres of the offices at the Eastern Tower, 24,481 square metres and 59 parking spaces had been sold.

Leasing of Properties and Property Services

As at 31 December 2007, the carrying value of investment properties held by the Group was approximately HK$4,964.6 million, which are stated at fair value according to the Group's accounting policy. Investment properties of the Group mainly comprise the Beijing Chemsunny World Trade Centre and the Sinochem Tower.

Leasing business of the Beijing Chemsunny World Trade Centre

According to the Group's strategy of achieving a balanced revenue profile, the Group will hold the Central and West Towers of the Beijing Chemsunny World Trade Centre for long-term investment. The total leaseable area of the Central and West Towers is approximately 102,739 square metres. As at 31 December 2007, occupancy rate of the Central and West Towers of the Beijing Chemsunny World Trade Centre was 41.3% (2006: not applicable). The principal tenants were Sinochem Corporation and its related companies, and other eminent enterprises of the finance, real estate and consultancy industries.

Sinochem Tower
(A2 Fuxingmen Wai Street, Beijing)

Leasing business of Sinochem Tower

Situated in the heart of Beijing on Fuxingmen Wai Street, in the Xicheng district and within Beijing's financial district, Sinochem Tower is a 26-storey office building in the neighbourhood of well-known landmarks such as the Forbidden City, Tiananmen Square and Zhongnanhai. Sinochem Tower was constructed on a site area of approximately 5,833 square metres. The office building contains a gross floor area of approximately 49,066 square metres. Approximately 30,365 square metres of gross floor area are designated as office space and approximately 15,005 square metres of gross floor area are designated as retail space.

As at 31 December 2007, occupancy rate of the Sinochem Tower was 82.8% (2006: 97.3%). The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

In 2007, the Group entered into an acquisition agreement with Sinochem Hong Kong and Sinochem Corporation to acquire a further 75% interest in Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management"). Completion of such acquisition took place in December 2007. Our 100% interest in the Sinochem Tower is held through our 100%-owned subsidiary Sinochem Property Management.

Property Services Business

The Group currently provides property management services for not less than nine properties with more than 1.1 million square metres of gross floor area, including Sinochem Tower and Beijing Chemsunny World Trade Centre.

Our property service business had a smooth and steady performance throughout the year. In September 2007, the Group acquired a further 60% interest in Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management") from Sino-Ocean Land Limited. We now have a 100% interest in Chemsunny Property Management. The consolidated property service business of the Group further strengthened the operation of our integrated value chain of real estate development, and improved the brand advantage and asset value of the Group. Looking ahead, we expect that the property management business will bring more direct and indirect gains for the Group.

Wangfujing Grand Hotel (57 Wangfujing Street, Beijing)

Hotel Operations

In 2007, the Group entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong to acquire the remaining 75% interest in Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management"), and thereby now owns 100% interest in Wangfujing Grand Hotel, which is located at north of Wangfujing Street, Beijing's main commercial and shopping district. It is also within walking distance of the Forbidden City, Tiananmen Square and Beihai park.

The Wangfujing Grand Hotel attracts both leisure and business travellers due to its convenient location. In particular, it has established business relationships with a number of multinational companies which form a substantial base of its business.

The Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 rooms as well as a number of meeting spaces, food and beverage outlets and other facilities. The hotel was constructed on a site area of 9,858 square metres, and has a total gross floor area of approximately 41,349 square metres.

In 2007, Wangfujing Grand Hotel improved its standard of service, and strived to promote brand awareness and expand its business in the market. The average occupancy rate of Wangfujing Grand Hotel in as at 31 December 2007 was 75.1% (2006: 77.7%), which was higher than the average level of its market competitors.

Land Bank

As at 31 December 2007, the Group had purchased the land use rights to a parcel of land which consists of a land area of approximately 35,210 square metres. It has been developed for the eastern site of Huishan Dock project.

On 31 March 2008, the Group entered into a land use right grant contract with the local land authority to acquire a central parcel of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai. The site has an area of 19,039 square metres, and the planned above-ground gross floor area of the site is expected to be 73,790 square metres.

In consideration of the policy risk and legal risk of accumulating substantial land bank currently, the focus of the Group is to acquire scarce land resources in first-tier cities and prime locations after adequate consideration of market risks and careful assessment of future profits, with a view to convert investments into profits in the shortest possible time.

The Group has persisted in its development strategy of first-tier cities, prime locations and quality sites, and continued to focus on investigation and acquisition of quality sites in core districts of various cities. During the period, we investigated and explored several key projects in first-tier cities. Moreover, the Group also followed the strategy of acquiring suitable sites with reasonable costs, with an emphasis on locations with unique advantages, in order to ensure long term and sustainable future development. The Group is currently working on projects in Huanbohai, Yangtze River Delta, and Pearl River Delta, and has carried out extensive liaison and negotiation with local governments and other relevant companies, focusing on office buildings, commercial hotels and villa projects. Professional advisers have been engaged to carry out in-depth investigation into some of these projects, several of which have been listed among the key projects of the Group. Satisfactory progress has been achieved in respect of acquiring quality land resources.

Acquisition Options

Pursuant to the Non-competition Undertaking, Sinochem Corporation has granted the Group options to acquire its 54.87% equity interest in China Jin Mao (Group) Company Limited, its 15% interest in China Shimao Investment Company Limited, and its 55% interest Shanghai Yin Hui Property Development Company Limited.

As at 31 December 2007, the Group had not exercised any of such options. However, the Independent Board Committee will review the options from time to time, at least on a semi-annual basis, and will disclose the reasons for its decision to exercise the options or not by way of public announcements.

Honour and Awards

The Group's real estate projects in Beijing, Shanghai and Zhuhai are widely recognized in the industry and well-received by the public, and have received various awards .

The completed Beijing Chemsunny World Trade Centre project received "The Most Valuable Office of Commercial Real Estate in China Award", "The Most Outstanding Beijing Prime Office Award" and "Prime Office Award of 2006-2007 Office of the Year Beijing" in 2007. In the same year, the Beijing Chemsunny World Trade Centre also received exclusive China Prime Office Demonstration Project Award during the "2006 Beijing Top 10 Real Estate Industry Leaders Awards Ceremony – East-West Asia Real Estate Summit Dubai", and was elected as the only prime office brand of the "2007 Top 10 Beijing Top 10 Real Estate Brands (Housing)" of "Leading Company Brands of China Real Estate". Later, during the 6th National Annual Office Conference, Beijing Chemsunny World Trade Centre received the "Special Recommendation Award of National Annual Office Conference".

During the "2007-2008 The Fourth Office of the Year Beijing" election in February 2008, the Beijing Chemsunny World Trade Centre received the "Prime Office Award of 2007-2008 Office of the Year Beijing".

Our Zhuhai Every Garden project under development was elected as "The Most Distinguished Urban Housing Estate in China" "The Most Innovative Housing Estate in China" and "The Best Landscape of Housing Estate in China" awards in 2006, and was elected as the Best Housing Brand and the Best Sea View Estate of Zhuhai, China in 2007.

Our Site B of Shanghai Gaoyang International Passenger Transport Centre project under development was honoured as Municipal Quality Structure Project by the Shanghai Municipal Head office for Construction Project Quality Supervision.

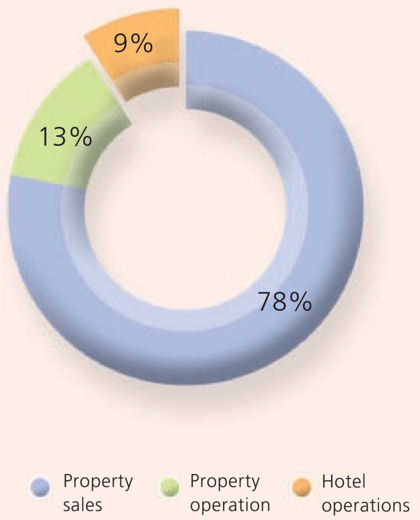
FINANCIAL REVIEW

Revenue

For the year ended 31 December 2007, revenue of the Group increased by 81% from 2006 to HK$1,269.1 million (2006: HK$700.8 million), which was mainly attributable to the increased sale of properties.

Revenue by business segments

	For the year ended 31 December				
	2007		2006		
		Percentage of the total		Percentage of the total	Year-on-year
	HK$ million	**revenue *(%)***	*HK$ million*	revenue *(%)*	change *(%)*
Property Sales	**986.1**	**78%**	500.7	72%	97%
Property Operations	**166.9**	**13%**	92.6	13%	80%
Hotel Operations	**116.1**	**9%**	107.5	15%	8%
Total	**1,269.1**	**100%**	700.8	100%	81%



We focus on developing high-end quality real estate projects. Property sales revenue increased by 97% over that of 2006 to HK$986.1 million, representing 78% of the total revenue. Sales area increased to 26,959 square metres, representing an increase of 35% over 2006. Sales revenue in 2007 was mainly attributable to sales of some floors of the Beijing Chemsunny World Trade Centre while sales revenue in 2006 was mainly attributable to sales of Shanghai Fortune Plaza. Moreover, the Group increases the proportion of investment properties gradually to achieve a more balanced revenue profile. Property operations and hotels operations recorded a growth of 80% and 8%, respectively.

Cost of sales and gross profit margin

Cost of sales of the Group for the year ended 31 December 2007 was approximately HK$493.2 million (2006: HK$438.0 million). Gross profit margin increased from 38% in 2006 to 61% in 2007. The increase was mainly due to the growing property sector and the high-quality property developed by the Group that allowed us to enjoy certain premiums on sales prices.

Gross profit margin by business segments:

	For the year ended 31 December	
	2007 Gross profit margin (%)	2006 Gross profit margin (%)
Overall	**61%**	38%
Property sales	**59%**	28%
Property operations	**63%**	48%
Hotel operations	**77%**	75%

Other income and gains

Other income and gains of the Group for the year ended 31 December 2007 was approximately HK$2,518.5 million (2006: HK$183.3 million), which mainly included:

Fair value gains on investment properties

According to the valuation report dated 31 December 2007 prepared by Knight Frank Petty Limited, the fair value gain on Sinochem Tower held by the Group was HK$19.5 million, and the fair value gain, net of deferred tax was HK$14.6 million.

According to the valuation report dated 31 December 2007 prepared by Knight Frank Petty Limited, the fair value gain on the Beijing Chemsunny World Trade Centre held by the Group was HK$2,240.0 million, and the fair value gain, net of deferred tax was HK$1,680.0 million.

Gain on disposal of subsidiaries

In April 2007, the Group disposed of its interests in two subsidiaries in Zhuhai, namely Zhong Yi Hua Hai and Zhuhai Hong Hua, resulting in a gain of HK$108.7 million.

Interest income on bank deposits from the proceed raised from the initial public offering.

Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December 2007 was approximately HK$49.2 million (2006: HK$13.1 million), mainly including expenses related to advertisement and promotion activities for our properties, fees paid to relevant professional marketing personnel and expenses on other marketing promotion activities. Selling and marketing expenses accounted for 4% of the total revenue of the Group (2006: 2%). The increase was mainly attributable to an increase in the marketing expenses incurred for the sale of Beijing Chemsunny World Trade Centre and pre-sale of Zhuhai Every Garden projects.

Administrative expenses

Administrative expenses for the year ended 31 December 2007 was approximately HK$187.5 million (2006: HK$87.5 million), which mainly included staff costs, consultancy fees, entertainment fees and general office expenses. Administrative expenses accounted for 15% of the total revenue of the Group in 2007 (2006: 12%). The increase was mainly attributable to increase in staff salary and wages as a result of expansion of the Group, increase in consultancy fees, listing expenses and the increase in payment of property management fees.

Finance cost

Finance cost of the Group for the year ended 31 December 2007 was approximately HK$116.9 million (2006: HK$27.8 million). The increase was primarily as a result of lower amount of interest capitalised due to the completion of the Beijing Chemsunny World Trade Centre project in December 2006.

Tax

Tax of the Group for the year ended 31 December 2007 was approximately HK$771.0 million (2006: HK$65.0 million), primarily as a result of the deferred tax charge of HK$564.9 million arising from the revaluation of the Group's investment properties and increased operation profits. The effective tax rate of the Group in 2007 was 26% (2006: 21%). Increase in effective tax rate in 2007 was mainly attributable to increase in land appreciation tax arising from sales of properties.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 943% from HK$207.3 million in 2006 to HK$2,162.8 million for the year ended 31 December 2007. Profit margin attributable to equity holder of the Company was 170% in 2007 (2006: 30%). Excluding fair value gains on investment properties, net of deferred tax, profit attributable to equity holders increased by 171% to approximately HK$468.2 million (2006: HK$172.7 million).

Basic earnings per share was HK 87.23 cents (2006: HK 65.82 cents). Excluding fair value gains on investment properties, net of deferred tax, basic earnings per share would have been HK 18.88 cents (2006: HK 54.83 cents).

Comparison of Profit attributable to equity holders of the Company before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December	
	2007 **(*HK$ million*)**	2006 (*HK$ million*)
Profit attributable to equity holders of the Company	**2,162.8**	207.3
Less: fair value gains on investment properties, net of deferred tax	**(1,694.6)**	(34.6)
Profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax	**468.2**	172.7
Basic earnings per share (HK cents)	**87.23**	65.82
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**18.88**	54.83

Use of proceeds from initial public offering

On 17 August 2007, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Net proceeds from the initial public offering was approximately HK$3,620 million. Approximately HK$440 million had been utilized by the Company to pay part of the consideration for acquiring equity interests in Wangfujing Hotel Management, Sinochem Property Management and Chemsunny, and approximately HK$300 million had been utilized for project funding purposes. As at 31 December 2007, the remaining balance of approximately HK$2,880 million was deposited in banks.

Investment properties

As at 31 December 2007, investment properties included Sinochem Tower, and the Central and West Towers of the Beijing Chemsunny World Trade Centre. Investment properties increased from HK$873.1 million for the year ended 31 December 2006 to HK$4,964.6 million for the year ended 31 December 2007. The increase was mainly due to increased number of leased properties after completion of Central and West Towers of the Beijing Chemsunny World Trade Centre.

Properties under development

As at 31 December 2007, the non-current portion of properties under development comprised property development costs of Site B of Shanghai Gaoyang International Passenger Transport Centre and Eastern Site of Huishan Dock project, whereas the current portion of properties under development comprised property development costs for Zhuhai Every Garden projects. The increase in properties under development (current and non-current) from HK$1,988.2 million as at 31 December 2006 to HK$4,174.6 million as at 31 December 2007 was mainly attributable to the additional costs incurred for Site B of Shanghai Gaoyang International Passenger Transport Centre, Eastern Site of Huishan Dock and Zhuhai Every Garden projects, which was partially offset by the transfer of the property development costs of our property projects in Zhuhai upon the Group's disposal of its interests in Zhong Yi Hua Hai and Zhuhai Hong Hua.

Properties held for sale

As at 31 December 2007, properties held for sale included East Tower of the Beijing Chemsunny World Trade Centre. The decrease in properties held for sale from HK$2,475.0 million as at 31 December 2006 to HK$598.4 million as at 31 December 2007 was mainly attributable to sale of some floors of East Tower of the Beijing Chemsunny World Trade Centre and transfer of some of the properties held for sale to investment properties.

Interest-bearing bank and other borrowings

As at 31 December 2007, the interest-bearing bank and other borrowings was HK$3,863.7 million, increased by HK$979.9 million over that of HK$2,883.8 million as at 31 December 2006. The increase in the interest-bearing bank and other borrowings was primarily due to increase in drawdowns of new bank and other borrowings of Huigang Real Estate for the acquisition of land use rights.

Gearing ratio

The Group monitors its capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity, and includes the amount due to related parties. The Group aims to maintain the debt-to-adjusted capital ratio at a reasonable level. The debt-to-adjusted capital ratios at 31 December 2007 and 31 December 2006 were as follows:

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Interest-bearing bank and other borrowings	**3,863.7**	2,883.8
Less: cash and cash equivalents	**(6,294.5)**	(385.4)
Net debt	**(2,430.8)**	2,498.4
Equity	**8,997.8**	1,515.2
Add: amount due to related parties	**268.3**	302.6
Adjusted capital	**9,266.1**	1,817.8
Debt-to-adjusted capital ratio	**-26%**	137%

Liquidity and capital resources

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service our indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements through a combination of internal resources, bank borrowings and issue of new shares.

As of 31 December 2007, the Group had cash and cash equivalents of HK$6,294.5 million, which was mainly denominated in RMB, HK dollar and US dollar.

As at 31 December 2007, the Group had total interest-bearing bank and other borrowings of HK$3,863.7 million (as at 31 December 2006: HK$2,883.8 million). Set out below is an analysis of interest-bearing bank and other borrowings of the Group:

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Within one year	**3,083.5**	1,547.7
In the second year	**32.1**	715.3
In the third to fifth years, inclusive	**748.1**	296.9
Over five years	**–**	323.9

Interest-bearing bank and other borrowings of approximately HK$3,083.5 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$1,031.4 million provided by a subsidiary of the Group and the minority shareholder of Huigang Real Estate. It is expected that these entrustment loans will be renewed upon their maturity dates.

All of the Group's borrowings are denominated in RMB and US dollars and bear interest at floating rates. There is no material effect of seasonality on the Group's borrowing requirements.

As at 31 December 2007, the Group had banking facilities of HK$6,713.7 million, all were denominated in RMB. The amount of banking facilities utilised was HK$3,863.7 million, the amount of unutilised banking facilities was HK$2,850.0 million.

On 31 December 2007, members of the Group entered into an entrustment loan framework agreement, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. This agreement will come into effect on 1 January 2008.

The Group's cash flow for the year ended 31 December 2007 was a net cash inflow of HK$5,936.6 million, which consists of:

1. A net cash inflow of HK$172.4 million from operating activities, which was mainly attributable to the sale of Beijing Chemsunny World Trade Centre and presale of Zhuhai Every Garden, partially offset by the payment of construction costs and selling expenses and administrative expenses.

2. A net cash outflow of HK$2,800.3 million from investing activities, which was mainly attributable to the acquisition of equity interests in Chemsunny, Sinochem Property Management and Wangfujing Hotel Management, partially offset by capital contribution from the minority shareholders of our subsidiaries and gains from disposal of subsidiaries.

3. A net cash inflow of HK$8,564.5 million from financing activities, which was mainly attributable to the funding from the issue of new shares to shareholder, funds raised from the initial public offering and new bank and other borrowings, partially offset by repayments of bank and other borrowings.

Pledge of assets

As at 31 December 2007, certain of the Group's borrowings were secured by the Group's investment properties with fair value of HK$956.6 million and bank deposits of HK$694.7 million.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2007.

Capital Commitments

The Group had the following capital commitments at the balance sheet date:

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Contracted, but not provided for capital expenditure in respect of properties under development in the PRC	**740.1**	730.2

Market risk

The Group's assets are predominantly in the form of investment properties, properties under development and properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realized.

Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations. Increases in interest rates would increase interest expenses relating to the Group's outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. The Group does not currently use any derivative instruments to manage the Group's interest rate risk. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

Foreign exchange risk

Substantially all of the Group's revenue and costs are denominated in Renminbi. All of the proceeds from the initial public offering of the Company on 17 August 2007 were in Hong Kong dollars. The Company reports its financial results in Hong Kong dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates. The Group does not currently engage in hedging to manage currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates. The foreign currency transaction risk is insignificant as the Group's revenue and costs are mainly denominated in RMB.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed 1,144 staff in total. The Group provides competitive salaries and bonuses for our employees, as well as other benefits, including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are regularly reviewed against market standards. The ordinary resolution regarding the adoption of share option scheme put forward at the extraordinary general meeting on 22 November 2007 was passed.

The Group encourages our employees to pursue self-improvement and lifelong learning and give them full support. By way of our comprehensive internal training platform, the Group seeks to develop and conduct internal training courses for our employees

SOCIAL RESPONSIBILITY AND CONSTRUCTION SAFETY

As an operator and developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance with existing environmental laws and regulations has not had a material adverse effect on our financial condition and results of operations, and management does not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that may be built or developed in the future.

During the project design stage, the necessary environmental control systems are to be incorporated into the project design. In the course of construction, we employ high-quality, experienced and highly-qualified contractors that we believe will reliably adhere to these regulations. In addition, we also employ independent third party advisors to oversee compliance with environmental, social, health and safety regulations. Upon completion of each project, approval from the environmental authorities on such report is required before we can handover our completed projects to our customers.

We address potential safety risks through selecting qualified and experienced partners who have the ability to cope effectively with any risks that may arise in the course of construction. All of our contractors have relevant emergency plans in place to ensure that if any accident happens, they can be dealt with in time efficiently and effectively. We have also established the HSE department to conduct safety inspections on projects under construction to ensure that the appropriate facilities are in place to minimize any safety risks that may arise.

The completed Beijing Chemsunny World Trade Centre was awarded the Certificate of Environmentally Friendly and Healthy Property Project by the Indoor Environment Professional Committee of the China Association for Science and Technology. The project under development Shanghai Gaoyang International Passenger Transport Centre will also incorporate intelligent, energy-efficient design elements. This design will allow the building to remain cool in the summer and warm in the winter.

POST-BALANCE SHEET EVENTS

On 31 March 2008, the Group entered into a land use right grant contract with the local land authority to acquire a central parcel of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai for a consideration of RMB1,123 million (approximately HK$1,247 million). The site, which is intended for development of commercial properties, has an area of 19,039 square metres, and the planned above-ground gross floor area of the site is expected to be 73,790 square metres.

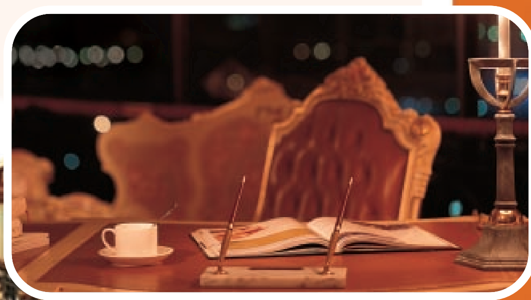
PROSPECTS OF THE COMPANY

The overall economy of the PRC keeps growing, bringing room for further expansion of the whole industry and the Group. The Group will speed up its regional expansion, increase its holding of investment properties, and promote awareness of its brand.

The Group persists in obtaining long-term and stable revenue by appropriate increase of its holding of quality commercial properties, and resists the risk of cycle fluctuations of the industry by the synergies gained from holding, operating and selling its properties simultaneously. The Group is committed to the development of a brand of high-end commercial properties and unique high-quality architectural works. Through its professional management system, the Group provides its customers with products of the highest quality and comprehensive services.

In 2008, we have every confidence in the prospects of the high end commercial property market in the PRC and the development of the Group. The Group will continue to carry out its core strategy of "developing and holding quality commercial properties in first-tier cities and prime locations", and actively increase our land bank in the cities of Beijing, Tianjin, Shanghai and Zhuhai to further enhance our capability of ongoing operation. We will also consider developing high-end residential projects with high return and short cycle.

WANGFUJING
Grand Hotel
王府井大飯店



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. PAN Zhengyi Chairman and non-executive director

Mr. PAN Zhengyi, aged 53, joined our Company in March 2006 and has been the Chairman of our Company since then. He has served in various senior positions in Sinochem Corporation since September 1984, and was appointed in June 2000 as Vice-President of Sinochem Corporation. Mr. Pan is in charge of, among others, the property investment and development business of Sinochem Corporation. He is currently the Chairman of Strategic Planning Commission of Sinochem Corporation, the Chairman of Sinochem International Chemicals (Hong Kong) Limited, Chairman of Rillfung Company Limited, Chairman of Beijing Chemsunny Property Company Limited and Sinochem International Property & Hotels Management Co., Ltd. He had also served as Chairman of Sinochem International Tendering Co., Ltd., Chairman of Sinochem Ningbo Ltd., and Chairman of Sinochem Qingdao Industrial Co., Ltd.. He has over 20 years of experience in corporate management and administration, property investment and development. Mr. Pan graduated from Liaoning College of Foreign Languages in China in 1975. He studied at Tokyo University of Foreign Studies in Japan from 1978 to 1980, majoring in business management and history of modern economic development of Japan. He earned a Master's degree in executive business administration from Peking University in 2004.

Ms. LI Lun Vice Chairman and non-executive director

Ms. LI Lun, aged 55, was in charge of the establishment of the Company and served as the Vice Chairman, executive director and Chief Executive Officer of our Company from June 2004 to December 2005. Ms. Li is currently the Vice Chairman and non-executive director of the Company. Ms. Li joined Sinochem Corporation in February 1977 and has served in various senior positions of a number of subsidiary companies of the Sinochem Corporation. She is currently the Vice Chairman of Sinochem Hong Kong (Group) Company Limited, Vice Chairman and General Manager of Rillfung Company Limited and Franshion Company Limited, and Vice Chairman of several joint ventures, namely Shanghai Dongfang Bulk Packaging Co., Ltd., Qingdao Gangxing Packaging Company Limited, Tianjin Beifang Packaging Company Limited, Tianjin Beihai Industrial Company Limited, Shanghai Orient Terminal Co., Ltd. and Sinochem Xingyuan Petroleum Storage and Transportation (Zhoushan) Co. Ltd. In over a decade since February 2006, she served as the Vice Chairman of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Port International Cruise Terminal Development Co., Ltd., Shanghai Ke Yi Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited, Guangzhou Xin Kang Real Estate Co., Ltd. and Wangfujing Hotel Management Company Limited, the Chairman of Sinochem Franshion Real Estates (Zhuhai) Co., Ltd., and a director of Beijing Chemsunny Property Company Limited. She has been involved in Sinochem Corporation's property investment and development projects since the 1980s and has been substantially involved in the making of key strategic decisions at the board level and responsible for the actual project management and operation of all the property projects developed by our Group since 1993. She has rich experience in enterprise management and real estate development. Ms. Li earned a Bachelor's degree from the Beijing Institute of Foreign Studies in 1975.

Mr. WANG Hongjun Non-executive director

Mr. WANG Hongjun, aged 43, joined our Company in March 2007 and has been a non-executive Director of our Company since then. He joined Sinochem Corporation in June 1995 and has been the general manager of the strategic planning department of Sinochem Corporation since 2004. Currently he is a non-executive director of Chemsunny, Sinochem Ningbo Ltd., Sinochem Qingdao Industrial Co., Ltd., Sinochem International Tendering Co., Ltd., China Foreign Economy and Trade Trust & Investment Co., Ltd., China New Technology Development and Trade Co., Ltd. and Sinochem Japan Co., Ltd. He has over 10 years of experience in corporate management. Mr Wang earned a Bachelor's degree from Shenyang Institute of Construction and Engineering in 1985, a Master of Economics degree from Renmin University of China in 1991 and a Master's degree in executive business administration from CEIBS in 2003.

Ms. LI Xuehua Executive director and Chief Executive Officer

Ms. LI Xuehua, aged 50, joined our Company in December 2005 and has been an executive director and Chief Executive Officer of our Company since then, responsible for the general operation and management of the Company. She joined Sinochem Corporation in October 2004 as deputy general manager of Sinochem Kingsway Capital Inc., and was an executive director of Sinochem Kingsway Asset Management Limited. She is currently the Vice Chairman of Sinochem International Property & Hotels Management Co., Ltd. and Wangfujing Hotel Management Company Limited, an executive director of Sinochem Franshion Real Estates (Zhuhai) Co., Ltd., and a non-executive director of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Port International Cruise Terminal Development Co., Ltd., Shanghai Huigang Real Estate Development Co., Ltd., Beijing Chemsunny Property Company Limited and Beijing Century Chemsunny Property Management Co., Ltd. She was a director of Sino-Ocean Land Limited from July 2006 to March 2007. Prior to joining Sinochem Corporation, she had worked in various senior financial management positions in China National Machinery Import and Export Corporation. Ms. Li has over 20 years of experience in corporate finance management. Ms. Li earned a diploma certificate from Jingqiao University of China in 1987 and a Master's degree from University of International Business and Economics in 1997.

Mr. HE Binwu Executive director and Vice President

Mr. HE Binwu, aged 59, has been an executive Director and the Vice President of the Company since June 2004 (when our Company was incorporated). He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been its director and General Manager since then. He has served as a director and Deputy General Manager of Franshion Company Limited since 1987. He is currently also a director and General Manager of Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai Huigang Real Estate Development Co., Ltd. He is also a nonexecutive director of Guangzhou Xin Kang Real Estate Co., Ltd. He served as non-executive director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. He has over 15 years of experience in the real estate development industry. In January 2007 he was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006 and 2007. Mr. He earned a diploma certificate from Shanghai Jiao Tong University in 1976.

Mr. JIANG Nan Executive director and Chief Financial Officer

Mr. JIANG Nan, aged 34, joined our Company in January 2006 as our Chief Financial Officer and has been involved in the day-to-day management of our Company since then. He has been an executive Director of our Company since March 2007. He is responsible for the direction and strategic planning, and management of finance and risks of our Company. He joined Sinochem Corporation in August 1995 and worked in the Finance Department of Sinochem Corporation from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006 with responsibility in handling its financial management and investment affairs including financial management aspects of its property projects. He also served as a non-executive director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from September 2006 to March 2007. He is currently a non-executive director of Beijing Chemsunny Property Company Limited, Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited and Shanghai Huigang Real Estate Development Co., Ltd. He has over 12 years of experience in corporate finance and accounting management. Mr. Jiang earned a Bachelor's degree in finance from the China Institute of Finance in 1995 and a Master's degree in finance from Central University of Finance and Economics in 2003. He is currently enrolled in a Master's degree course in Executive Business Administration at Xiamen University. He obtained Accounting Qualification Certificate in 1999.

Mr. LAU Hon Chuen, Ambrose Independent non-executive director, G.B.S., J.P.

Mr. LAU Hon Chuen, Ambrose, G.B.S., J.P., aged 60, has been an independent nonexecutive Director of our Company since March 2007. He is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. Lau is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. Lau was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. Lau is currently an independent non-executive director of the following listed companies: Glorious Sun Enterprises Ltd., Guangzhou Investment Company Ltd., GZI Transport Ltd., Qin Jia Yuan Media Services Co., Ltd., The Hong Kong Parkview Group Ltd., and Wing Hang Bank, Ltd. He is the Director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. Lau also served as Chairman of the Central and Western District Board between 1988 and 1994, President of the Law Society of Hong Kong in 1992-1993, Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has over 35 years of experience in legal practice and over ten years of experience in corporate management. Mr. Lau obtained a Bachelor of Laws degree from the University of London in 1969 and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public.

Professor SU Xijia Independent non-executive director

Professor SU Xijia, aged 53, has been an independent non-executive Director of our Company since March 2007. He has been an assistant professor and later an associate professor in the Department of Accountancy of City University of Hong Kong since 1996. He is also an associate professor of Guangzhou Ji-Nan University and Shanghai University of Finance and Economics. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed the Special Investigator by the CICPA since 2005. He has also given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He has served as an independent director of Shenzhen SEG Co., Ltd, a company listed on the Shenzhen Stock Exchange since June 2002. He also serves as an independent director of Shenzhen Topray Solar Co., Ltd. since February 2007. Professor Su has over 20 years of experience in corporate governance and accounting practice. He worked as an audit assistant for Da Hua Certified Public Accountants Co., Ltd (now Ernst & Young Dahua Certified Public Accountants Co., Ltd.) in 1984 and worked in the Xiamen University Certified Public Accountants Co., Ltd. from 1987 to 1988. Professor Su earned a Bachelor's degree and a Master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Professor LIU Hongyu Independent non-executive director

Professor LIU Hongyu, aged 46, has been an independent non-executive Director of our Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000 and since April 2004 he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996 he has also been director of the Institute of Real Estate Studies of Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. He has served as an independent director of COFCO Property (Group) Co., Ltd. since April 2006, an independent director of China Merchants Property Development Co., Ltd. since June 2002, both listed on the Shenzhen Stock Exchange, and an independent director of a Shanghai Stock Exchange listed company, Beijing Tianhong Baoye Property Co., Ltd. since April 2002. He is a vice chairman of the China Institute of Real Estate Appraisers and Agents and a director of Asian Real Estate Society. He is also an Hon. Professor of the University of Hong Kong and a Fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 19 years of experience in construction engineering. Professor Liu earned a Bachelor's degree in Structural Engineering and a Master's degree in Management Engineering from Tsinghua University in 1985 and 1988, respectively. He has also been a qualified real estate appraiser in the PRC.

Mr. NGAI Wai Fung   Independent non-executive director

Mr. NGAI Wai Fung, aged 46, has been an independent non-executive Director of our Company since May 2007. He has been an independent non-executive director of China Life Insurance Company Limited since December 2006 and China Chief Cable TV Group Limited since October 2004. He is also the director and Head of Listing Services of KCS Limited (formally the corporate services division of KPMG and Grant Thornton), vice president of the Hong Kong Institute of Chartered Secretaries and the Chairman of its China Affairs Committee. He also serves as director of Top Orient (H.K.) Limited, Top Orient Capital (Asia) Limited, Hong Kong City Development Limited, Asia Business Consultants (H.K.) Limited and Yi Jia International Development Co. Limited. He was the Company Secretary and Head of the Secretariat of ICBC (Asia) in 2005, the Company Secretary of China Unicom Limited from 2001 to 2003, the Executive Director, the Company Secretary and the Chief Financial Officer of Oriental Union Holdings Limited from 1999 to 2001. Mr. Ngai is a chartered secretary, and a member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major H Shares and red chips companies. Mr. Ngai graduated from Andrews University, Michigan, in 1992, and obtained a Master's degree in Business Administration. He graduated from the Hong Kong Polytechnic University in 2002 and obtained a Master's degree in Corporate Finance. He is studying a doctorate degree in Finance at Shanghai University of Finance and Economics.

Dr. GAO Shibin   Independent non-executive director

Dr. GAO Shibin, aged 44, has been an independent non-executive Director of our Company since July 2007. Dr. Gao has been working with Jones Lang LaSalle in the PRC since 2003, currently holding the National Director position, managing real estate transactions and advising institutional investors in relation to real estate investments, developments, asset purchases and disposals in China. He had worked as project manager, senior business manager or senior investment manager for several investment and management companies in the UK, Hong Kong and Canada between 1996 and 2003, and was involved in development, operation and management of real estate investments and in risk management of real estate portfolios. He has over ten years of experience in real estate investment and management industry. Dr. Gao earned a Bachelor's degree in Building Engineering and a Master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in 1998. Dr. Gao is a member of the Royal Institution of Chartered Surveyors.

SENIOR MANAGEMENT

Ms. LI Xuehua

Ms. LI Xuehua, joined our Company in December 2005 and has been the Chief Executive Officer of our Company since then. For details regarding Ms. Li's experience, please refer to "Directors" above.

Mr. HE Binwu

Mr. HE Binwu has been a Vice President of our Company since June 2004. For details regarding Mr. He's experience, please refer to "Directors" above.

Ms. LAN Haiqing

Ms. LAN Haiqing, aged 42, had been appointed as the Vice President of the Company since December 2007. Ms. Lan has served as the Managing Director and Managing General Manager of Wangfujing Hotel Management Company Limited since February 2005 and January 2002, respectively. From May 1997 to December 2001, she was the General Manager of Golden Beach Hotel, Qingdao. She has over 20 years of hotel management experience. Ms. Lan was graduated from Shandong University in 1998 (EMBA), and obtained a Master's degree from Les Roches School of Hospitality Management in Switzerland in June 2000. Ms. Lan participated in corporate governance and capital operation training in Tsinghua University and Sinochem Management Institute (中化管理學院) from 2002 to 2005.

Mr. YANG Baojian

Mr. YANG Baojian, aged 50, had been appointed as the Vice-President of the Company since December 2007. Mr. Yang joined Sinochem Corporation in June 1996, and had served as the General Manager of Sinochem International Property & Hotels Management Co., Ltd. since January 2007. Before joining the Company, Mr. Yang served as the General Manager of Beijing Eastern Garden International Convention Center from June 1996 to January 2007. He served in the Beijing Qianmen Hotel from 1978 to 1996 and was appointed as the Deputy General Manager of Beijing Qianmen Hotel in 1989. Mr. Yang has about 30 years of experience in hotel management and property management.

Mr. JIANG Nan

Mr. JIANG Nan joined our Company in January 2006 as the Chief Financial Officer of the Company. For details regarding Mr. Jiang's experience, please refer to "Directors" above.

Mr. GAI Jiangao

Mr. GAI Jiangao, aged 33, has been a Vice President of the Company since January 2007. Mr. Gai joined Sinochem Corporation in July 2000 and served as deputy General Manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Corporation, he worked in Rong Bao Zhai, with responsibility for legal services and auction of Chinese artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. Gai earned an LLB degree from the Capital University of Economics and Business in 1997. He has been qualified as a PRC lawyer since March 2000, and a qualified enterprise legal counsel since January 2003.

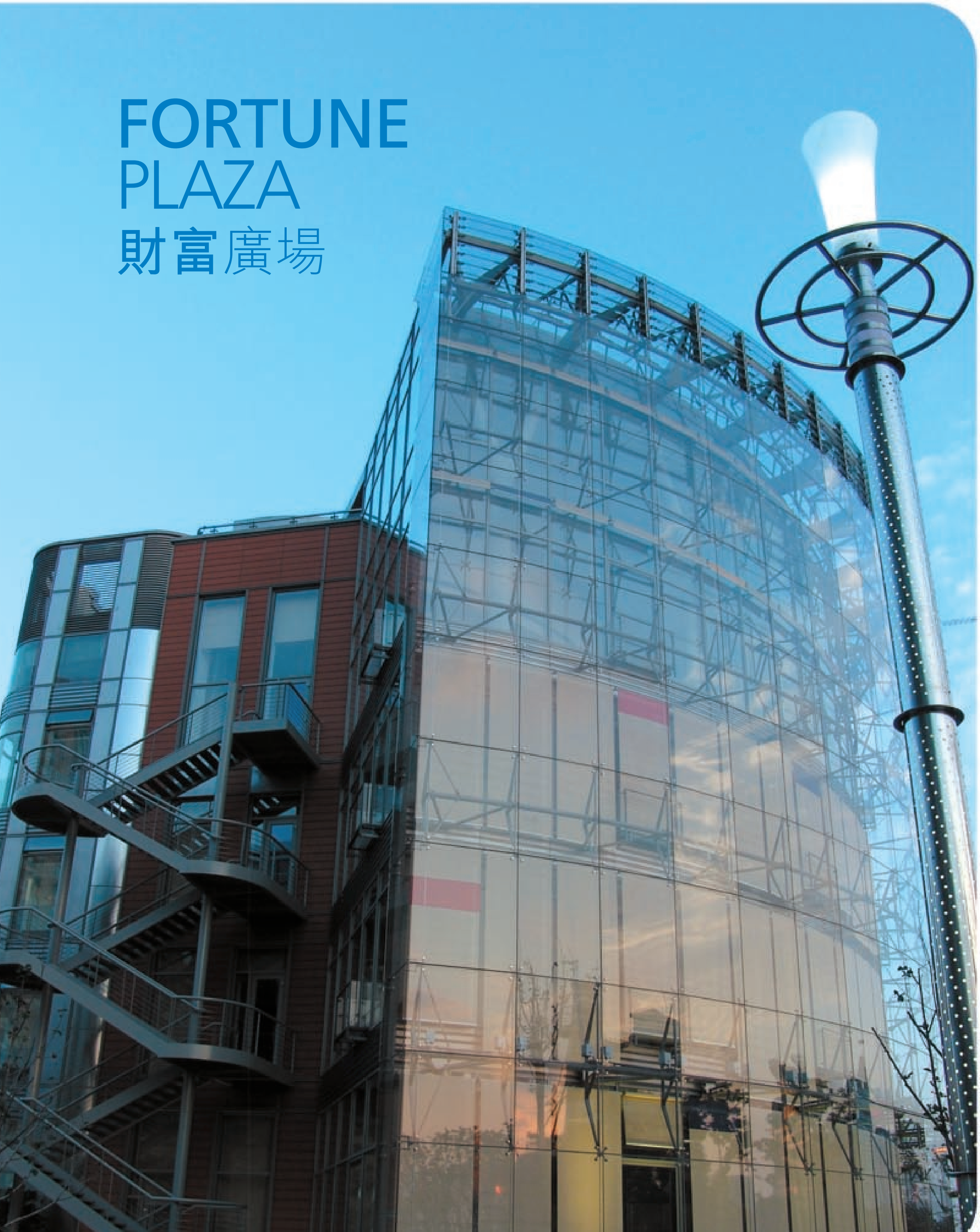
Mr. GAO Bo

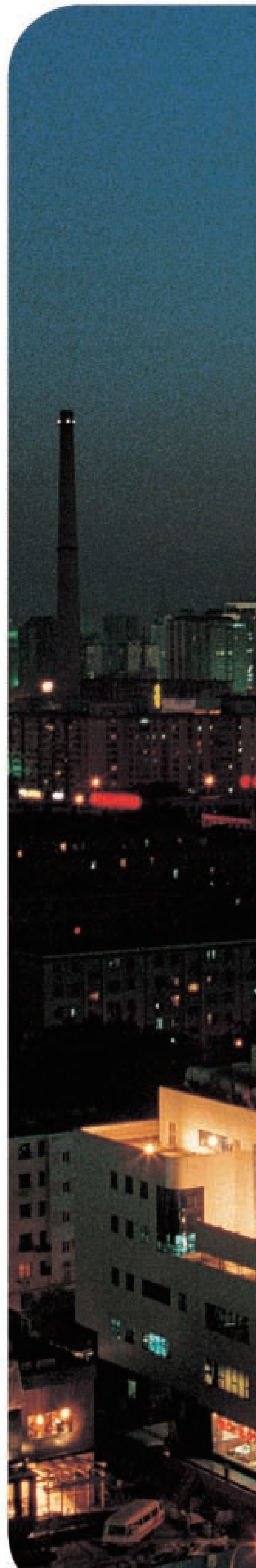
Mr. GAO Bo, aged 39, joined the Company in August 2007 as Assistant President the Chief Financial Officer. Mr. Gao has been serving as Deputy General Manager and assistant General Manager of Beijing Chemsunny Property Company Limited since May 2002 and as a director of Beijing Chemsunny Property Company Limited since May 2007. He joined Sinochem Corporation in 1993. He served in various senior positions of Sinochem Corporation, and managed and coordinated a number of real estate development projects including Jin Mao Tower and Chemsunny World Trade Centre. He has over 12 years of experience in the real estate development industry. Mr. Gao earned a Bachelor's degree in civil engineering from Southeast University in 1991.

Mr. LIAO Chi Chiun

Mr. LIAO Chi Chiun, aged 40, has been the Chief Accountant of our Company and our qualified accountant since March 2007. Before joining the Company he served as accountant of S E A Holdings Ltd between 1997 and 2006. He has over ten years of experience in Hong Kong and PRC accounting practice relating to property investment and developments. Mr. Liao holds a BA (Hons) Accounting degree from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

FORTUNE PLAZA
財富廣場





SINOCHEM TOWER
中化大厦

CORPORATE GOVERNANCE REPORT

Since its establishment, the Company has been committed to enhancing its corporate governance standards. The Company has adopted the Code on Corporate Governance Practices ("Corporate Governance Code") in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"). Since its listing up to and including 31 December 2007, the Company has applied and complied with the code provisions of the Corporate Governance Code. The Group will continue to improve its corporate governance practices, emphasizing the attainment and maintenance of a quality board, sound internal controls, high transparency to shareholders, and increase the confidence of shareholders in the Company. It believes that good corporate governance is important to the long-term healthy development of the Group and in the interests of the shareholders. Details of corporate governance practices of the Company in 2007 are set out below:

BOARD OF DIRECTORS

The board of directors (the "Board") is responsible to the shareholders for leadership and control of the Company and is collectively responsible for achieving the strategic objectives of the Company by formulation of the overall strategy, business direction and annual operation budget of the Company, preparation of annual and interim results, appointment of directors, and other material financial matters and policies. The Board has delegated the daily operations and administrations to management.

As of the date of this report, the Board consisted of the following 11 directors:

Non-executive Directors

Mr. PAN Zhengyi *(Chairman)*
Ms. LI Lun *(Vice Chairman)*
Mr. WANG Hongjun

Executive Directors

Ms. LI Xuehua *(Chief Executive Officer)*
Mr. HE Binwu *(Vice President)*
Mr. JIANG Nan *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Our board of directors

Biographical details of the directors are set out on pages 34 to 37 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance cover in respect of legal actions against its directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors provide the Group with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, help to ensure that adequate checks and balances are provided and that the interests of all shareholders are taken into account.

The Company has five independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive Director has confirmed his independence to the Company, and the Company considers these Directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors are free to have access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsel and other professionals for independent advice at the Company's expense if they require it.

Four Board committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Investment Committee, have been established to oversee particular aspects of the Company's affairs.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

Apart from consents obtained through circulation of written resolutions of all Board members, the Board met 11 times during the Period under Review at which the Directors considered and approved significant matters including the listing of the Company, the Hong Kong public offering and international offering of the shares of the Company. Individual attendance of each Director at such Board meetings during 2007 is set out below:

Position	Name	Meetings Attended	Attendance Rate
Non-executive Director	Mr. PAN Zhengyi	11/11	100%
Non-executive Director	Ms. LI Lun	11/11	100%
Non-executive Director	Mr. WANG Hongjun*	9/9	100%
Executive Director	Ms. LI Xuehua	11/11	100%
Executive Director	Mr. HE Binwu	10/11	91%
Executive Director	Mr. JIANG Nan*	9/9	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose*	9/9	100%
Independent non-executive Director	Professor SU Xijia*	9/9	100%
Independent non-executive Director	Professor LIU Hongyu*	8/9	89%
Independent non-executive Director	Mr. NGAI Wai Fung*	5/5	100%
Independent non-executive Director	Dr. GAO Shibin*	3/4	75%

* Mr. WANG Hongjun was appointed as a non-executive Director of the Company in March 2007.

* Mr. JIANG Nan was appointed as an executive Director of the Company in March 2007.

* Mr. LAU Hon Chuen, Ambrose was appointed as an independent non-executive Director of the Company in March 2007.

* Professor SU Xijia was appointed as an independent non-executive Director of the Company in March 2007.

* Professor LIU Hongyu was appointed as an independent non-executive Director of the Company in March 2007.

* Mr. NGAI Wai Fung was appointed as an independent non-executive Director of the Company in May 2007.

* Dr. GAO Shibin was appointed as an independent non-executive Director of the Company in July 2007.

To ensure compliance with all procedures of the meetings, all Directors have access to the advice and services of the company secretary. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on its latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with, and to enhance their awareness of, good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. PAN Zhengyi. The Chief Executive Officer of the Company is Ms. LI Xuehua. There is a clear division of these two positions to ensure a balance of power and authority.

The Chairman is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. He makes effective plans for Board meetings and ensures the Board act in the best interests of the Company and its shareholders.

The Chief Executive Officer is responsible for the daily operation of the business of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. She also advises the Board on any significant developments and issues.

RULES FOR APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has a formal, considered and transparent procedure for the appointment and replacement of directors. According to the Articles of Association of the Company, the Board has the right to appoint any director to fill a casual vacancy or appoint a new member to the Board. Qualifications and competence of the nominees should be considered during nomination. All directors, including executive and non-executive directors, are appointed for a term of three years.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skill as executive Directors.

The non-executive Directors of the Company possess sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.5.2(a) to (d) of the Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year which give a true and fair view of the operation and state of affairs of the Company. When preparing the financial statements, the Directors of the Company have selected appropriate accounting policies and applied them consistently, and have made judgements that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors Report" on pages 75 and 76.

REMUNERATION AND NOMINATION COMMITTEE

The members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia and Mr. PAN Zhengyi, all being non-executive Directors. The chairman of the remuneration and nomination committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

- to review the size and composition of the Board based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;
- to review the candidates for directorship and management and make recommendations;
- to make recommendations to the Board on the policy and structure for all remuneration and share option scheme of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and
- to determine the specific remuneration packages of all executive directors and senior management.

Two meetings were held by the Remuneration Committee in 2007 to review and approve the appointment of senior management, remuneration proposal for directors and senior management, and the share option scheme of the Company. Individual attendance of each member at such meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Professor SU Xijia	2/2	100%
Non-executive Director	Mr. PAN Zhengyi	2/2	100%

THE AUDIT COMMITTEE

The members of the Audit Committee of the Company are Professor SU Xijia, Professor LIU Hongyu, Mr. WANG Hongjun and Mr. NGAI Wai Fung. The chairman of the Audit Committee is Professor SU Xijia.

The functions of the Audit Committee include:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remunerations and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

- to develop and implement policies on the engagement of external auditor for non-audit services;

- to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them; and

- to review the Group's financial and accounting policies and practices, and review the external auditor's management letter, any material queries raised by the auditor to management and response of the Board.

The Audit Committee held two meetings in 2007 to review the operation results of the Company for the first half of 2007, and to discuss the plan of year-end audit for 2007, profit forecast for the year, and the arrangements for preparing the annual report of 2007. The attendance of individual members at Audit Committee meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Professor SU Xijia	2/2	100%
Independent non-executive Director	Professor LIU Hongyu	2/2	100%
Non-executive Director	Mr. WANG Hongjun	1/2	50%
Independent non-executive Director	Mr. NGAI Wai Fung	2/2	100%

The Chief Financial Officer, the qualified accountant and the auditor were also in attendance at the two meetings.

INDEPENDENT BOARD COMMITTEE

The members of the Independent Board Committee are Mr. LAU Hon Chuen, Ambrose, Dr. GAO Shibin, Mr. NGAI Wai Fung, Professor LIU Hongyu and Professor SU Xijia. The Chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

- to discuss whether the Company should exercise the separate options granted by Sinochem Corporation to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any redevelopment business in connection with the Non-Competition Undertaking or properties held by Sinochem Corporation, and the new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Corporation in writing;

- to review, at least on a semi-annual basis, all decisions made in the relevant six-month period in relation to whether to exercise an option or pursue a new opportunity, and the compliance with and enforcement of the Non-Competition Undertaking by Sinochem Corporation;

- to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers in connection with the exercise of options and pursuance of new opportunities; and

- to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held two meetings in 2007 to consider the connected transactions and whether the Company should pursue the new business opportunities that China Jin Mao (Group) Company Limited, which is controlled by the Sinochem Corporation, intended to invest in. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Professor SU Xijia	2/2	100%
Independent non-executive Director	Dr. GAO Shibin	2/2	100%
Independent non-executive Director	Mr. NGAI Wai Fung	2/2	100%
Independent non-executive Director	Professor LIU Hongyu	2/2	100%

INVESTMENT COMMITTEE

The members of the Investment Committee of the Company are Ms. LI Xuehua, Mr. PAN Zhengyi, Mr. HE Binwu, Mr. JIANG Nan and Dr. GAO Shibin. The Chairman of the Investment Committee is Ms. LI Xuehua.

The functions of the Investment Committee include:

– to formulate the long term investment plan of the Company;

– to review the annual investment budget submitted by the Company's management; and

– to review requests of the Company's management about annual investment budget adjustments.

The Investment Committee held one meeting in 2007 to consider and pass the investment budget of the Company for 2007. The attendance of each individual member at the meeting is 100%.

EXTERNAL AUDITOR

During the Period under Review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young amounted to a total of HK$2,230,000, of which HK$2,200,000 was for audit services and HK$30,000 for non-audit services (tax compliance services).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$571,000, all of which was for audit services.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, performs regular checks on office procedures, practices and systems to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all material controls, including financial, operational and compliance controls and risk management functions of the Company.

The Directors of the Company consider the Group's existing internal control system effective.

PRICE-SENSITIVE INFORMATION

The Company has taken every precaution in handling price-sensitive information, for which the Company has formulated an effective system and measures of confidentiality. Personnel who have access to price-sensitive information must ensure that such information is kept confidential, and should not divulge such sensitive information of the Company in any manner. Consultants and intermediaries hired by the Company have entered into confidentiality agreements with the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code since the listing of the Company up to and including 31 December 2007.

All the employees of the Group shall comply with "Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 to the Listing Rules in their dealings in the Company's securities.

RIGHTS OF SHAREHOLDERS

Shareholders have the right to raise questions and make suggestions about the business of the Company. All shareholders shall be on an equal footing according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to be informed and participate in the material matters of the Company as prescribed by laws, administrative decrees and the Articles of Association of the Company.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication channels, including general meetings, announcements and circulars to shareholders. An extraordinary general meeting was held on 22 November 2007 to consider and approve the share option scheme of the Company.

INVESTOR RELATIONS

The Company is committed to upholding an open and proactive investor relations strategy aimed at optimizing the knowledge and understanding of the investment community with respect to the Company's development strategies, competitive position in the industry and operating and financial performance, so as to enable the investing public to make informed decisions about their investment. The Company fulfills this through a designated investor relations department.

Spearheaded by the Chief Financial Officer, the investor relation department effects interactive two-way communication with the investing public so as to help investors evaluate the underlying value, development potential and prospects of the Company. The Company gives priority to fair, accurate and timely information disclosure to ensure a high level of transparency.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of and investment in real estate projects, focusing on commercial real estate development, hotel investments and property operations. Details of the subsidiaries of the Company are set out in notes to financial statements on pages 124 to 126.

ISSUE AND LISTING OF SHARES

On 17 August 2007, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. 1,622,764,000 shares, including the shares issued upon exercise of the over-allotment option, were offered and issued at an offer price of HK$2.35 per share through Hong Kong public offering and international offering.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2007 are set out in the combined income statement on page 77 of this annual report.

The Board recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December 2007 (2006: n/a). No interim dividend was paid for the six months ended 30 June 2007. The proposed final dividend shall be subject to approval of shareholders in a general meeting.

The final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 18 June 2008. The register of members of the Company will be closed from 13 June 2008 to 18 June 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the above proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 June 2008.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 17 August 2007, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Net proceeds from the initial public offering were approximately HK$3,620 million. Approximately HK$440 million had been utilized by the Company to pay part of the consideration for acquiring equity interests in Wangfujing Hotel Management, Sinochem Property Management and Chemsunny, and approximately HK$300 million had been utilized for project funding purposes. As at 31 December 2007, the remaining balance of approximately HK$2,880 million was deposited in bank.

RESERVES

Movements in reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the combined statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$469,157,000, of which HK$98,305,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$2,022,833,000, may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

Sales to major customers and purchases from major suppliers of the Group in the financial year are set out below:

	For the year ended 31 December 2007 Percentage of total turnover
Five largest customers	79%
The largest customer	30%

	Percentage of total purchase
Five largest suppliers	77%
The largest supplier	58%

The above five largest customers and suppliers of the Group are independent third parties. None of the Directors of the Company, their associates or any shareholders holding more than 5% of the Company's share capital has an interest in the Group's five largest customers or five largest suppliers.

BANK BORROWINGS AND OTHER BORROWINGS

Particulars of the bank borrowings and other borrowings of the Company and of the Group as at 31 December 2007 are set out in note 29 to the financial statements.

DONATION

During the year, the Group did not make any charitable donation.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

According to the Company's prospectus dated 6 August 2007, hotel properties of the Group included in the above at cost was valued at RMB825 million (approximately HK$847 million) on 31 May 2007. If hotel properties of the Group for the year ended 31 December 2007 had been calculated based on the above valuation throughout the period and included in the financial statements, an additional depreciation charge of HK$13.5 million would have been charged to the combined income statement for the year ended 31 December 2007.

ORDINARY SHARES

Details of movements in the ordinary shares of the Company are set out in note 32 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 156 of this annual report.

DIRECTORS

As of the date of this report, Directors of the Company were:

Executive Directors

Ms. LI Xuehua *(Chief Executive Officer)*
Mr. HE Binwu *(Vice President)*
Mr. JIANG Nan *(Chief Financial Officer)*

Non-executive Directors

Mr. PAN Zhengyi *(Chairman)*
Ms. LI Lun *(Vice Chairman)*
Mr. WANG Hongjun

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 34 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2007, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by reference to directors' duties and responsibilities, individual performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its 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.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Sinochem Corporation is the ultimate controlling shareholder of the Company. The material contracts entered into between Sinochem Corporation and its subsidiaries, Sinochem Hong Kong and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Corporation and the Company dated 26 July 2007.

Sinochem Corporation has provided its written confirmation in respect of its and its subsidiaries' (other than those which form part of our Group) compliance with its obligations under the Non-competition Undertaking.

RETIREMENT SCHEME

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") organized by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expensed as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2007 were HK$7,160,000.

MANAGEMENT CONTRACT

The Company and its subsidiaries did not enter into any management contract during the year.

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme, the purpose of which is to increase the commitment of the participants to the Company and encourage them to fulfil the objectives of the Company.

According to the terms of the share option scheme of the Company , the Board shall at its absolute discretion be entitled to grant to any participant certain number of options at a subscription price at any time within 10 years after the adoption date of the scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group. For the avoidance of doubt, participant does not include any independent non-executive Director. As at 31 December 2007, the Company had not granted any share option to any participant.

DIRECTORS' INTERESTS

Save as disclosed below, as at 31 December 2007, none of the Directors and chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

Name	Long / short positions	Capacity	Number of ordinary shares	Percentage of the issued capital
PAN Zhengyi	Long position	Beneficial owner	24,000	0

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2007, according to the register of interests kept by the Company under section 336 of the SFO, the following entity had interests or short positions in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Long / short positions	Capacity/nature of interests	Number of ordinary shares	Percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	3,292,500,000	66.99
Sinochem Corporation	Long position	Interest of controlled corporation	3,292,500,000	66.99

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified by any person (other than Directors or chief executives of the Company) of any interest or short position in the shares or underlying shares of the Company as at 31 December 2007.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into certain non-exempt continuing connected transactions, including (i) provision of back-to-back guarantee by the Company, (ii) lease of properties to connected persons of the Company, (iii) provision of entrustment loans to connected persons of the Company, (iv) provision of property management services and lease of properties by the Company's connected persons to the Company; (v) provision of advisory services by the Company to connected persons; and (vi) entrustment loan framework agreement. In relation to these continuing connected transactions, the Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Set out below is a summary of these transactions:

The approved transaction limits and actual transacted amounts of the connected transactions of the Company for the year 2007 are set out below:

	Connected Person	Nature of Transaction	Currency	Transaction amount in 2007	Approved cap for 2007	Effective period
Non-exempt Continuing Connected Transactions						
1	Shanghai International Port (Group) Co., Ltd.	Provision of back-to-back guarantee by the Company	RMB	150,000,000	3,000,000,000	2006 to 2011
2A	Sinochem Corporation	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	21,445,513	24,075,000	2007 to 2009
2B	Sinochem Fertilizer Company Limited	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	6,319,536	7,278,000	2007 to 2009
2C	Sinochem International Oil Company	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	5,753,477	6,686,000	2007 to 2009
2D	Sinochem International Industrial Company	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	302,941	351,000	2007 to 2009
2E	Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	5,889,282	6,761,000	2007 to 2009
2F	China Foreign Economy and Trade & Investment Co., Ltd	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	3,288,283	3,723,000	2007 to 2009
2G	International Far Eastern Leasing Co., Ltd.	Lease of Beijing Chemsunny World Trade Centre from the Company	RMB	338,544	372,000	2007 to 2009
3A	Sinochem International Tendering Co., Ltd	Lease of Sinochem Tower from the Company	RMB	–	1,227,000	2007 to 2010
3B	Sinochem Plastics Company	Lease of Sinochem Tower from the Company	RMB	187,456	550,000	2007 to 2010
3C	China National Seed Group Corp.	Lease of Sinochem Tower from the Company	RMB	–	698,000	2007 to 2010
3D	CNSGC-DEKALB Seed Co., Ltd.	Lease of Sinochem Tower from the Company	RMB	–	11,000	2007 to 2008
3E	China Foreign Economy and Trade & Investment Co., Ltd.	Lease of Sinochem Tower from the Company	RMB	130,094	131,000	2007 to 2009

Connected Person		Nature of Transaction	Currency	Transaction amount in 2007	Approved cap for 2007	Effective period
3F	Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	Lease of Sinochem Tower from the Company	RMB	2,460,071	2,653,000	2007 to 2009
3G	Sinochem International Information Corporation	Lease of Sinochem Tower from the Company	RMB	–	142,000	2007 to 2010
3H	Sinochem International Corporation Beijing Branch	Lease of Sinochem Tower from the Company	RMB	–	602,000	2007 to 2010
3I	Sinochem Corporation	Lease of Sinochem Tower from the Company	RMB	416,877	417,000	2007 to 2009
3J	Sinochem Quanzhou Petroleum Co., Ltd.	Lease of Sinochem Tower from the Company	RMB	–	–	2007 to 2008
3K	Rillfung Company Limited Beijing Representative Office	Lease of Sinochem Tower from the Company	RMB	–	–	2007 to 2008
3L	Sinochem Guangdong Company	Lease of Sinochem Tower from the Company	RMB	–	–	2007 to 2010
4	Shanghai Huigang Real Estate Development Co., Ltd.	Provision of entrustment loan by the Company	RMB	400,000,000	400,000,000	2007 to 2008
5	Shanghai Port International Cruise Terminal Development Co., Ltd.	Provision of entrustment loan by the Company	RMB	250,000,000	250,000,000	2007 to 2009
6	Beijing Century Chemsunny Property Management Co., Ltd.	Provision of property management services to the Company	RMB	13,707,948	40,000,000	2007 to 2009
Continuing Connected Transactions Exempt from Independent Shareholders' Approval Requirements						
7	Sinochem Hong Kong (Group) Company Limited	Lease of property in Hong Kong to the Company	HKD	961,644	962,000	2007 to 2009
8	Shanghai Pudong Jinxin Real Estate Development Co., Ltd.	Provision of advisory services by the Company	USD	500,000	500,000	2007 to 2009

1. *Provision of back-to-back guarantee with Shanghai Real Estate (Group) Co., Ltd. ("Shanghai Real Estate") and Shanghai Pudong Jinxin*

Shanghai Port is a substantial shareholder of the Company's subsidiaries, Shanghai International Port (Group) Co., Ltd. ("Shanghai Terminal Co.") and Huigang Real Estate, and is therefore a connected person of the Company.

Shanghai Terminal Co. obtained a syndicated loan facility in the amount of RMB3 billion for a term of five years from 28 September 2006 to 27 September 2011. The loan will bear interest at 10% below the base lending rate per annum published by the PBOC. In this connection, a property mortgage was executed by Shanghai Terminal Co. in favour of the bank syndicate. As the RMB3 billion loan would only be used by Shanghai Terminal Co. towards the development of Site B and no part of it would be applied towards the development of Site A, Shanghai Pudong Jinxin, Shanghai Real Estate and the Company executed a joint and several back-to-back guarantee for a term consistent with the term of the loan facility in favour of Shanghai Port on 15 September 2006. Under the back-to-back guarantee, the Company, Shanghai Real Estate and Shanghai Pudong Jinxin shall be jointly and severally liable for repayment of the syndicated loan and all costs and expenses incurred in connection therewith. In addition, the Company, Shanghai Real Estate and Shanghai Pudong Jinxin have agreed to indemnify Shanghai Port against any liability incurred by Shanghai Port in connection with the syndicated loan.

2. *Lease of property in Beijing Chemsunny World Trade Centre by the Sinochem Group*

Sinochem Corporation is a controlling shareholder of the Company and is therefore a connected person of the Company. Sinochem Corporation and six of its subsidiaries have entered into tenancy agreements with Chemsunny.

2A Sinochem Corporation

Sinochem Corporation entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, Sinochem Corporation shall pay a monthly rental of approximately RMB4,417,901 and property management fees of approximately RMB466,310 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by Sinochem Corporation to Chemsunny pursuant to the tenancy agreement are expected not to exceed RMB24,075,000, RMB71,597,000, and RMB71,597,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem Corporation to Chemsunny under the tenancy agreement taking into account the annual rent review provision contained therein.

2B Sinochem Fertilizer Company Limited

Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), an indirect wholly-owned subsidiary of Sinofert Holdings Limited which is in turn a subsidiary of Sinochem Corporation, entered into a tenancy agreement with Chemsunny on 8 June 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, Sinochem Fertilizer shall pay a monthly rental of RMB1,297,296 and property management fees of RMB144,144 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by Sinochem Fertilizer to Chemsunny are expected not to exceed RMB7,278,000, RMB21,476,000 and RMB21,476,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem Fertilizer to Chemsunny under the tenancy agreement taking into account the annual rent review provision contained therein.

2C Sinochem International Oil Company

Sinochem International Oil Company ("Sinochem International Oil"), a subsidiary of Sinochem Corporation, entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, Sinochem International Oil shall pay a monthly rental of RMB1,184,885 and property management fees of approximately RMB136,717 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by Sinochem International Oil to Chemsunny are expected not to exceed RMB6,686,000, RMB19,715,000 and RMB19,715,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem International Oil to Chemsunny under the tenancy agreement taking into account the annual rent review provision contained therein.

2D Sinochem International Industrial Company

Sinochem International Industrial Company ("Sinochem Industrial"), a subsidiary of Sinochem Corporation, entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, Sinochem Industrial shall pay a monthly rental of approximately RMB62,363 and property management fees of approximately RMB7,195 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by Sinochem Industrial to Chemsunny are expected not to exceed RMB351,000, RMB1,038,000 and RMB1,038,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem Industrial to Chemsunny under the tenancy agreement taking into account the rent review provision contained therein.

2E Sinochem Petroleum Exploration and Production Co., Ltd.

Sinochem Petroleum Exploration and Production Co., Ltd. ("Sinochem Petroleum Exploration"), a subsidiary of Sinochem Corporation, entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, Sinochem Petroleum Exploration shall pay a monthly rental of RMB1,207,585 and property management fees of approximately RMB144,910 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem Petroleum Exploration to Chemsunny are expected not to exceed RMB6,761,000, RMB20,015,000 and RMB20,015,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by Sinochem Petroleum Exploration to Chemsunny under the tenancy agreement taking into account the rent review provision contained therein.

2F China Foreign Economy and Trade & Investment Co., Ltd.

China Foreign Economy and Trade & Investment Co., Ltd. ("CFETICL"), a subsidiary of Sinochem Corporation, entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, CFETICL shall pay a monthly rental of approximately RMB653,600 and property management fees of approximately RMB85,252 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by CFETICL to Chemsunny are expected not to exceed RMB3,723,000, RMB10,989,000 and RMB10,989,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by CFETICL to Chemsunny under the tenancy agreement taking into account the rent review provision contained therein.

2G International Far Eastern Leasing Co., Ltd.

International Far Eastern Leasing Co., Ltd. entered into a tenancy agreement with Chemsunny on 25 May 2007. The term of the tenancy agreement is from 1 June 2007 to 31 December 2009. Pursuant to the tenancy agreement, International Far Eastern Leasing Co., Ltd. shall pay a monthly rental of approximately RMB68,452 and property management fees of approximately RMB8,928 to Chemsunny. The tenancy agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The rentals, property management fees, carpark fees, utilities and other miscellaneous fees payable by International Far Eastern leasing Co., Ltd. to Chemsunny are expected not to exceed RMB372,000, RMB1,118,000 and RMB1,118,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rentals, property management fees, carpark fees, utilities and miscellaneous fees payable by International Far Eastern Leasing Co., Ltd. to Chemsunny under the tenancy agreement taking into account the rent review provision contained therein.

The leases set out in paragraphs 2A to 2G above have been aggregated pursuant to Rule 14A.25 of the Listing Rules as they have all been entered into by Chemsunny and members of the Sinochem Group.

3. *Continuing Connected Transaction between Sinochem Corporation and its subsidiaries and Sinochem Property Management*

The Company completed the acquisition of Sinochem Property Management on 18 December 2007, and Sinochem Property Management has become a wholly-owned subsidiary of the Group since then. According to the Listing Rules, the ongoing transactions contemplated under the lease agreements between Sinochem Property Management and Sinochem Corporation and its subsidiaries (the "Lessee Companies") have become continuing connected transactions of the Group.

Details of such continuing connected transactions are set out below:

3A Sinochem International Tendering Co., Ltd

Sinochem International Tendering Co., Ltd ("SITCL") entered into a lease agreement with Sinochem Property Management on 8 November 2007. The term of the lease agreement is from 1 November 2007 to 31 October 2010. Pursuant to the lease agreement, SITCL shall pay a monthly rental of approximately RMB512,613.91 and monthly property management fees of approximately RMB100,671.35 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by SITCL to Sinochem Property Management pursuant to the lease agreement are expected not to exceed RMB1,227,000 for the two months ending 31 December 2007, RMB7,359,000 and RMB7,359,000 for the two years ending 31 December 2009, and RMB6,133,000 for the ten months ending 31 October 2010. The annual caps are based primarily on the rentals and property management fees payable by SITCL to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3B Sinochem Plastics Company

Sinochem Plastics Company ("SPC") entered into a lease agreement with Sinochem Property Management on 22 October 2007, whereby SPC leases from Sinochem Property Management 7/F and Room 326 of 3/F of Sinochem Tower. The term of the lease agreement in relation to 7/F is from 1 October 2007 to 30 September 2010; and in relation to Room 326 of 3/F is from 1 December 2007 to 30 September 2010. Pursuant to the lease agreement, SPC shall pay, in relation to 7/F, a monthly rental of RMB147,728.08 and monthly property management fees of RMB33,557.03 to Sinochem Property Management. In relation to Room 326 of 3/F, SPC shall pay a monthly rental of RMB4,977.82 and property management fees of RMB1,193.03 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

In relation to 7/F, the amounts payable by SPC to Sinochem Property Management are expected not to exceed RMB544,000 for the three months ending 31 December 2007, RMB2,175,000 and RMB2,175,000 for the two years ending 31 December 2009, and RMB1,632,000 for the nine months ending 30 September 2010; and in relation to Room 326 of 3/F, the amounts payable by SPC to Sinochem Property Management are expected not to exceed RMB6,000 for the one month ending 31 December 2007, RMB74,000 and RMB74,000 for the two years ending 31 December 2009, and RMB56,000 for the nine months ending 30 September 2010. The annual caps are based primarily on the rentals and property management fees payable by SPC to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3C China National Seed Group Corp.

China National Seed Group Corp. ("CNSGC") entered into a lease agreement with Sinochem Property Management on 6 November 2007. The term of the lease agreement is from 16 October 2007 to 15 October 2010. Pursuant to the lease agreement, CNSGC shall pay a monthly rental of RMB232,335.24 and monthly property management fees of approximately RMB46,681.68 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by CNSGC to Sinochem Property Management are expected not to exceed RMB698,000 for the two months and 16 days ending 31 December 2007, RMB3,348,000 and RMB3,348,000 for the two years ending 31 December 2009, and RMB2,651,000 for the nine months and 15 days ending 15 October 2010. The annual caps are based primarily on the rentals and property management fees payable by CNSGC to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3D CNSGC-DEKALB Seed Co., Ltd.

CNSGC-DEKALB Seed Co., Ltd. ("CDSCL") entered into a lease agreement with Sinochem Property Management on 29 October 2007. The term of the lease agreement is from 16 December 2007 to 15 December 2008. Pursuant to the lease agreement, CDSCL shall pay a monthly rental of RMB17,861.34 and monthly property management fees of approximately RMB3,430.32 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by CDSCL to Sinochem Property Management are expected not to exceed RMB11,000 for the 16 days ending 31 December 2007 and RMB245,000 for the 11 months and 15 days ending 15 December 2008. The annual caps are based primarily on the rentals and property management fees payable by CDSCL to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3E *CFETICL*

CFETICL entered into a lease agreement with Sinochem Property Management on 29 November 2007, whereby CFETICL leases from Sinochem Property Management Room 306 of 3/F and Rooms 810 and 812 of 8/F of Sinochem Tower. The term of the lease agreement in relation to Room 306 of 3/F is from 15 October 2007 to 31 December 2007; and in relation to Rooms 810 and 812 of 8/F is from 17 October 2007 to 16 October 2009. Pursuant to the lease agreement, CFETICL shall pay, in relation to Room 306 of 3/F, a monthly rental of RMB36,927 and monthly property management fees of approximately RMB8,613 to Sinochem Property Management. In relation to Rooms 810 and 812 of 8/F, CFETICL shall pay a monthly rental of RMB5,566.22 and monthly property management fees of approximately RMB1,188.39 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

In relation to Room 306 of 3/F, the amounts payable by CFETICL to Sinochem Property Management are expected not to exceed RMB114,000 for the two months and 17 days ending 31 December 2007; and in relation to Rooms 810 and 812 of 8/F, the amounts payable by CFETICL to Sinochem Property Management are expected not to exceed RMB17,000 for the two months and 15 days ending 31 December 2007, RMB80,000 for the year ending 31 December 2008, and RMB64,000 for the nine months and 16 days ending 16 October 2009. The annual caps are based primarily on the rentals and property management fees payable by CFETICL to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3F *Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch*

Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch ("MSLICLBB") entered into a lease agreement with Sinochem Property Management on 16 February 2006. The term of the lease agreement is from 20 February 2006 to 19 February 2009. Pursuant to the lease agreement, MSLICLBB shall pay a monthly rental of RMB176,196.60 and monthly property management fees of approximately RMB44,863.20 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by MSLICLBB to Sinochem Property Management are expected not to exceed RMB2,653,000 and RMB2,653,000 for the two years ending 31 December 2008, and RMB332,000 for the one month and 19 days ending 19 February 2009. The annual caps are based primarily on the rentals and property management fees payable by MSLICLBB to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3G *Sinochem International Information Corporation*

Sinochem International Information Corporation ("SIIC") entered into a lease agreement with Sinochem Property Management on 14 November 2007. The term of the lease agreement is from 16 October 2007 to 15 October 2010. Pursuant to the lease agreement, SIIC shall pay a monthly rental of RMB47,321.27 and monthly property management fees of approximately RMB9,507.97 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by SIIC to Sinochem Property Management are expected not to exceed RMB142,000 for the two months and 16 days ending 31 December 2007, RMB682,000 and RMB682,000 for the two years ending 31 December 2009, and RMB540,000 for the nine months and 15 days ending 15 October 2010. The annual caps are based primarily on the rentals and property management fees payable by SIIC to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3H *Sinochem International Corporation Beijing Branch*

Sinochem International Corporation Beijing Branch ("SICBB") entered into a lease agreement with Sinochem Property Management on 29 November 2007, whereby SICBB leases from Sinochem Property Management 18/F and Room 1108 of 11/F of Sinochem Tower. The term of the lease agreement in relation to 18/F is from 1 October 2007 to 30 September 2010; and in relation to Room 1108 of 11/F is from 1 January 2008 to 31 December 2008. Pursuant to the lease agreement, SICBB shall pay, in relation to 18/F, a monthly rental of RMB167,013.73 and property management fees of approximately RMB33,557.03 to Sinochem Property Management. In relation to Room 1108 of 11/F, SICBB shall pay a monthly rental of RMB75,793.19 and property management fees of approximately RMB16,778.65 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

In relation to 18/F, the amounts payable by SICBB to Sinochem Property Management are expected not to exceed RMB602,000 for the three months ending 31 December 2007, RMB2,407,000 and RMB2,407,000 for the two years ending 31 December 2009, and RMB1,805,000 for the nine months ending 30 September 2010; and in relation to Room 1108 of 11/F, the amounts payable by SICBB to Sinochem Property Management are expected not to exceed RMB1,111,000 for the year ending 31 December 2008. The annual caps are based primarily on the rentals and property management fees payable by SICBB to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3I *Sinochem Corporation*

Sinochem Corporation entered into a lease agreement with Sinochem Property Management on 29 November 2007, whereby Sinochem Corporation leases from Sinochem Property Management 4/F, Room 308A of 3/F and Rooms 308B and 323 of 3/F of Sinochem Tower. The term of the lease agreement in relation to 4/F and Room 308A of 3/F is from 13 October 2007 to 12 October 2009 and in relation to Rooms 308B and 323 of 3/F is from 13 October 2007 to 31 December 2008. Pursuant to the lease agreement, Sinochem Corporation shall pay, in relation to 4/F, a monthly rental of RMB53,425.21 and property management fees of approximately RMB11,826.95 to Sinochem Property Management. In relation to Room 308A of 3/F, Sinochem Corporation shall pay a monthly rental of RMB57,602.40 and property management fees of approximately RMB12,751.68 to Sinochem Property Management. In relation to Rooms 308B and 323 of 3/F, Sinochem Corporation shall pay a monthly rental of RMB25,601.98 and property management fees of approximately RMB5,667.62 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

In relation to 4/F, the amounts payable by Sinochem Corporation to Sinochem Property Management are expected not to exceed RMB163,000 for the two months and 19 days ending 31 December 2007, RMB783,000 for the year ending 31 December 2008, and RMB620,000 for the nine months and 12 days ending 12 October 2009; and in relation to Room 308A of 3/F, the amounts payable by Sinochem Corporation to Sinochem Property Management are expected not to exceed RMB176,000 for the two months and 19 days ending 31 December 2007, RMB844,000 for the year ending 31 December 2008, and RMB668,000 for the nine months and 12 days ending 12 October 2009; and in relation to Rooms 308B and 323 of 3/F, the amounts payable by Sinochem Corporation to Sinochem Property Management are expected not to exceed RMB78,000 for the two months and 19 days ending 31 December 2007 and RMB375,000 for the year ending 31 December 2008. The annual caps are based primarily on the rentals and property management fees payable by Sinochem Corporation to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3J *Sinochem Quanzhou Petroleum Co., Ltd.*

Sinochem Quanzhou Petroleum Co., Ltd. ("SQPCL") entered into a lease agreement with Sinochem Property Management on 29 November 2007. The term of the lease agreement is from 1 January 2008 to 31 December 2008. Pursuant to the lease agreement, SQPCL shall pay a monthly rental of RMB85,436.09 and property management fees of RMB16,778.65 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by SQPCL to Sinochem Property Management are expected not to exceed RMB1,227,000 for the year ending 31 December 2008. The annual cap is based primarily on the rentals and property management fees payable by SQPCL to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3K *Rillfung Company Limited Beijing Representative Office*

Rillfung Company Limited Beijing Representative Office ("RCLBRO") entered into a lease agreement with Sinochem Property Management on 29 November 2007. The term of the lease agreement is from 1 January 2008 to 31 December 2008. Pursuant to the lease agreement, RCLBRO shall pay a monthly rental of RMB20,042.27 and property management fees of RMB4,026.97 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by RCLBRO to Sinochem Property Management are expected not to exceed RMB289,000 for the year ending 31 December 2008. The annual cap is based primarily on the rentals and property management fees payable by RCLBRO to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

3L *Sinochem Guangdong Company*

Sinochem Guangdong Company ("SGC") entered into a lease agreement with Sinochem Property Management on 29 November 2007. The term of the lease agreement is from 1 January 2008 to 31 December 2010. Pursuant to the lease agreement, SGC shall pay a monthly rental of RMB28,497.34 and property management fees of RMB6,152.03 to Sinochem Property Management. The lease agreement was agreed upon following arm's length negotiations and is based on normal commercial terms.

The amounts payable by SGC to Sinochem Property Management are expected not to exceed RMB416,000.00, RMB416,000.00 and RMB416,000.00 for the three years ending 31 December 2010. The annual caps are based primarily on the rentals and property management fees payable by SGC to Sinochem Property Management under the lease agreement taking into account the annual rent review provision contained therein.

The above continuing connected transactions have been aggregated pursuant to Rule 14A.25 of the Listing Rules as they have all been entered into by Sinochem Property Management and members of the Sinochem Group.

4. *Provision of entrustment loan to Huigang Real Estate*

Huigang Real Estate is an associate of Shanghai Port, which is a substantial shareholder of the Company's subsidiary, Shanghai Terminal Co. Huigang Real Estate is therefore a connected person of the Company.

Chemsunny entered into an entrustment loan agreement with Bank of Communications, Shanghai Pudong branch ("BOCOM") on 24 May 2007 pursuant to which it shall deposit a sum of RMB400 million with BOCOM from 25 May 2007 to 24 May 2008. Pursuant to the agreement, BOCOM shall lend a total amount not exceeding RMB400 million to a borrower as instructed by Chemsunny in one or more drawdowns, and shall pay interest to Chemsunny after deducting BOCOM's administration fees and business tax (if any). Pursuant to a loan agreement between Chemsunny, BOCOM and Huigang Real Estate dated 24 May 2007, Chemsunny instructed BOCOM to lend RMB400 million (at an interest rate of 6.57% per annum and administration fee rate of 0.01% per month) to Huigang Real Estate from 25 May 2007 to 24 May 2008. Huigang Real Estate may prepay the borrowed sum to BOCOM with the consent of Chemsunny. Huigang Real Estate and Chemsunny may also agree to extend the term of the loan and to instruct BOCOM to complete related formalities. The Directors confirm that the terms of the loan agreement are on normal commercial terms and in particular, the interest rate is in line with interest rates prevailing in the market for similar term loans. It is expected that the maximum amount which will be lent by Chemsunny for each of the two years ending 31 December 2008 will not exceed RMB400 million.

5. *Provision of entrustment loan to Shanghai Terminal Co.*

Shanghai Terminal Co. is a subsidiary of Shanghai Pudong Jinxin which is an associate of Shanghai Real Estate. Shanghai Real Estate is a substantial shareholder of the Company's subsidiary, Shanghai Pudong Jinxin. Shanghai Terminal Co. is therefore a connected person of the Company by virtue of it being a subsidiary of an associate of a substantial shareholder of the Company.

Shanghai Terminal Co., Shanghai Real Estate and the Company entered into a master entrustment loan agreement ("Master Agreement") on 12 July 2007 pursuant to which the Company and Shanghai Real Estate (or their respective nominees) may appoint China Merchants Bank, Shanghai Jinjiao branch (or any other financial institution licensed to provide entrustment loans) to provide an entrustment loan of RMB500 million in favour of Shanghai Terminal Co. for the development of Site B of the Shanghai Gaoyang International Transport Centre. As each of the Company and Shanghai Real Estate has a 50% interest in Site B of the Shanghai Gaoyang International Passenger Transport Centre held by Shanghai Terminal Co., each of them will provide RMB250 million out of the total loan of RMB500 million.

Pursuant to the Master Agreement, the Company and Shanghai Real Estate shall each enter into a separate loan agreement with Shanghai Terminal Co. and the relevant bank when the loan is provided. The term of the loan agreement will expire on 31 December 2009 and Shanghai Terminal Co. may prepay the loan. The loan will bear interest at 30% above the base lending rate per annum published by the PBOC which will be payable annually. The Company and Shanghai Real Estate will pay the relevant bank the administration fees of 0.022% of the loan amount. The Directors confirm that the terms of the Master Agreement are on normal commercial terms and, in particular, the interest rate is in line with interest rates prevailing in the market for similar term loans. It is expected that the maximum amount which will be lent by the Company for each of the three years ending 31 December 2009 will not exceed RMB250 million.

6. *Provision of Property Management Services by Chemsunny Property Management*

On 21 September 2007, the Group acquired a 60% interest in Chemsunny Property Management from Sino-Ocean Land Limited. As a result, Chemsunny Property Management ceases to be a connected person of the Company, and therefore payment of property management fees by Chemsunny to Chemsunny Property Management ceases to be a connected transaction but has become an intra-group transaction. The property management fees paid by Chemsunny to Chemsunny Property Management from 26 January 2007, i.e. the effective date of the property service agreement entered into between Chemsunny Property Management and Chemsunny, up to 20 September 2007 was RMB13,707,948.

7. *Lease of property in Hong Kong from Sinochem Hong Kong*

Sinochem Hong Kong is the immediate controlling shareholder of the Company and is therefore a connected person of the Company.

Sinochem Hong Kong entered into a tenancy agreement with the Company on 11 July 2007 pursuant to which Sinochem Hong Kong leases to the Company Rooms 4702-03, 47th Floor, Convention Centre, Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong to be used as office space of the Company in Hong Kong. The term of the tenancy agreement is from 1 July 2007 to 31 December 2009. The Company is responsible for paying the rent, management fees, rates and air conditioning fees per month. The monthly rental was agreed between Sinochem Hong Kong and the Company following arm's length negotiations, is based on prevailing market rates and is on normal commercial terms.

It is expected that the rent, management fees, rates and air conditioning fees payable by the Company to Sinochem Hong Kong pursuant to this agreement will not exceed HK$962,000, HK$2,060,000 and HK$2,207,000 for the three years ending 31 December 2009. The proposed caps are based primarily on the rent, management fees, rates and air conditioning fees payable by the Company to Sinochem Hong Kong pursuant to this agreement taking into account a rent review provision contained therein.

8. *Provision of advisory services to Shanghai Pudong Jinxin*

Shanghai Pudong Jinxin is an associate of Shanghai Real Estate, a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company.

The Company entered into an advisory services agreement with Shanghai Pudong Jinxin on 20 June 2007, pursuant to which the Company shall continue to provide advisory services to Shanghai Pudong Jinxin in respect of the development of Shanghai Gaoyang International Passenger Transport Centre, including coordinating the design and construction works of the development, for an annual advisory service fee of US$500,000 (approximately HK$3,910,000). The fee is based on the estimated costs that will be incurred in relation to such coordination services, including for locating, engaging, liaising and communicating with suitable planners, designers, architects and other professional parties, considering designs and schematics and providing other coordination services between the various parties involved. The fees are payable on a semi-annual basis. The term of the agreement is from 1 January 2007 to 31 December 2009.

The amounts payable to Shanghai Pudong Jinxin are expected not to exceed US$500,000 (approximately HK$3,910,000) for each of the three years ending 31 December 2009. The proposed caps are based on the actual fees payable to the Company by Shanghai Pudong Jinxin under the agreement which have been agreed following arms length negotiations with Shanghai Real Estate with reference to market comparables.

9. Entrustment Loan Framework Agreement

In order to maximise the utilisation of the Group's working capital and to promote efficient allocation of resources between members of the Group, the Company and other members of the Group entered into a framework agreement on 31 December 2007 on normal commercial terms which are fair and reasonable. Pursuant to the framework agreement, separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. The term of the framework agreement is three years.

Shanghai Terminal Co., Huigang Real Estate, Shanghai Ke Yi Franshion Business Consultancy Company Limited ("Ke Yi Consultancy") and Shanghai Pudong Jinxin are connected persons of the Company. Thus, the provision of an entrustment loan by any member of the Group to Shanghai Terminal Co., Huigang Real Estate, Ke Yi Consultancy or Shanghai Pudong Jinxin (including the provision of entrustment loan amongst the four connected persons themselves) would constitute financial assistance and continuing connected transaction subject to the reporting, announcement and independent Shareholders' approval requirements under Rules 14A.45 to 14A.48 and 14A.52 to 14A.54 and the annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules as one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceed 2.5% on an annual basis and the annual transaction value is more than HK$10,000,000. However, the provision of an entrustment loan by the four connected persons to the Company, Franshion Zhuhai, Chemsunny, Sinochem Property Management and/or Wangfujing Hotel Management is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as no security over the assets of the Company, Franshion Zhuhai, Chemsunny, Sinochem Property Management and/or Wangfujing Hotel Management is granted in respect of the financial assistance and the separate entrustment loan agreements are entered into for the benefit of Group on normal commercial terms.

The annual caps for the continuing connected transaction for each of the three years ending 31 December 2010 are RMB5,000 million, RMB5,000 million and RMB5,000 million, respectively.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors, the continuing connected transactions for the year ended 31 December 2007 were entered into by the Group:

- in the ordinary and usual course of its business;
- either on normal commercial terms or, where there are no sufficient comparable transactions, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, expressing that these connected transactions:

- have received the approval of the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such transactions;
- have not exceeded the relevant caps for the financial year ended 31 December 2007; and
- have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The following shares were allotted and issued by the Company to Sinochem Hong Kong prior to 17 August 2007:

Date of allotment	Number of Shares	Registered owner
26 April 2007	297,200,000	Sinochem Hong Kong
17 May 2007	355,000,000	Sinochem Hong Kong
31 May 2007	367,800,000	Sinochem Hong Kong
27 July 2007	1,800,000,000	Sinochem Hong Kong

The Company allotted and issued 1,411,100,000 new Shares on 16 August 2007 which were listed on the Stock Exchange on 17 August 2007. Pursuant to the exercise of the over-allotment option by the sponsor to the Company's listing, 211,664,000 new Shares were allotted and issued on 7 September 2007.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the year ended 31 December 2007.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the year.

MATERIAL ACQUISITIONS AND DISPOSALS

In April 2007, the Company sold its 65% interest in Zhong Yi Hua Hai to an independent third party for a consideration of HK$137.0 million by reference to an independent valuation of the property held by Zhong Yi Hua Hai. In the same month, the Company sold its 65% interest in Zhuhai Hong Hua to an independent third party for a consideration of HK$17 million by reference to the cost of investment and a fixed rate of return. The Company achieved an aggregate gain of approximately HK$109 million on its disposal of these two subsidiaries.

In 2007, the Company acquired the remaining 35% interest in Franshion Zhuihai for a consideration of HK$7 million by reference to the share of the paid-up capital acquired. Franshion Zhuhai then became a wholly-owned subsidiary of the Company.

On 28 August 2007, the Company entered into an conditional sale and purchase agreement with Sino-Ocean Land Limited and Chemsunny to acquire Sino-Ocean Land Limited's 60% interest in Chemsunny Property Management for a consideration of HK$3,300,000 (approximately RMB3,200,000). The consideration was determined after taking into account Sino-Ocean Land Limited's proportionate share of the paid-up capital of Chemsunny Property Management and the net profits of Chemsunny Property Management for the six months ended 30 June 2007. The Company completed the above acquisition agreement on 21 September 2007. Chemsunny Property Management then became a wholly-owned subsidiary of the Company.

On 26 July 2007, the Company entered into Shing Wing Acquisition Agreement and Glory First Acquisition Agreement with Sinochem Corporation and Sinochem Hong Kong. Pursuant to the Shing Wing Acquisition Agreement, the Company agreed to purchase Sinochem Hong Kong's 50% interest in Chemsunny for a consideration of HK$1,413 million. The consideration is determined at a discount to a valuation of the properties owned by Chemsunny, prepared by an independent professionally qualified valuer. Pursuant to the Glory First Acquisition Agreement, the Company agreed to acquire Sinochem Corporation's 75% interest in each of Wangfujing Hotel Management and Sinochem Property Management for a consideration of HK$826 million. The consideration was determined at a discount to a valuation of the properties owned by Wangfujing Hotel Management and Sinochem Property Management prepared by an independent professionally qualified valuer. The Company completed the above acquisition agreements on 18 December 2007. Since then, Chemsunny, Wangfujing Hotel Management and Sinochem Property Management have become wholly-owned subsidiaries of the Company.

MATERIAL LITIGATION

For the year ended 31 December 2007, the Company was not subject to any material litigation that could have a material adverse impact on the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young and it has indicated its willingness to be continuously in office. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Franshion Properties (China) Limited set out on pages 77 to 155, which comprise the combined and company balance sheets as at 31 December 2007, and the combined income statement, the combined statement of changes in equity and the combined cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

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

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

22 April 2008

COMBINED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,269,054**	700,828
Cost of sales		**(493,202)**	(437,963)
Gross profit		**775,852**	262,865
Other income and gains	5	**2,518,462**	183,246
Selling and marketing expenses		**(49,187)**	(13,075)
Administrative expenses		**(187,495)**	(87,464)
Other expenses		**(2,043)**	(3,029)
Finance costs	7	**(116,898)**	(27,822)
Share of loss of an associate		**(410)**	–
PROFIT BEFORE TAX	6	**2,938,281**	314,721
Tax	10	**(770,951)**	(65,012)
PROFIT FOR THE YEAR		**2,167,330**	249,709
Attributable to:			
Equity holders of the Company	11	**2,162,771**	207,289
Minority interests		**4,559**	42,420
		2,167,330	249,709
DIVIDENDS	12	**98,305**	2,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	13	**0.87**	0.66

COMBINED BALANCE SHEET

31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**303,706**	291,808
Properties under development	*15*	**3,744,701**	1,719,080
Investment properties	*17*	**4,964,576**	873,109
Prepaid land lease payments	*18*	**104,843**	100,360
Available-for-sale investments	*21*	**299**	558
Prepayments	*24*	**–**	14,737
Pledged deposits	*26*	**267,200**	–
Deferred tax assets	*31*	**14,000**	3,769
Total non-current assets		**9,399,325**	3,003,421
CURRENT ASSETS			
Properties under development	*15*	**429,870**	269,147
Properties held for sale	*16*	**598,377**	2,475,027
Inventories	*22*	**2,583**	1,967
Trade receivables	*23*	**148,394**	5,095
Prepayments, deposits and other receivables	*24*	**69,684**	37,189
Due from related parties	*25*	**220,169**	290,485
Tax recoverable		**28,706**	19,670
Pledged deposits	*26*	**427,520**	–
Cash and cash equivalents	*26*	**6,294,489**	385,395
Total current assets		**8,219,792**	3,483,975
CURRENT LIABILITIES			
Trade and bills payables	*27*	**897,953**	1,126,387
Other payables and accruals	*28*	**2,539,527**	373,696
Interest-bearing bank and other borrowings	*29*	**3,083,488**	1,547,707
Due to related parties	*25*	**268,355**	302,623
Tax payable		**54,638**	11,112
Provision for land appreciation tax	*30*	**278,782**	132,845
Total current liabilities		**7,122,743**	3,494,370
NET CURRENT ASSETS/(LIABILITIES)		**1,097,049**	(10,395)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,496,374**	2,993,026
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**780,224**	1,336,078
Deferred tax liabilities	*31*	**718,399**	141,775
Total non-current liabilities		**1,498,623**	1,477,853
Net assets		**8,997,751**	1,515,173

COMBINED BALANCE SHEET *(Continued)*

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	32	**4,915,264**	472,500
Reserves	33(a)	**3,600,248**	763,889
Proposed final dividend	12	**98,305**	–
		8,613,817	1,236,389
Minority interests		**383,934**	278,784
Total equity		**8,997,751**	1,515,173

LI Xuehua
Director

JIANG Nan
Director

COMBINED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		Attributable to equity holders of the Company											
	Notes	Issued capital HK$'000 Note 32	Share premium account HK$'000 Note 32	Capital reserve HK$'000 Note 33(a)(iii)	PRC statutory surplus reserve HK$'000 Note 33(a)(iv)	Merger reserve HK$'000 Note 33(a)(ii)	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006		313,200	–	3,512	18,613	361,914	104,351	13,102	176,617	–	991,309	226,394	1,217,703
Exchange realignment		–	–	–	–	–	–	26,000	–	–	26,000	9,970	35,970
Release upon disposal of an available-for-sale investment		–	–	–	–	–	(104,351)	–	–	–	(104,351)	–	(104,351)
Total income and expense recognised directly in equity		–	–	–	–	–	(104,351)	26,000	–	–	(78,351)	9,970	(68,381)
Profit for the year		–	–	–	–	–	–	–	207,289	–	207,289	42,420	249,709
Total income and expense for the year		–	–	–	–	–	(104,351)	26,000	207,289	–	128,938	52,390	181,328
Issue of shares	32	159,300	–	–	–	–	–	–	–	–	159,300	–	159,300
Transfer to reserve		–	–	–	9,146	–	–	–	(9,146)	–	–	–	–
Capital contribution by shareholders		–	–	–	–	74,691	–	–	–	–	74,691	–	74,691
Deemed distribution to equity owners	1, 33(a)(v)	–	–	–	–	(114,931)	–	–	–	–	(114,931)	–	(114,931)
Dividends paid by the Relevant Companies to Sinochem Corporation	12	–	–	–	–	–	–	–	(2,918)	–	(2,918)	–	(2,918)
At 31 December 2006		472,500	–*	3,512*	27,759*	321,674*	–*	39,102*	371,842*	–	1,236,389	278,784	1,515,173
At 1 January 2007		472,500	–	3,512	27,759	321,674	–	39,102	371,842	–	1,236,389	278,784	1,515,173
Exchange realignment		–	–	–	–	–	–	257,670	–	–	257,670	21,442	279,112
Profit for the year		–	–	–	–	–	–	–	2,162,771	–	2,162,771	4,559	2,167,330
Total income and expense for the year		–	–	–	–	–	–	257,670	2,162,771	–	2,420,441	26,001	2,446,442
Issue of shares	32	4,442,764	2,190,731	–	–	–	–	–	–	–	6,633,495	–	6,633,495
Share issue expenses	32	–	(167,898)	–	–	–	–	–	–	–	(167,898)	–	(167,898)
Transfer to reserve		–	–	–	(9,258)	–	–	–	9,258	–	–	–	–
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	(98,305)	98,305	–	–	–
Acquisition of minority interests in a subsidiary by Sinochem Hong Kong		–	–	(944,023)	–	964,414	–	–	–	–	20,391	(20,391)	–
Acquisition of minority interests		–	–	(4,414)	–	–	–	369	–	–	(4,045)	(2,955)	(7,000)
Capital contribution from shareholders		–	–	–	–	714,044	–	–	–	–	714,044	–	714,044
Capital contribution by a minority shareholder		–	–	–	–	–	–	–	–	–	–	271,584	271,584
Disposal of subsidiaries	35	–	–	–	–	–	–	–	–	–	–	(15,189)	(15,189)
Deemed distribution to equity owners	1, 33(a)(v)	–	–	–	–	(2,000,132)	–	–	(238,868)	–	(2,239,000)	–	(2,239,000)
Dividends paid to a minority shareholder		–	–	–	–	–	–	–	–	–	–	(153,900)	(153,900)
At 31 December 2007		**4,915,264**	**2,022,833***	**(944,925)***	**18,501***	**–***	**–***	**297,141***	**2,206,698***	**98,305**	**8,613,817**	**383,934**	**8,997,751**

* These reserve accounts comprise the combined reserves of HK$3,600,248,000 (2006: HK$763,889,000) in the combined balance sheet.

COMBINED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,938,281**	314,721
Adjustments for:			
Finance costs	7	**116,898**	27,822
Share of loss of an associate		**410**	–
Interest income	5	**(137,141)**	(5,433)
Gain on disposal of an available-for-sale investment	5	**–**	(104,351)
Loss on disposal of items of property, plant and equipment	6	**2,043**	2,397
Fair value gains on investment properties	5	**(2,259,453)**	(51,648)
Depreciation	6	**22,582**	24,834
Gain on disposal of subsidiaries	5,35	**(108,720)**	–
Recognition of prepaid land lease payments	6,18	**2,666**	648
		577,566	208,990
Decrease/(increase) in properties under development		**(2,201,573)**	533,098
Decrease/(increase) in properties held for sale		**404,291**	(2,128,406)
Decrease/(increase) in inventories		**(474)**	241
Decrease/(increase) in trade receivables		**(141,447)**	54,151
Decrease/(increase) in prepayments, deposits and other receivables		**(29,282)**	115,873
Increase in amounts due from related parties		**–**	(262,208)
Increase/(decrease) in trade and bills payables		**(311,216)**	901,188
Increase/(decrease) in other payables and accruals		**2,127,686**	(519,378)
Increase in amounts due to related parties		**24,461**	187,903
Effect of exchange rate change, net		**–**	589
Cash generated from/(used in) operations		**450,012**	(907,959)
Interest received		**137,141**	5,433
Interest paid		**(193,525)**	(138,564)
PRC corporate income tax paid		**(58,582)**	(23,893)
Land appreciation tax paid	30	**(7,522)**	–
Dividends paid to minority shareholders		**(155,196)**	(2,189)
Net cash inflow/(outflow) from operating activities		**172,328**	(1,067,172)

COMBINED CASH FLOW STATEMENT *(Continued)*

Year ended 31 December 2007

	Notes	**2007 HK$'000**	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*14*	**(15,155)**	(5,270)
Acquisition of minority interests		**(7,000)**	–
Proceeds from disposal of items of property, plant and equipment		**–**	152
Acquisition of a subsidiary	*34*	**4,984**	–
Disposal of subsidiaries	*35*	**152,675**	–
Deemed distribution to equity owners	*1,33(a)(v)*	**(2,239,000)**	(114,931)
Proceeds from disposal of an available-for-sale investment		**–**	278,357
Increase in pledged deposits		**(694,720)**	–
Investment in an associate		**(2,083)**	–
Prepayment of land lease payments	*18*	**–**	(103,598)
Net cash inflow/(outflow) from investing activities		**(2,800,299)**	54,710
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	*32*	**6,633,495**	159,300
Share issue expenses	*32*	**(167,898)**	–
Proceeds from capital contributions		**985,628**	74,691
New bank and other borrowings		**6,355,683**	2,421,287
Advances received from related parties		**243,894**	167,848
Advances paid to related parties		**(220,169)**	–
Repayment of bank and other borrowings		**(5,253,067)**	(1,482,897)
Repayment of advances from related parties		**311,498**	–
Repayment of advances to related parties		**(324,514)**	(199,176)
Net cash inflow from financing activities		**8,564,550**	1,141,053
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,936,579**	128,591
Cash and cash equivalents at beginning of year		**385,395**	246,755
Effect of foreign exchange rate changes, net		**(27,485)**	10,049
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,294,489**	385,395
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**2,904,372**	378,926
Non-pledged time deposits with original maturity of less than three months when acquired	*26*	**3,390,117**	6,469
		6,294,489	385,395

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,691**	54
Interests in subsidiaries	*19*	**4,381,913**	312,754
Investments in associates	*20*	**–**	124,229
Total non-current assets		**4,383,604**	437,037
CURRENT ASSETS			
Prepayments, deposits and other receivables	*24*	**4,768**	144
Due from related parties	*25*	**–**	274,387
Cash and cash equivalents	*26*	**3,026,722**	34,160
Total current assets		**3,031,490**	308,691
CURRENT LIABILITIES			
Other payables and accruals	*28*	**7,840**	7,502
Due to related parties	*25*	**–**	93,096
Total current liabilities		**7,840**	100,598
NET CURRENT ASSETS		**3,023,650**	208,093
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,407,254**	645,130
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	*29*	**–**	54,442
Net assets		**7,407,254**	590,688
EQUITY			
Issued capital	*32*	**4,915,264**	472,500
Reserves	*33(b)*	**2,393,685**	118,188
Proposed final 2007 dividend	*12*	**98,305**	–
Total equity		**7,407,254**	590,688

LI Xuehua
Director

JIANG Nan
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Room 4702-03, 47/F, Office Tower, Convention Plaza, Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the Company's ultimate holding company is Sinochem Corporation, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 August 2007.

The Company and its subsidiaries (collectively referred to as the "Group") principally engage in property development, hotel operations, property investment and management (the "Relevant Businesses") in Mainland China. Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries and associates (the "Relevant Companies") of Sinochem Hong Kong.

In order to rationalise the current corporate structure of the Group, the following principal steps have been undertaken since the incorporation of the Company to transfer Sinochem Hong Kong's interests in the Relevant Companies to the Company (the "Reorganisation"):

(a) In October 2004, the Company acquired a 25% equity interest in Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management") from Rillfung Company Limited ("Rillfung"), a wholly-owned subsidiary of Sinochem Hong Kong, for a cash consideration of US$2,304,000 (equivalent to HK$17,929,000).

(b) In June 2005, the Company acquired a 50% controlling equity interest in Beijing Chemsunny Property Company Limited ("Chemsunny") from Rillfung for a cash consideration of US$5,800,000 (equivalent to HK$45,054,000).

(c) In March 2006, the Company acquired a 25% equity interest in Sinochem International Property & Hotel Management Co., Ltd. ("Sinochem Property Management") from Forstera Co. Ltd, a wholly-owned subsidiary of Sinochem Hong Kong, for a cash consideration of US$12,000,000 (equivalent to HK$93,096,000).

(d) In April 2006, the Company acquired a 65% equity interest in Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai") from Rillfung for a cash consideration of US$7,628,000 (equivalent to HK$59,415,000), which was paid in 2005.

(e) In June 2006, the Company acquired a 50% equity interest in Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin") from Franshion Company Limited, a wholly-owned subsidiary of Sinochem Hong Kong, for a consideration of US$3,002,000 (equivalent to HK$21,835,000).

1. CORPORATE INFORMATION AND GROUP REORGANISATION (Continued)

(f) In December 2007, the Company acquired a 100% equity interest in Glory First Enterprises Limited ("Glory First"), which owns the remaining 75% equity interest in each of Wangfujing Hotel Management and Sinochem Property Management, from Sinochem Hong Kong for a cash consideration of HK$826,000,000. Upon completion of this acquisition, Wangfujing Hotel Management and Sinochem Property Management became wholly-owned subsidiaries of the Group.

(g) In December 2007, the Company acquired 100% equity interest in Shing Wing International Investment Limited ("Shing Wing"), which owns the remaining 50% equity interest in Chemsunny, from Sinochem Hong Kong for a cash consideration of HK$1,413,000,000. The entire equity interest in Shing Wing was acquired by Sinochem Hong Kong from a former minority shareholder in April 2007 for a cash consideration of US$123,394,000 (equivalent to HK$964,414,000). Upon completion of this acquisition, Chemsunny became a wholly-owned subsidiary of the Company.

The aggregate cost of acquisition of interests in the Relevant Companies paid by the Company for the years ended 31 December 2007 and 2006 amounted to HK$2,239,000,000 and HK$114,931,000, respectively, was considered as deemed distributions to equity owners (note 33(a)(v)).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of combination

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the subsidiaries were ultimately controlled by Sinochem Corporation both before and after the completion of the Reorganisation, the Reorganisation is considered as a business combination under common control and was accounted for using the principles of merger accounting according to Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. Except for acquisitions of interests from unrelated parties, which were accounted for using the purchase method of accounting, all of the Group's acquisition of other subsidiaries were accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

2.1 BASIS OF PREPARATION (Continued)

Basis of combination (Continued)

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' 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 combined income statement include 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, whichever is shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group transactions and balances have been eliminated on combination.

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

2.2 IMPACT OF NEW AND REVISED HKFRSs

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

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

(a) HKFRS 7 Financial Instruments: Disclosures

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

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

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

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

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

2.2 IMPACT OF NEW AND REVISED HKFRSs (Continued)

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 2 (Revised)	*Share-based Payments – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programme*[3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

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

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in associates is treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its holding companies;

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

Hotel properties	2% – 9%
Buildings	2% – 5%
Leasehold improvements	18%
Furniture, fixtures and office equipment	4.5% – 33%
Motor vehicles	12.5% – 20%

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

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

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

Construction in progress represents leasehold improvements and furniture and fixtures, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from properties held for sales to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

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

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

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

Properties under development which have been pre-sold or are expected to be completed within one year from the balance sheet date are classified under current assets. On completion, the properties are transferred to properties held for sale or investment properties.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivable and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

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

Fair value

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost

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

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

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectibility of related receivables is reasonably assured;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of property management services and hotel services, when the services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Foreign currencies

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

The functional currency of all subsidiaries and associates in Mainland China is Renminbi ("RMB"). As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the combined cash flow statements, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost, while properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

Estimation uncertainty

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

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, and aging analyses of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

PRC corporate income tax

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

PRC land appreciation tax ("LAT")

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2007 was approximately HK$14,000,000 (2006: HK$3,769,000) (note 31).

Fair value of investment properties

Investment properties are revalued at the balance sheet date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

The carrying amount of investment properties at 31 December 2007 was HK$4,964,576,000.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment and management segment comprises the leasing of office and commercial premises, and the provision of property management services; and

(c) the hotel operations segment engages in the provision of hotel accommodation services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007	Property development HK$'000	Property investment and management HK$'000	Hotel operations HK$'000	Eliminations HK$'000	Combined HK$'000
Segment revenue:					
Sales to external customers	986,120	166,875	116,059	–	1,269,054
Intersegment sales	–	5,894	–	(5,894)	–
Total	986,120	172,769	116,059	(5,894)	1,269,054
Segment results	736,287	2,352,507	26,872	(197,218)	2,918,448
Interest income and unallocated gains					137,141
Share of loss profit of an associate					(410)
Finance costs					(116,898)
Profit before tax					2,938,281
Tax					(770,951)
Profit for the year					2,167,330
Assets and liabilities					
Segment assets	6,391,038	5,019,715	390,066	(1,213,616)	10,587,203
Corporate and other unallocated assets					7,031,914
Total assets					17,619,117
Segment liabilities	4,918,712	227,413	24,869	(1,186,376)	3,984,618
Corporate and other unallocated liabilities					4,636,748
Total liabilities					8,621,366
Other segment information:					
Recognition of prepaid land lease payments	–	–	2,666	–	2,666
Loss of disposal of items of property, plant and equipment	61	388	1,594	–	2,043
Depreciation	730	2,375	19,498	–	22,603
Capital expenditure	5,343	3,004	6,808	–	15,155
Fair value gains on investment properties	–	2,259,453	–	–	2,259,453

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Year ended 31 December 2006	Property development HK$'000	Property investment and management HK$'000	Hotel operations HK$'000	Eliminations HK$'000	Combined HK$'000
Segment revenue:					
Sales to external customers	500,674	92,653	107,501	–	700,828
Segment results	108,567	82,077	24,733	–	215,377
Interest and dividend income and unallocated gains					127,166
Finance costs					(27,822)
Profit before tax					314,721
Tax					(65,012)
Profit for the year					249,709
Assets and liabilities					
Segment assets	4,788,811	911,658	378,093	–	6,078,562
Corporate and other unallocated assets					408,834
Total assets					6,487,396
Segment liabilities	1,794,153	130,254	22,256	–	1,946,663
Corporate and other unallocated liabilities					3,025,560
Total liabilities					4,972,223
Other segment information:					
Recognition of prepaid land lease payments	–	–	648	–	648
Loss on disposal of items of property, plant and equipment	76	961	1,360	–	2,397
Depreciation	1,593	3,875	19,681	–	25,149
Capital expenditure	1,600	1,177	106,148	–	108,925
Fair value gains on investment properties	–	51,648	–	–	51,648

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds, net of business tax, from the sale of properties; gross rental income received and receivable from investment properties; and the income from hotel operations, property management and related services.

An analysis of the Group's revenue, other income and gains is as follows:

	2007 HK$'000	2006 HK$'000
Revenue		
Sale of properties	**986,120**	500,674
Hotel operations	**116,059**	107,501
Property management fees	**48,085**	33,497
Gross rental income	**118,790**	59,156
	1,269,054	700,828
Other income and gains		
Bank interest income	**137,141**	5,433
Dividend income from an available-for-sale investment	**–**	17,382
Project management fee income	**–**	1,674
Fair value gains on investment properties *(note 17)*	**2,259,453**	51,648
Gain on disposal of subsidiaries *(note 35)*	**108,720**	–
Gain on disposal of an available-for-sale investment	**–**	104,351
Others	**13,148**	2,758
	2,518,462	183,246

6. PROFIT BEFORE TAX

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

	Notes	2007 HK$'000	2006 HK$'000
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**51,968**	47,942
Cost of properties sold and services provided		**493,202**	437,963
Depreciation	*14*	**22,603**	25,149
Less: Amount capitalised in properties under development		**(21)**	(315)
		22,582	24,834
Minimum lease payments under operating leases for land and buildings		**28,483**	2,024
Recognition of prepaid land lease payments	*18*	**2,666**	648
Auditors' remuneration		**2,771**	38
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**73,415**	54,528
Pension scheme contributions*		**7,160**	4,597
Less: Amount capitalised in properties under development		**(7,015)**	(11,011)
		73,560	48,114
Foreign exchange differences, net		**3,044**	697
Loss on disposal of items of property, plant and equipment**		**2,043**	2,397

* At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

** Included in "Other expenses" on the face of the combined income statements.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**169,146**	29,417
Interest on other loans from the immediate holding company and a fellow subsidiary	**24,379**	109,343
Total interest expense on financial liabilities not at fair value through profit or loss	**193,525**	138,760
Less: Interest capitalised in properties under development	**(76,627)**	(110,938)
	116,898	27,822

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**880**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,089**	1,501
Performance related bonuses*	**1,152**	388
Pension scheme contributions	**78**	22
	4,319	1,911
	5,199	1,911

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' REMUNERATION (Continued)

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Mr. Lau Hon Chuen, Ambrose	200	–
Mr. Liu Hongyu	200	–
Mr. Su Xijia	200	–
Mr. Ngai Wai Fung	160	–
Mr. Gao Shibin	120	–
	880	–

(b) *Executive directors and non-executive directors*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007					
Executive directors:					
Ms. Li Xuehua	–	1,374	479	26	1,879
Mr. He Binwu	–	1,182	580	26	1,788
Mr. Jiang Nan	–	533	93	26	652
	–	3,089	1,152	78	4,319
Non-executive directors:					
Mr. Pan Zhengyi	–	–	–	–	–
Ms. Li Lun	–	–	–	–	–
Mr. Wang Hongjun	–	–	–	–	–
	–	–	–	–	–
	–	3,089	1,152	78	4,319

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Executive directors:					
Ms. Li Xuehua	–	840	–	11	851
Mr. He Binwu	–	661	388	11	1,060
	–	1,501	388	22	1,911
Non-executive directors:					
Mr. Pan Zhengyi	–	–	–	–	–
Ms. Li Lun	–	–	–	–	–
Mr. Wang Yinping	–	–	–	–	–
	–	–	–	–	–
	–	1,501	388	22	1,911

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors (2006: two), and details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: three) non-director, highest paid individuals for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**305**	1,608
Performance related bonuses	**1,937**	424
Pension scheme contributions	**76**	49
	2,318	2,081

9. FIVE HIGHEST PAID INDIVIDUALS (Continued)

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
	2	3

10. TAX

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current		
PRC corporate income tax	**99,292**	25,799
LAT *(note 30)*	**138,390**	19,532
	237,682	45,331
Deferred *(note 31)*	**533,269**	19,681
Total tax charge for the year	**770,951**	65,012

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil).

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC corporate income tax is provided at the rate of 33% (2006: 33%) of the profits for the PRC statutory financial reporting purposes, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

10. TAX (Continued)

PRC corporate income tax (Continued)

Certain of the Group's PRC subsidiaries, namely, Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Pudong Jinxin Real Estate Development Co., Ltd. and Shanghai Ke Yi Real Estate Development Co., Ltd., which were established and located in Shanghai Pudong New Area, Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. and Zhuhai Kai Ming Consultancy Services Co. Ltd., which were established and located in Zhuhai, are subject to income tax at a preferential rate of 15%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved. The New Corporate Income Tax Law will become effective from 1 January 2008. It introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Under the New Corporate Income Tax Law, corporate income tax rate for domestic enterprises will decrease from 33% to 25% effective from 1 January 2008. In addition, for those enterprises which enjoy lower preferential tax rates (e.g. 15%), such preferential rates will be gradually phased over the next five years.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Details Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

10. TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2007

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	174,730		2,763,551		2,938,281	
At statutory income tax rate	30,578	17.5	911,972	33.0	942,550	32.1
Lower tax rates for specific provinces or local authority	–		(13,466)		(13,466)	
Effect of changes in deferred tax rates	–		(221,619)		(221,619)	
Income not subject to tax	(40,652)		(1,669)		(42,321)	
Expenses not deductible for tax	10,074		8,390		18,464	
Tax losses utilised from previous periods	–		(385)		(385)	
Adjustment in respect of tax of previous periods	–		(3,337)		(3,337)	
LAT *(note 30)*	–		138,390		138,390	
Tax effect of LAT	–		(45,669)		(45,669)	
Others	258		(1,914)		(1,656)	
Tax charge at the Group's effective rate	258	0.1	770,693	27.9	770,951	26.2

10. TAX (Continued)

Group – 2006

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	116,698		198,023		314,721	
At statutory income tax rate	20,423	17.5	65,348	33.0	85,771	27.3
Lower tax rates for specific provinces or local authority	–		(21,533)		(21,533)	
Income not subject to tax	(21,664)		–		(21,664)	
Expenses not deductible for tax	1,241		1,390		2,631	
Tax losses not recognised	–		24		24	
LAT *(note 30)*	–		19,532		19,532	
Tax effect of LAT	–		(2,930)		(2,930)	
Others	–		3,181		3,181	
Tax charge at the Group's effective rate	–	–	65,012	32.8	65,012	20.7

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The combined profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$350,969,000 (2006: HK$117,457,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

	Notes	**2007**	2006
		HK$'000	*HK$'000*
Proposed final dividend of HK$2 cents (2006: Nil) per ordinary share	*(a)*	**98,305**	–
Dividends paid to then equity holders	*(b)*	**–**	2,918
		98,305	2,918

(a) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(b) The dividends were declared by the companies comprising the Group to their then equity holders prior to the Reorganisation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as there were no diluting events existed during these years.

The calculation of basic earnings per share is based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**2,162,771**	207,289

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year	**2,479,357,000**	314,946,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties *HK$'000*	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Construction in progress *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost	335,974	4,863	49,121	1,204	181,352	10,125	582,639
Accumulated depreciation	(106,516)	(712)	(34,776)	–	(142,192)	(6,635)	(290,831)
Net carrying amount	229,458	4,151	14,345	1,204	39,160	3,490	291,808
At 1 January 2007, net of accumulated depreciation	229,458	4,151	14,345	1,204	39,160	3,490	291,808
Additions	8	–	–	2,604	7,042	5,501	15,155
Acquisition of a subsidiary *(note 34)*	–	–	–	–	1,407	–	1,407
Disposals	–	–	–	–	(1,843)	(200)	(2,043)
Depreciation provided during the year	(9,339)	(166)	(5,923)	–	(5,990)	(1,185)	(22,603)
Disposal of subsidiaries *(note 35)*	–	–	–	–	(644)	(38)	(682)
Exchange realignment	16,205	294	790	196	2,810	369	20,664
At 31 December 2007, net of accumulated depreciation	236,332	4,279	9,212	4,004	41,942	7,937	303,706
At 31 December 2007:							
Cost	360,282	5,215	52,674	4,004	197,198	14,223	633,596
Accumulated depreciation	(123,950)	(936)	(43,462)	–	(155,256)	(6,286)	(329,890)
Net carrying amount	236,332	4,279	9,212	4,004	41,942	7,937	303,706

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties *HK$'000*	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Construction in progress *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2006							
At 1 January 2006:							
Cost	324,294	4,688	47,352	–	184,121	11,617	572,072
Accumulated depreciation	(94,214)	(530)	(26,238)	–	(140,514)	(7,668)	(269,164)
Net carrying amount	230,080	4,158	21,114	–	43,607	3,949	302,908
At 1 January 2006, net of accumulated depreciation	230,080	4,158	21,114	–	43,607	3,949	302,908
Additions	–	–	–	1,204	3,145	978	5,327
Disposals	(321)	–	–	–	(1,837)	(401)	(2,559)
Depreciation provided during the year	(8,898)	(160)	(7,558)	–	(7,367)	(1,166)	(25,149)
Exchange realignment	8,597	153	789	–	1,612	130	11,281
At 31 December 2006, net of accumulated depreciation	229,458	4,151	14,345	1,204	39,160	3,490	291,808
At 31 December 2006:							
Cost	335,974	4,863	49,121	1,204	181,352	10,125	582,639
Accumulated depreciation	(106,516)	(712)	(34,776)	–	(142,192)	(6,635)	(290,831)
Net carrying amount	229,458	4,151	14,345	1,204	39,160	3,490	291,808

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Total *HK$'000*
31 December 2007			
At 1 January 2007, net of accumulated depreciation	**–**	**54**	**54**
Additions	**1,349**	**446**	**1,795**
Depreciation provided during the year	**(68)**	**(90)**	**(158)**
At 31 December 2007, net of accumulated depreciation	**1,281**	**410**	**1,691**
At 31 December 2007:			
Cost	**1,349**	**513**	**1,862**
Accumulated depreciation	**(68)**	**(103)**	**(171)**
Net carrying amount	**1,281**	**410**	**1,691**

	Furniture, fixtures and office equipment *HK$'000*
31 December 2006	
At 1 January 2006, net of accumulated depreciation	–
Additions	67
Depreciation provided during the year	(13)
At 31 December 2006, net of accumulated depreciation	54
At 31 December 2006:	
Cost	67
Accumulated depreciation	(13)
Net carrying amount	54

15. PROPERTIES UNDER DEVELOPMENT

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
At beginning of year		**1,988,227**	2,338,523
Exchange realignment		**223,243**	78,403
Additions (including development costs, land use rights and capitalised expenditure)		**2,278,221**	1,919,643
Disposal of subsidiaries	*35*	**(275,055)**	–
Transfer from prepayments		**–**	95,630
Transfer to properties held for sale		**(40,065)**	(2,443,972)
At end of year		**4,174,571**	1,988,227
Portion classified as:			
– Current assets		**429,870**	269,147
– Non-current assets		**3,744,701**	1,719,080
		4,174,571	1,988,227

All the Group's properties under development are located in Mainland China and were held under medium term leases.

Certain of the Group's properties under development with an aggregate carrying amount of HK$593,914,000 as at 31 December 2006 were pledged to secure certain other loans granted by a fellow subsidiary to the Group (note 29(f)). The pledge of asset was released in July 2007.

16. PROPERTIES HELD FOR SALE

All the Group's properties held for sale are located in Mainland China and were held under medium term leases. All the properties held for sale are stated at cost.

Certain of the Group's land use rights, the prepaid lease payments for which have been included in properties held for sale, with an aggregate carrying amount of HK$253,236,000 as at 31 December 2006, were pledged to secure bank loans of HK$398,680,000 in favour of a minority shareholder of Chemsunny as at 31 December 2006. The security was released in April 2007.

17. INVESTMENT PROPERTIES

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Carrying amount at 1 January		**873,109**	790,738
Transfer from properties held for sales		**1,674,600**	–
Net gain from a fair value adjustment	*5*	**2,259,453**	51,648
Exchange realignment		**157,414**	30,723
Carrying amount at 31 December		**4,964,576**	873,109

The Group's investment properties are situated in Mainland China and are held under long term leases.

The Group's investment properties were revalued on 31 December 2007 by Knight Frank Petty Limited, independent professionally qualified valuers, at RMB4,645,000,000 (2006: RMB876,000,000) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31 December 2007, the Group's investment properties with a carrying value of HK$956,576,000 (2006: Nil) were pledged to secure certain bank loans granted to the Group (note 29(i)).

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**102,950**	–
Additions	**–**	103,598
Recognised during the year	**(2,666)**	(648)
Exchange realignment	**7,336**	–
Carrying amount at 31 December	**107,620**	102,950
Current portion included in prepayments, deposits and other receivables	**(2,777)**	(2,590)
Non-current portion	**104,843**	100,360

The leasehold land is held under a medium term lease and is situated in Mainland China.

19. INTERESTS IN SUBSIDIARIES

		Company	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Unlisted shares, at cost		**3,579,172**	131,780
Advances to a subsidiary	*(i)*	**736,823**	114,380
Loan to a subsidiary	*(ii)*	**65,918**	66,594
		4,381,913	312,754

Notes:

(i) The advances to a subsidiary are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

(ii) The loan to a subsidiary is unsecured, bears interest at 6.12% per annum and is repayable on 9 August 2009. The carrying amounts of these balances approximate to their fair values.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Keyi Franshion Business Consultancy Company Limited ("Keyi Consultancy")*	The PRC	RMB8,000,000	50%#	–	Investment holding
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Pudong Jinxin")*	The PRC	US$5,600,000	50%#	–	Investment holding
Shanghai Ke Yi Real Estate Development Co., Ltd. ("Keyi Real Estate")**	The PRC	RMB30,000,000	–	50%#	Property development (De-registered in June 2007)
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")**	The PRC	RMB76,490,000	–	40.2%@	Property development
Shanghai Huigang Real Estate Development Co. Ltd. ("Huigang")*	The PRC	RMB530,000,000	50%#	–	Property development

Continued/...

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai")***	The PRC	RMB490,000,000	100%	–	Property development
Beijing Chemsunny Property Company Limited ("Chemsunny")***	The PRC	US$102,400,000	50%	50%	Property development and investment
Beijing Century Chemsunny Property Management Co. Ltd. ("Chemsunny Property Management")*	The PRC	RMB5,000,000	85%	15%	Property management
Sinochem International Property & Hotels Management Co. Ltd. ("Sinochem Property Management")***	The PRC	RMB387,600,000	25%	75%	Property investment and management
Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management")***	The PRC	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion Properties Management Company Limited ("Franshion Shanghai")***	The PRC	US$8,000,000	100%	–	Investment holding

Continued/...

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinochem Franshion Real Estate Co. Ltd.***	The PRC	RMB150,000,000	100%	–	Investment holding
Zhuhai Kai Ming Consultancy Services Co. Ltd.**	The PRC	RMB1,000,000	–	100%	Provision of consultancy services
Glory First Enterprises Limited	British Virgin Islands	US$2	100%	–	Investment holding
Shing Wing International Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
Kontix Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding

* Registered as Sino-foreign joint ventures under the PRC law.

** Registered as limited liability companies under the PRC law.

*** Registered as wholly-foreign owned entities under the PRC law.

\# The Group controls the board of directors of those entities by virtue of its power to cast the majority of votes at meetings of the board, and therefore has the power to exercise control over their operating and financial activities.

@ The Group's interest in SPICT is held through Pudong Jinxin, a 50%-owned subsidiary of the Group, which holds 80.4% equity interest in the SPICT.

The English names of certain of companies referred to above in this note represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

During the year, the Group acquired the remaining 60% equity interest in Chemsunny Property Management not owned by it from an independent third party. Further details of this acquisition are included in note 34 to the financial statements.

20. INVESTMENTS IN ASSOCIATES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	124,229

The Company's investments in associates represent investment costs of the 25% equity interest in each of Wangfujing Hotel Management and Sinochem Property Management, both of which became wholly-owned subsidiaries of the Group in December 2007 under the Reorganisation. Further details of the acquisition of the 75% equity interest in each of and the particulars of Wangfujing Hotel Management and Sinochem Property Management are set out in notes 1 and 19 to the financial statements, respectively.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Club membership, at fair value	**299**	558

22. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**588**	739
Consumables and tools	**1,974**	1,162
Hotel merchandise	**21**	66
	2,583	1,967

23. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**148,394**	5,095

The Group's trade receivables arise mainly from the sale of properties, leasing of investment properties and provision of hotel and property management services.

Considerations in respect of properties sold are payable in accordance with the terms of the related sale and purchase agreements. The Group's trading terms with its customers in relation to the leasing of investment properties and provision of hotel and property management services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**14,531**	2,014
1 to 3 months	**16,503**	3,079
4 to 6 months	**109**	–
Over 6 months	**117,251**	2
	148,394	5,095

23. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,261**	–
Less than 1 month past due	**4,757**	2,014
1 to 3 months past due	**1,496**	3,079
Over 3 months past due	**110,880**	2
	148,394	5,095

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of these balances approximate to their fair values.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	*(a)*	**42,715**	21,065	**1,069**	51
Deposits		**4,953**	3,833	**706**	–
Other receivables		**22,016**	17,060	**2,993**	93
Due from a minority shareholder	*(b)*	**–**	9,968	**–**	–
		69,684	51,926	**4,768**	144
Non current portion		**–**	(14,737)	**–**	–
Current portion		**69,684**	37,189	**4,768**	144

(a) At 31 December 2006, the Group's prepayments included prepayments for the acquisition of land use rights in Mainland China amounting to HK$14,737,000.

(b) The balances are non-trade in nature, unsecured, interest-free and are repayable on demand.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of the amount due from a minority shareholder, deposits and other receivables approximate to their fair values.

25. DUE FROM/TO RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Due from related parties:		
The ultimate holding company	**73**	–
The immediate holding company	**–**	274,387
Fellow subsidiaries	**220,096**	16,098
	220,169	290,485
Due to related parties:		
The ultimate holding company	**243,894**	185,790
Fellow subsidiaries	**24,461**	116,833
	268,355	302,623

	Company	
	2007	2006
	HK$'000	*HK$'000*
Due from related parties:		
The immediate holding company	**–**	274,387
	–	274,387
Due to related parties:		
The ultimate holding company	**–**	93,096
	–	93,096

The balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**2,904,372**	378,926	**548,536**	34,160
Time deposits		**4,084,837**	6,469	**2,478,186**	–
		6,989,209	385,395	**3,026,722**	34,160
Less: Pledged time deposits					
Pledged for a long term bank loan	*29(g)*	**(267,200)**	–	**–**	–
Pledged for a short term bank loan	*29(g)*	**(427,520)**	–	**–**	–
		(694,720)	–	**–**	
Cash and cash equivalents		**6,294,489**	385,395	**3,026,722**	34,160

At 31 December 2007, the cash and bank balances of the Group denominated in RMB amounted to RMB3,640,004,000 (2006: RMB312,819,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for a one month period, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

27. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Due within 1 year or on demand	**897,953**	1,126,387

Included in the Group's trade payables as at 31 December 2007 are development costs of HK$267,200,000 (2006: HK$249,175,000) payable to Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), a minority shareholder of the Group's certain subsidiaries.

Included also in the Group's trade payables as at 31 December 2006 are development costs of HK$165,882,000 payable to Beijing SORED & Guantian Decoration Engineering Co., Ltd., a company controlled by a minority shareholder of Chemsunny.

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair values.

28. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	*(a)*	**85,198**	82,335	**–**	–
Deposits received and receipts in advance		**2,381,477**	78,772	**–**	6,500
Accruals		**24,535**	28,558	**7,840**	1,002
Due to minority shareholders	*(b)*	**48,317**	184,031	**–**	–
		2,539,527	373,696	**7,840**	7,502

28. OTHER PAYABLES AND ACCRUALS (Continued)

(a) Included in the Group's and the Company's other payables as at 31 December 2006 was an amount due to a fellow subsidiary of the Company of HK$1,002,000, which is non-trade, unsecured and non-interest-bearing.

(b) The balances are non-trade in nature, unsecured, interest-free and are repayable on demand.

The carrying amounts of other payables approximate to their fair values.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Contractual interest rate (%)	**Maturity**	***HK$'000***	Contractual interest rate *(%)*	Maturity	*HK$'000*
Current						
Bank loans, secured	**6.12-6.57**	**2008**	**1,031,392**	–	–	–
Bank loans, unsecured	**4.30**	**2008**	**2,030,720**	4.00-6.12	2007	69,769
Other loans, secured	**–**	**–**	**–**	6.30-6.70	2007	184,389
Other loans, unsecured	**–**	**–**	**–**	4.80-6.12	2007	1,288,565
Current portion of long term bank loans, secured	**6.75**	**2008**	**21,376**	–	–	–
Current portion of long term other loans, unsecured	**–**	**–**	**–**	6.12	2007	4,984
			3,083,488			1,547,707
Non-current						
Bank loans, secured	**6.75-9.71**	**2010**	**566,464**	–	–	–
Bank loans, unsecured	**6.57**	**2009-2010**	**213,760**	–	–	–
Other loans, secured			**–**	6.86	2008	22,585
Other loans, unsecured			**–**	5.76-6.86	2008-2015	1,313,493
			780,224			1,336,078
			3,863,712			2,883,785
Company						
Non-current						
Other loans, unsecured			**–**	5.88-5.98	2009	54,442

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable				
Within one year	**3,083,488**	69,769	**–**	–
In the second year	**32,064**	–	**–**	–
In the third to fifth years, inclusive	**748,160**	–	**–**	–
	3,863,712	69,769	**–**	–
Other loans repayable:				
Within one year	**–**	1,477,938	**–**	–
In the second year	**–**	715,292	**–**	–
In the third to fifth years, inclusive	**–**	296,861	**–**	54,442
Beyond five years	**–**	323,925	**–**	–
	–	2,814,016	**–**	54,442
	3,863,712	2,883,785	**–**	54,442

Notes:

(a) At 31 December 2006, Sinochem Hong Kong has provided loans of HK$54,442,000 to the Company. The loans from Sinochem Hong Kong are unsecured, bear interest at 5.88% to 5.98% per annum. Further details of the interest paid on these loans are set out in note 39(a)(i). The loans were fully settled in May 2007.

(b) Other than the loans disclosed in note (a) above, all the other loans of the Group as at 31 December 2006 are borrowed from China Foreign Economy and Trade & Investment Co., Ltd, a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. All these other loans were fully settled in June 2007. Further details of the interest paid on these other loans are set out in note 39(a)(i).

(c) Other than the loans disclosed in note (a) above which are denominated in United States dollars and bear interest at fixed rates, all other bank and other borrowings are denominated in RMB and bear interest at floating rates.

(d) The Group's ultimate holding company had provided guarantees of HK$149,505,000 in respect of certain of the Group's bank loans as at 31 December 2006. These guarantees were released in April 2007.

(e) The minority shareholder of Shanghai Pudong Jinxin had provided guarantees of HK$149,505,000 proportionate to its shareholding in Shanghai Pudong Jinxin for certain of the Group's bank loans as at 31 December 2006. These guarantees were released in April 2007.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(f) Certain of the Group's other loans as at 31 December 2006 were secured by the Group's properties under development situated in Mainland China with an aggregate carrying value of HK$593,914,000 as at 31 December 2006 (note 15). The pledge of asset was released in July 2007.

(g) As at 31 December 2007, certain of the Group's bank loans were secured by the Group's bank deposits with an aggregate carrying value of HK$694,720,000 (2006: Nil) (note 26).

(h) As at 31 December 2007, certain of the Group's bank loans are secured by the bank deposits of certain minority shareholders of the Group's subsidiaries with an aggregate carrying value of HK$871,072,000 (2006: Nil).

(i) As at 31 December 2007, certain of the Group's bank loans are secured by the Group's investment properties with a carrying value of HK$956,576,000 (2006: Nil) (note 17).

The carrying amounts of the Group's borrowings approximate to their fair values.

30. PROVISION FOR LAND APPRECIATION TAX

	Group *HK$'000*
At 1 January 2006	108,802
Charged to the combined income statement during the year *(note 10)*	19,532
Exchange realignment	4,511
At 31 December 2006 and 1 January 2007	132,845
Charged to the combined income statement during the year *(note 10)*	138,390
Payment during the year	(7,522)
Exchange realignment	15,069
At 31 December 2007	**278,782**

30. PROVISION FOR LAND APPRECIATION TAX (Continued)

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Details Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 4 December 1995 in Shanghai and Beijing, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pre-pay LAT at 1% on the sales and pre-sale proceeds of the Group's properties.

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

Thus far, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not finalised the LAT calculation and payments for the Group's property development projects.

31. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of investment properties	Depreciation allowance in excess of related depreciation	Accrued expenses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	63,695	52,283	(627)	(445)	114,906
Charged/(credited) to the combined income statement during the year *(note 10)*	17,044	5,446	(687)	268	22,071
Exchange realignment	2,768	2,078	(39)	(9)	4,798
At 31 December 2006 and 1 January 2007	83,507	59,807	(1,353)	(186)	141,775
Charged/(credit) to the combined income statement during the year *(note 10)*	544,024	(1,920)	1,393	193	543,690
Exchange realignment	28,735	4,246	(40)	(7)	32,934
At 31 December 2007	**656,266**	**62,133**	**–**	**–**	**718,399**

31. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Losses available for offset against future taxable profits *HK$'000*
At 1 January 2006	1,277
Credited to the combined income statement during the year *(note 10)*	2,390
Exchange realignment	102
At 31 December 2006 and 1 January 2007	3,769
Credited to the combined income statement during the year *(note 10)*	10,421
Disposal of subsidiaries *(note 35)*	(848)
Exchange realignment	658
At 31 December 2007	**14,000**

According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate as detailed in note 10 has increased opening balance of deferred tax assets and decreased opening balance of deferred tax liabilities by HK$1,694,000 and HK$35,380,000 respectively, for the year ended 31 December 2007.

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as the specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New Corporate Income Tax Law on its operating results and financial positions in future periods as more detailed requirements are issued.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefits through the future taxable profits is probable. As at 31 December 2007, there was no significant unrecognised deferred tax assets (2006: HK$385,000) arising in the PRC in respect of unutilised tax losses.

32. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
8,000,000,000 (2006: 472,500,000)		
ordinary shares of HK$1 each	**8,000,000**	472,500
Issued and fully paid:		
4,915,264,000 (2006: 472,500,000)		
ordinary shares of HK$1 each	**4,915,264**	472,500

During the year, the movements in share capital were as follows:

(a) Pursuant to the ordinary resolutions passed on 25 March 2007 and 8 June 2007, the authorised share capital of the Company was increased from HK$472,500,000 to HK$8,000,000,000 by the creation of a total of 7,527,500,000 additional ordinary shares of HK$1 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) 297,200,000, 355,000,000, 367,800,000 and 1,800,000,000 ordinary shares of HK$1 each were allotted and issued as fully paid at par to Sinochem Hong Kong on 26 April 2007, 17 May 2007, 31 May 2007 and 27 July 2007, respectively.

(c) On 17 August 2007, the Company's shares were listed on the Stock Exchange and the Company allotted and issued 1,411,100,000 ordinary shares of HK$1 each at HK$2.35 per share, raising gross proceeds of HK$3,316,085,000.

(d) On 7 September 2007, pursuant to the exercise of the over-allotment option under the global offering, an additional 211,664,000 ordinary shares of HK$1 each were issued at HK$2.35 per share, and gross proceeds of HK$497,410,000 were raised.

32. SHARE CAPITAL (Continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2006	313,200,000	313,200	–	313,200
Issue of shares	159,300,000	159,300	–	159,300
At 31 December 2006 and at 1 January 2007	472,500,000	472,500	–	472,500
Issue of shares *(note (b))*	2,820,000,000	2,820,000	–	2,820,000
	3,292,500,000	3,292,500	–	3,292,500
Issue of shares in connection with the global offering *(notes (c) and (d))*	1,622,764,000	1,622,764	2,190,731	3,813,495
	4,915,264,000	4,915,264	2,190,731	7,105,995
Share issue expenses	–	–	(167,898)	(167,898)
At 31 December 2007	**4,915,264,000**	**4,915,264**	**2,022,833**	**6,938,097**

33. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the combined statement of changes in equity on page 80 of this annual report.

(ii) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 1.

(iii) Capital reserve

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

(iv) PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in the PRC and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

(v) Deemed distribution to equity owners

The amount represents the cost paid by the Company to its holding company and fellow subsidiaries in exchange for the interests in subsidiaries upon the Reorganisation as detailed in note 1 to the financial statements.

33. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006		–	104,351	731	105,082
Release upon disposal of an available-for-sale investment		–	(104,351)	–	(104,351)
Profit for the year	*11*	–	–	117,457	117,457
At 31 December 2006 and at 1 January 2007		–	–	118,188	118,188
Issue of shares	*32*	2,190,731	–	–	2,190,731
Share issue expenses	*32*	(167,898)	–	–	(167,898)
Profit for the year	*11*	–	–	350,969	350,969
Proposed final 2007 dividend	*12*	–	–	(98,305)	(98,305)
At 31 December 2007		**2,022,833**	**–**	**370,852**	**2,393,685**

34. BUSINESS COMBINATION

In addition to the principal steps of the Reorganisation as detailed in note 1 to the financial statements, which were considered as business combination under common control and were accounted for using merger accounting, the Group acquired the remaining 60% equity interest in Chemsunny Property Management not owned by it from an independent third party for a cash consideration of RMB3,200,000 (approximately HK$3,310,000) in September 2007. Upon completion of this acquisition, Chemsunny Property Management became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Chemsunny Property Management acquired as at the date of acquisition approximated to their corresponding carrying amounts immediately before the acquisition, and they are presented below:

	2007
	HK$'000
Property, plant and equipment *(note 14)*	**1,407**
Trade receivables	**1,483**
Prepayments, deposits and other receivables	**569**
Cash and bank balances	**8,294**
Other payables and accruals	**(5,341)**
Trade payables	**(1,301)**
Tax payable	**(143)**
	4,968
Satisfied by:	
Reclassification of an interest in an associate	**1,658**
Cash	**3,310**
	4,968
An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:	
Cash consideration	**(3,310)**
Cash and bank balances acquired	**8,294**
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**4,984**

The results of the subsidiary acquired during the year had no significant impact on the Group's combined turnover or profit for the year ended 31 December 2007.

35. DISPOSAL OF SUBSIDIARIES

In December 2006, Franshion Zhuhai, a subsidiary of the Group, underwent a reorganisation (the "Franshion Zhuhai Reorganisation"), pursuant to which Franshion Zuhai was split into three companies with Franshion Zhuhai as the surviving entity and two new entities namely Zhong Yi Hua Hai Real Estate Development (Zhuhai) Co., Ltd. ("Zhong Yi Hua Hai") and Zhuhai Hong Hua Real Estate Development Co., Ltd. ("Zhuhai Hong Hua") were set up on 28 December 2006. As at 31 December 2006, the shareholding structures of the three companies are the same as the structure of Fanshion Zhuhai before the Franshion Zhuhai Reorganisation. The assets and liabilities attributable to each of the three projects which were being developed by the former Franshion Zhuhai were segregated and divided among the three companies. In April 2007, as part of the Franshion Zhuhai Reorganisation, the Company disposed of its entire interests in Zhong Yi Hua Hai and Zhuhai Hong Hua for an aggregate cash consideration of approximately HK$154 million.

	Notes	**2007** ***HK$'000***
Net assets disposed of:		
Property, plant and equipment	*14*	**682**
Properties under development	*15*	**275,055**
Prepayments and other receivables		**14,970**
Available-for-sale investment		**283**
Deferred tax assets	*31*	**848**
Cash and bank balances		**878**
Other payables and accruals		**(5)**
Bank and other borrowings		**(232,689)**
Minority interests		**(15,189)**
		44,833
Gain on disposal of subsidiaries	*5*	**108,720**
		153,553
Satisfied by:		
Cash		**153,553**

35. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007
	HK$'000
Cash consideration	**153,553**
Cash and bank balances disposed of	**(878)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**152,675**

36. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to sixteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**203,210**	55,446
In the second to fifth years, inclusive	**272,223**	52,049
After five years	**62,396**	14,135
	537,829	121,630

37. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**4,302**	4,873	**2,023**	344
In the second to fifth years, inclusive	**2,448**	2,123	**1,730**	132
	6,750	6,996	**3,753**	476

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for capital expenditure in respect of properties under development in Mainland China	**740,115**	730,226

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in notes 1, 15, 19, 20, 25, 28 and 29 to the financial statements, the Group had the following material transactions with related parties during the year.

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Fellow subsidiaries:			
Interest expense charged on other loans	*(i)*	**21,157**	135,756
Rental expense	*(ii)*	**–**	972
Rental income	*(iii)*	**47,049**	11,969
Property management fee income	*(iii)*	**8,038**	7,886
Other service income	*(iv)*	**4,470**	95
The immediate holding company:			
Interest expense charged on other loans	*(i)*	**3,222**	705
Rental expense	*(v)*	**1,582**	–
The ultimate holding company:			
Rental income	*(iii)*	**37,658**	8,235
Property management fee income	*(iii)*	**6,324**	5,426
Other service income	*(iv)*	**3,553**	384
Income from hotel operations	*(vi)*	**767**	–
Disposal of an available-for-sale investment to a related company	*(vii)*	**–**	278,357

Notes:

(i) The interest expenses on other loans were charged at interest rates of bank loans with similar terms. Further details of the terms of other loans from fellow subsidiaries and the immediate holding company are set out in note 29 to the financial statements.

(ii) The rental expense for the year ended 31 December 2006 was charged at a rate below market price.

(iii) The rental income and property management fee income were charged at terms pursuant to the relevant agreements entered into by the Group with the relevant fellow subsidiaries of the Company and the ultimate holding company.

(iv) The other service fee income was charged by the Group at terms similar to those offered to third parties.

(v) The rental expense was charged at terms pursuant to the agreement entered into by the Company and the immediate holding company.

(vi) The income from hotel operations was charged at terms similar to those offered to third parties.

39. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(vii) Pursuant to the sale and purchase agreement dated 1 September 2006 entered into between the Company and Rillbulk Navigation Limited ("Rillbulk"), the Company disposed of its entire 17% equity interest in Sino-Ocean Land Limited to Rillbulk for a cash consideration of RMB279,990,000 (equivalent to HK$278,357,000). The consideration was determined with reference to a valuation report prepared by the State-owned Assets Supervision and Administration Commission for the value of the investment as at 30 June 2006. Rillbulk is 30.8% owned by Sinochem Hong Kong.

(b) Compensation of key management personnel of the Group

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**9,566**	4,910
Post-employment benefits	**217**	119
Total compensation paid to key management personnel	**9,783**	5,029

Further details of directors' emoluments are included in note 8 to the financial statements.

(C) Transaction with other state-owned enterprises

The Group is part of a larger group of companies under Sinochem Corporation, which itself is owned by the PRC government. The Group also operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively refer to as the "State-owned enterprises"). During the year ended 31 December 2007, the Group had transactions with the State-owned Enterprises including, but not limited to, borrowing, deposits, sale of properties developed and sub-contracting services. The related party transactions as disclosed above only refer to transactions with Sinochem Corporation and enterprises which are under common control of Sinochem Corporation. The transactions with other State-owned Enterprises are conducted in the ordinary course of business and under normal commercial terms, as such the Group believes that meaningful disclosure of related party transactions has been provided in the above.

The related party transactions in respect of all items in 39(a) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other interest-bearing loans, amounts due from/to related parties, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of investment properties, land use rights, properties under development and properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations. Borrowings at floating rates expose the Group to interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Since the Group mainly enters into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate long term borrowings). There is no material impact on other components of the Group's equity.

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
31 December 2007		
RMB	**+54**	**(1,054)**
RMB	**-54**	**1,054**
31 December 2006		
RMB	+54	10,635
RMB	-54	(10,635)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currency may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB are to be converted into foreign currency and remitted out of the PRC to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currencies liabilities or to pay dividends. Since foreign currencies transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries to the obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions from us.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rate of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Reasonably possible changes of 1% in the exchange rate between HK$ and United States dollars ("US$") and 5% in the exchange rate between RMB and US$ would have no material impact on the Group's profit for the years ended 31 December 2007 and 2006 and there would be no material impact on other components of the Group's equity.

Credit risk

It is the Group's policy that all customers are required to paid deposits prior to the sales of properties. In addition, the Group does not have any significant credit risk, as the credit given to any individual or corporate entity is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, available-for-sale financial assets and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. However, the Group will select the counterparty very carefully so as to minimize the relevant credit risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors of the Company, most of the borrowings that mature within one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position.

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

Group

	2007				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Interest-bearing bank and other borrowings	**3,112,556**	**35,278**	**915,991**	**–**	**4,063,825**
Trade and bills payables	**897,953**	**–**	**–**	**–**	**897,953**
Other payables	**85,198**	**–**	**–**	**–**	**85,198**
Due to related parties	**268,355**	**–**	**–**	**–**	**268,355**
	4,364,062	**35,278**	**915,991**	**–**	**5,315,331**

	2006				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	1,594,390	776,096	332,279	535,666	3,238,431
Trade and bills payables	1,126,387	–	–	–	1,126,387
Other payables	82,335	–	–	–	82,335
Due to related parties	302,623	–	–	–	302,623
	3,105,735	776,096	332,279	535,666	4,749,776

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2007				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Other payables	**7,840**	**–**	**–**	**–**	**7,840**

	2006				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	–	–	63,507	–	63,507
Other payables	6,500	–	–	–	6,500
Due to related parties	93,096	–	–	–	93,096
	99,596	–	63,507	–	163,103

Fair values

The financial assets and liabilities which are not carried at fair value in the balance sheets are presented below:

(i) Cash and cash equivalents, trade receivables, deposits and other receivables, trade payables, other payables and amounts due from/to related parties.

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(ii) Bank and other borrowings

The carrying amounts of bank loans and other borrowings approximate to their fair values, based on the prevailing interest rates.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital Management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (including minority interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the balance sheet dates were as follows:

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Interest-bearing bank and other borrowings	*29*	**3,863,712**	2,883,785
Less: Cash and cash equivalents	*26*	**(6,294,489)**	(385,395)
Net debt		**(2,430,777)**	2,498,390
Total equity		**8,997,751**	1,515,173
Add: Amounts due to related parties	*25*	**268,355**	302,623
Adjusted capital		**9,266,106**	1,817,796
Debt-to-adjusted capital ratio		**-26%**	137%

41. POST BALANCE SHEET EVENTS

On 31 March 2008, the Group entered into a land use right grant contract with the local land authority to acquire a parcel of land situated in Shanghai, Mainland China, for a cash consideration of RMB1,123,300,000 (approximately HK$1,246,751,000).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2008.

FOUR-YEAR FINANCIAL INFORMATION

I. MAJOR INFORMATION OF INCOME STATEMENTS (HK$'000)

	2004	2005	2006	**2007**
Revenue	157,506	1,308,008	700,828	**1,269,054**
Cost of sales	(55,910)	(726,454)	(437,963)	**(493,202)**
Gross profit	101,596	581,554	262,865	**775,852**
Other income and gains	29,695	84,506	183,246	**2,518,462**
Selling and marketing expenses	(10,591)	(13,552)	(13,075)	**(49,187)**
Administrative expenses	(66,714)	(75,610)	(87,464)	**(187,495)**
Other expenses	(1,894)	(1,229)	(3,029)	**(2,043)**
Finance costs	(21,995)	(27,789)	(27,822)	**(116,898)**
Share of loss of an associate	0	0	0	**(410)**
Profit before tax	30,097	547,880	314,721	**2,938,281**
Tax	(18,516)	(197,184)	(65,012)	**(770,951)**
Profit for the year	11,581	350,696	249,709	**2,167,330**
Attributable to:				
Equity holders of the Company	22,306	207,839	207,289	**2,162,771**
Minority interests	(10,725)	142,857	42,420	**4,559**

II. MAJOR INFORMATION OF BALANCE SHEETS (HK$'000)

	2004	2005	2006	**2007**
Non-current assets	2,341,943	2,581,031	3,003,421	**9,399,325**
Current assets	1,609,098	1,978,767	3,483,975	**8,219,792**
Total assets	3,951,041	4,559,798	6,487,396	**17,619,117**
Current liabilities	3,409,485	2,206,185	3,494,370	**7,122,743**
Non-current liabilities	81,326	1,135,910	1,477,853	**1,498,623**
Total liabilities	3,490,811	3,342,095	4,972,223	**8,621,366**
Equity attributable to equity holders of the Company	402,050	991,309	1,236,389	**8,613,817**
Minority interests	58,180	226,394	278,784	**383,934**

FRANSHION PROPERTIES (CHINA) LIMITED

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