Innovating Life

Annual Report 2008

Creating Value

首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

Stock Code: 2868

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Liu Xiaoguang *(Chairman)*
Mr. Tang Jun *(President)*
Mr. Zhang Juxing

Non-Executive Directors

Mr. Feng Chunqin
Ms. Cao Guijie
Ms. Zhu Min

Independent Non-Executive Directors

Mr. Ke Jianmin *
Mr. Li Zhaojie *
Mr. Ng Yuk Keung *

* *Members of the Audit Committee*

SUPERVISORS

Mr. Yu Changjian
Mr. Wang Qi
Mr. Wei Jianping

SECRETARY OF THE BOARD OF DIRECTORS

Mr. Hu Weimen

COMPANY SECRETARY

Mr. Lee Sing Yeung, Simon

QUALIFIED ACCOUNTANT

Mr. Lee Sing Yeung, Simon

AUTHORISED REPRESENTATIVES

Mr. Tang Jun
Mr. Lee Sing Yeung, Simon

REGISTERED OFFICE

Room 501, No.1,
Yingbinzhong Road,
Huairou District,
Beijing, PRC

BEIJING HEADQUARTERS

F17, Red Goldage,
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HONG KONG OFFICE

Room 4207, Two Exchange Square,
Central, Hong Kong

WEBSITE

http://www.bjcapitalland.com

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong law:
Iu, Lai & Li

As to PRC law:
Jingtian & Gongcheng

PRINCIPAL BANKERS

China Development Bank
China Construction Bank
China Merchants Bank
Bank of China

Listing Information

Stock Code for H Share

Hong Kong Stock Exchange	2868
Reuters	2868.HK
Bloomberg	2868HK

Board Lot Size

H Share	2,000

H Share Registrar

Computershare Hong Kong Investor Services Limited
Room 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong
Telephone: (852) 2862 8628
Fax: (852) 2529 6087

Investor Relations Contact

Email address: pr@bjcapitalland.com.cn

H Share Information

	Year 2008			Year 2007		
	Price		**Total**	Price		Total
	High (HK$)	**Low (HK$)**	**Trading Volume (No. of Shares)**	High (HK$)	Low (HK$)	Trading Volume (No. of Shares)
First Quarter	**5.10**	**2.53**	**318,383,770**	4.45	2.68	609,774,900
Second Quarter	**3.72**	**2.10**	**218,357,511**	4.94	3.15	604,690,822
Third Quarter	**2.41**	**0.94**	**298,161,494**	7.50	4.04	760,545,906
Fourth Quarter	**1.45**	**0.48**	**502,425,710**	7.80	4.50	396,240,300

Closing share price as at 30th December 2005: HK$2.275.
Closing share price as at 29th December 2006: HK$3.98.
Closing share price as at 31st December 2007: HK$4.74.
Closing share price as at 31st December 2008: HK$1.24.

Financial Highlights

FINANCIAL SUMMARY *

(in RMB'000 unless otherwise stated)

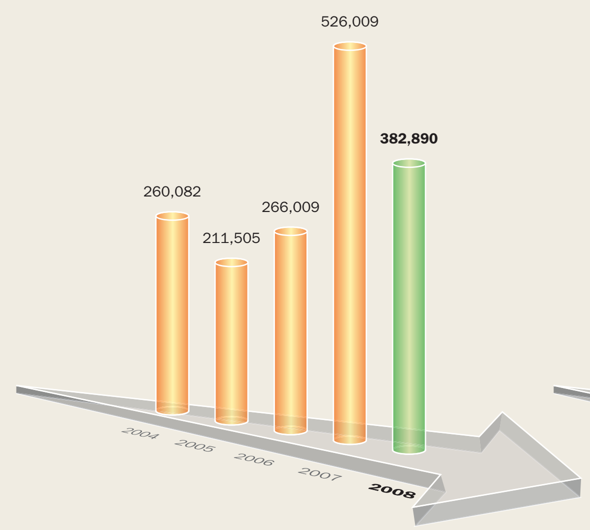
Year ended 31st December	2008	2007	2006	2005	2004
Revenue	**5,167,098**	4,870,929	2,039,352	1,134,769	1,629,332
Profit before income tax	**1,266,520**	1,319,768	357,371	230,559	391,776
Income tax expenses	**(504,258)**	(592,901)	(121,012)	(38,242)	(97,500)
Profit for the year	**762,262**	726,867	236,359	192,317	294,276
Attributable to:					
Equity holders of the Company	**382,890**	526,009	266,009	211,505	260,082
Minority interests	**379,372**	200,858	(29,650)	(19,188)	34,194
	762,262	726,867	236,359	192,317	294,276

As at 31st December	2008	2007	2006	2005	2004
Total assets	**19,067,502**	19,803,326	15,386,861	10,058,779	8,772,438
Total liabilities	**12,908,182**	14,045,002	10,720,930	6,873,312	5,969,496

* Note: The above table summarises the results, assets and liabilities of the Group.

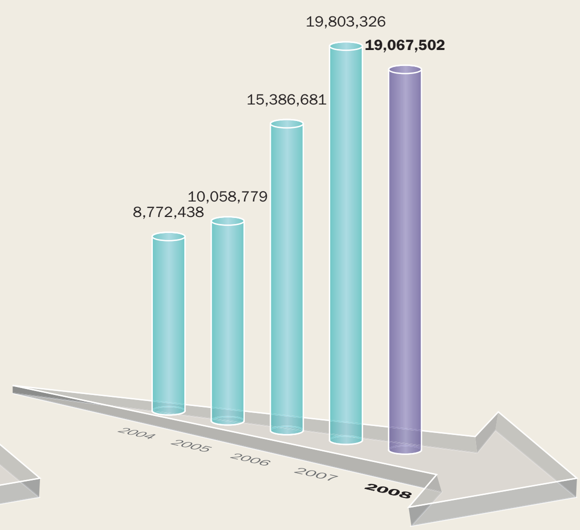
Profit Attributable to Equity Holders of the Company

(RMB'000)

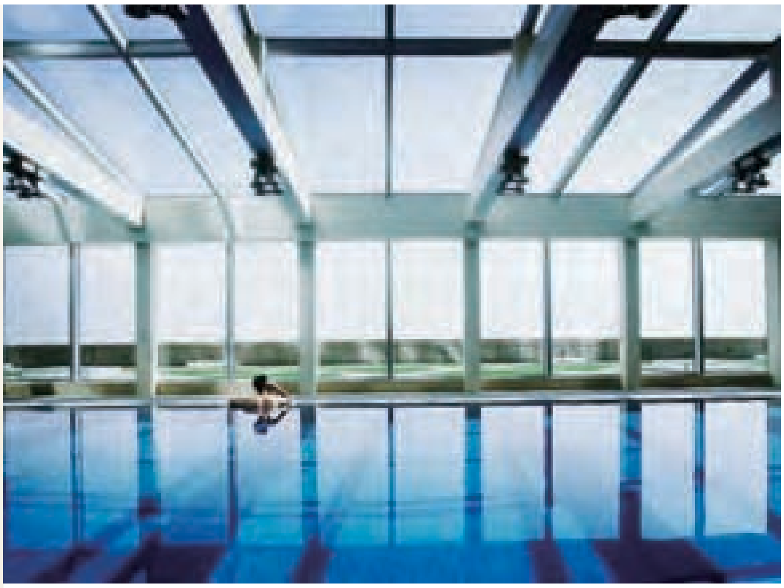


Total assets

(RMB'000)



Property Portfolio



Hotel Property — Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA (sq. m)
1	**Holiday Inn Central Plaza**	Xuanwu District, Beijing	Hotel	100%	20,100	50,700
2	**Inter Continental Financial Street Beijing**	Xicheng District, Beijing	Hotel	34%	12,900	42,900

Investment Property — Completed

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA (sq. m)	Lease Term
3	**Sunshine Building**	Xicheng District, Beijing	Commercial/Office	35%	9,400	51,700	Medium

Development Property — Under Development

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Expected Completion
4	**The Reflections**	Haidian District, Beijing	Residential	55%	17,900	39,200	
4.1						8,600	2008
4.2						30,600	2009
5	**Urban Town**	Chaoyang District, Beijing	Residential	50%	100,000	62,200	
5.1						14,300	2008
5.2						4,500	2009
5.3						43,400	2010
6	**Beijing A-Z Town**	Chaoyang District, Beijing	Residential/ Commercial	55%	126,200	78,200	
6.2						24,000	2007
6.3						10,100	2008
6.4						44,100	2009
7	**Beijing World Centre**	Chaoyang District, Beijing	Apartment Commercial	100%	86,300	178,800	
7.1						38,000	2007
7.2						50,500	2010
7.3						55,800	2011
7.4						34,500	2012
8	**North Ring Centre**	Xicheng District, Beijing	Office	100%	28,000	89,700	2010
9	**Upper East Side**	Chaoyang District, Beijing	Residential/ Commercial/Hotel	25%	190,500	172,000	
9.1						9,400	2005
9.2						2,400	2006
9.3						12,700	2007
9.4						74,500	2008
9.5						73,000	2009
10	**Tianjin Butchart Gerden**	Beichen District, Tianjin	Residential/ Commercial	55%	331,000	158,400	
10.1						2,400	2007
10.2						71,900	2008
10.3						84,100	2009

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Expected Completion
11	**Tianjin First City**	Tanggu District, Tianjin	Residential/ Commercial	55%	233,336	420,000	
11.1						47,200	2009
11.2						123,000	2011
11.3						249,800	
12	**Tianjin Huaming Project**	Dongli District, Tianjin	Residential/ Commercial	40%	271,800	279,700	
12.1						50,800	2010
12.2						63,600	2011
12.3						165,300	
13	**Tianjin Xiqing Project**	Xiqing District, Tianjin	Residential/ Commercial	40%	151,600	162,000	
14	**Tianjin Shuangang 121 Project**	Jinnan District, Tianjin	Residential/ Commercial	55%	255,000	300,100	
15	**Tianjin Shuangang 122 Project**	Jinnan District, Tianjin	Residential/ Commercial	55%	183,500	213,700	
16	**Chengdu A-Z Town**	Chenghua District, Chengdu, Sichuan Province	Residential/ Commercial	55%	68,300	116,300	
16.1						3,700	2008
16.2						112,600	2009
17	**Chengdu First City**	Chenghua District, Chengdu, Sichuan Province	Residential/ Commercial	100%	78,200	345,700	
17.1						59,300	2009
17.2						84,400	2010
17.3						70,800	2011
17.4						131,200	
18	**Chengdu SCE Project**	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	106,800	436,200	
19	**Chengdu Beiquan Road Project**	Longquanyi District, Chengdu, Sichuan Province	Residential/ Commercial	55%	75,000	287,300	

No.	Project	Location	Type	Attributable Interest	Approximate Site Area (sq. m)	Approximate GFA to be sold (sq. m)	Expected Completion
20	**Shenyang First City**	Hunnan New District, Shenyang, Liaoning Province	Residential/ Commercial	30%	175,300	413,800	
20.1						58,700	2010
20.2						74,300	2011
20.3						280,800	
21	**Shengyang Yinhe Wan Project**	Qi Pan Shan District, Shenyang, Liaoning Province	Residential/ Commercial	50%	471,400	835,200	
22	**Wuxi Gentle House**	Xishan District, Wuxi, Jiangsu Province	Residential	60%	163,000	173,500	
22.2						2,100	2008
22.3						86,500	2009
22.4						84,900	2011
23	**Wuxi Jichang Road Project**	Wuxi New District, Jiangsu Province	Residential	100%	96,600	202,900	
24	**Xian Fengcheng Road Project**	Xian Economic and Technology Development Zone, Shaanxi Province	Residential/ Commercial/Office/ Service Apartment	40%	355,400	1,352,400	
24.1						55,300	2010
24.2						52,100	2011
24.3						1,245,000	
25	**Chongqing Hongensi Project**	Jiangbei District, Chongqing	Residential/ Commercial	50%	229,300	804,700	
	Total					**7,122,000**	

Note:

1. Information stated in table updated as at 31st December 2008.
2. Approximate site area is according to the newly obtained land use right certificates or land transfer agreements for all projects;
3. Approximate GFA is according to the actual measurement upon completion of construction of the completed properties;
4. Approximate GFA to be sold for properties under development is according to the saleable area on the ground floor where contract is yet to be signed.

Corporate Milestones of the Year

In January 2008, the Group acquired the Wuxi Jichang Road Project through open transaction, at a consideration of approximately RMB510 million. With a total GFA of approximately 250,000 sq. m, the project is the Group's second development in Wuxi.

In March 2008, the Group acquired the Chongqing Hongensi Project through open transaction, at a consideration of approximately RMB1.23 billion. With a total GFA of approximately 980,000 sq. m, the project is the Group's first development in Chongqing, which signified the Group's strengthened presence in the southwest strategic region.

In May 2008, The Group hosted the "Bright International Future — BCL Midyear Media Thank You Banquet" ("國際化新約 — 2008年中媒體答謝會") at Inter-Continental Financial Street Beijing. Since it was also the fifth anniversary of BCL's listing in Hong Kong, the evening banquet was themed "Bright International Future". With respresetatives of over 80 major media attending, the Group reviewed its development over the past five year in tapping into the international market and shared its view on the future prospects of China's property industry.

In July 2008, a team of professionals led by Stephen M .Ross, founder and director of Related, a US-based company, visited the Group in order to promote the cooperation between both parties. Mary W. Darby, a senior researcher from the School of Business, Columbia University, also paid her visit to BCL.

In September 2008, the Group held the "Grand Ceremony of First Citys's National Roadshow" with the theme of "Brilliance on top of the world" at Marvelot Shenyang. First City, the Group's flagship brand for international development, will be gradually launched in major cities such as Shenyang, Tianjin, Chengdu and Xian. This product line is BCL's first-ever mega-sized replication and expansion.

In November 2008, initiating the strategy of informationalization, the Group joined hands with Capgemini, a world-leading management consulting group, to carry out the construction of information system and comprehensively enhance the Group's operation ability.

In December 2008, the third session of the Board of Directors was formed.

In November 2008, the Group's refinancing plan of issuing corporate bonds was approved by the Review Committee of China Securities Regulatory Commission. The issuance of corporate bonds will further improve the Group's debt structure.

In December 2008, The Group opened its brand showroom, namely "BCL Hall" ("首創館"), to provide a platform for the Group to strengthen its brand image and convey marketing messages of its various projects.

Major Awards of the Year at a Glance

Award-winning Unit	Award
Beijing Capital Land	Top 100 Real Estate Developers in China 2008
Beijing Capital Land	Top 10 Brand Names of State-owned Real Estate Enterprises in the PRC
Beijing Capital Land	The Best Employer in China 2008
Beijing Capital Land	Blue-chip PRC Property Developer for five consecutive years

Judge and Organizer	Date
China Real Estate Association, Enterprise Research Institute of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University, China Index Research Institute	March 2008
China Real Estate Association, Enterprise Research Institute of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University, China Index Research Institute	September 2008
International Public Management Association for Human Resources, Management Case Center of Peking University, "Occupation" Magazine (《職業》雜誌社) under Ministry of Human Resources and Social Security of the PRC	October 2008
The Economic Observer, house.china.com.cn (地產中國網), house.sina.com.cn (新浪房產)	October 2008

Chairman's Statement

2008 is a year of tremendous challenges to the property market of China

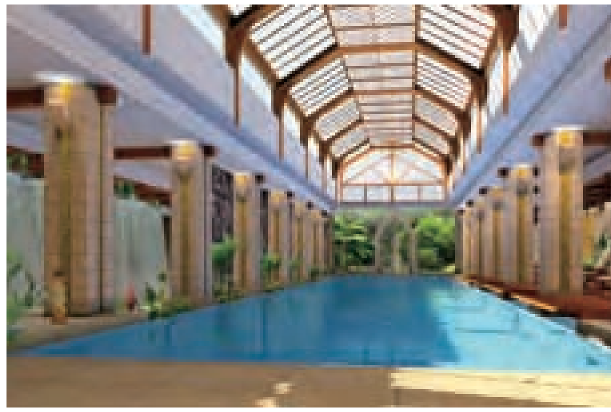
Lui Xiaoguang, Chairman

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Beijing Capital Land Ltd. ("BCL" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31st December 2008.

2008 is a year of tremendous challenges to the property market of China. In the first half of the year, the property market entered the stage of consolidation with the implementation of a series of austerity measures; in the second half of the year, the sub-prime woe in the U.S. triggered a global financial crisis which resulted in the Euro-American economies on the verge of recession. The economic growth in China also posted a slowdown in subsequent quarters with the negative impact of export curtailment, sluggish domestic consumption and investment setback. Under unfavourable policies and economic doldrums, the China property market experienced a decrease in transaction volume and stagnation in price during the first half of the year. The situation in the second half worsened, with a drop in both transaction volume and selling price. In particular, transaction volume and selling price in major first and second-tier cities reduced by 30% to 50% and 20% to 40% when compared with that in the peak of 2007.

For the year under review, property transaction volume in Beijing significantly reduced and ranked the first among first-tier cities nationwide. Chengdu's market was hit by the Sichuan earthquake on 12th May 2008, which resulted in sluggish sales of commodity housing. As Beijing and Chengdu are two of the Group's major strategic development regions, contracted sales area and contracted sales revenue recorded year-on-year decreases. Despite the negative impact brought forth by weak market sentiment, tightening of credit policy and earthquake disaster, the Group maintained a smooth progress in project construction and approximate construction floor area ("CFA") amounted to 988,422 sq. m, with key projects such as The Reflections, Urban Town, Beijing A-Z Town, Chengdu A-Z Town, Tianjin Butchart Garden and Wuxi Gentle House completed and delivered in a progressive manner.



For the year under review, the Group's revenue and profit attributable to shareholders amounted to RMB5,167,098,000 and RMB382,890,000, representing year-on-year growth of 6% and drop of 27% respectively. Contracted sales area totaled to 340,000 sq. m, a decrease of 53.1% from that of the previous year. Contracted sales revenue reached approximately RMB3,740,000,000, posting a drop of 53.2% year-on-year. The Board has recommended a final dividend of RMB0.08 per share for the year ended 31st December 2008.

The overall market was at a low ebb and led to a slowdown in the sales volume. However, the selling price of the Group's key projects in Beijing, including The Reflections, Urban Town and Beijing A-Z Towns remained relatively stable. The Group also proactively introduced various measures, adjusted sales strategy and enhanced customer service standard, so as to establish reputable market image and extensive client recognition, and to be well prepared for the next round of sales in peak season.

During the second half of 2008, the Group launched another product line of "Internationalized High-end Community" series — "First City" in Chengdu and Shenyang and planned to introduce this product line to Tianjin and Xian in 2009, which enables the Group to realize its competitive edges in brand and products.

Riding on the opportunities brought forth by the Beijing Olympics, the Group's hotel operations posted encouraging growth during the year. Total revenue of Inter-Continental Financial Street Beijing and Holiday Inn Central Plaza Beijing amounted to approximately RMB295,560,000, representing a year-on-year increase of 19%. Average occupancy rate for both hotels was about 67%. The well-developed hotel business continuously generates stable cash flow to the Group.

In view of the declining macro-economic environment, the Central Government reiterated the importance of property industry as a pillar industry of the Chinese economy. In the fourth quarter of the year, the Central Government promulgated a range of policies and measures in order to boost residential property consumption and to stabilize the development of the property market, generating moderate results. Urbanization and the growth of per capita income will remain as the momentum for the long term development of the property market. It is expected that the Central and local governments will implement more policies that are favourable to the healthy development of the market.

As one of the leading large-scale integrated developers, BCL has accumulated extensive operation experience over the past years, via the collaboration with internationally renowned professional organizations in areas such as residential, commercial, office and hotel. This not only enables the Group to effectively alleviate the risk of a single operation, but also further develop its competitive edge in integrated operation to cater to customer's diversified demand, to consolidate and to expand its market share.

In 2009, the Group will adopt the operation principle of "reducing inventory, strengthening cash position, regulating expenses and determining development based on sales". BCL will timely adjust its sales strategy in accordance with market changes, impose stringent control on construction cost, speed up capital turnover and reduce its debt-to-equity ratio. Meanwhile, the Group will increase operation efficiency while capturing arising opportunities to enhance capital flows and strengthen its financial position. The Group will also improve its management efficiency and optimize its operation model.

On behalf of the Board, I would like to express our heartfelt gratitude to our clients, business partners and shareholders, for their confidence in and support for the Group. In addition, I would also like to take this opportunity to thank our staff members for their exertions and contribution throughout the year. BCL endeavours to unite with all our staff to overcome the challenges ahead. Leveraging on its strong business foundation, unique competitive edges and a precise strategy for development, BCL is committed to propelling the growth of property market and becoming the most valuable integrated property operator in China.

Liu Xiaoguang
Chairman

Beijing, PRC
2nd March 2009

China saw the risk of economic downward spiral in 2008 with a setback in estimated income and investment demand

Tang Jun, President

BUSINESS ENVIRONMENT

Overview of the PRC property market

In 2008, economic growth in China posted a slowdown in successive quarters as a result of negative impact of export curtailment, sluggish domestic consumption and investment setback. The Chinese economy entered a stage of consolidation and coincide with the global economic crisis, economic growth in China saw a downward spiral. China's GPD amounted to RMB30,067 billion in 2008, representing a year-on-year growth of 9.0%; the growth percentage was four percentage points lower than that of last year and was the lowest in the past seven years. In 2008, per capita urban and rural disposable income reached RMB15,781, posting a year-on-year increase of 14.5% and an actual growth of 8.4% when taking into account of price factors. Investment in property development in China in 2008 totalled to RMB3,058 billion, representing a 20.9% year-on-year increase, down by 9.3 percentage points when compared with that of the previous year. The slowdown in economy will inevitably strike against estimated income and investment demand, and further restrain the actual demand of and investment in the property market. This, together with the impact of industry and macroeconomic consolidation, resulted in a prolonged adjustment period, which brought forth more uncertainties to the sluggish market with shrivelled trading volume.

(Source: The National Bureau of Statistics of China)

Property market experienced substantial adjustments in price and transaction volume in 2008 with inventory increasing and turnover slowed down

Since the promulgation of an unfavourable mortgage policy for second-home purchase, the property market cooled down in 2008 with a rapid reduction in transaction volume, exacerbated by market consolidation and the accumulated effects of the implementation of austerity measures over the past several years. In general, market consolidation in the first half of the year was characterized by transaction volume shrinkage and price stagnation and the situation in the second half worsened, with a drop in both transaction volume and selling price. In 2008, gross floor area ("GFA") of commodity properties sold in China totalled to 620 million sq. m,

representing a decrease of 19.7% over that of the last year. Among which, GFA of commodity residential properties sold dropped 20.3% and sales revenue from commodity housing amounted to RMB2,407.1 billion, representing a year-on-year decrease of 19.5%. Sales revenue from commodity residential properties posted a decline of 20.1%. If not including the factors affecting the transaction of social security housing and transactions in third and fourth-tier cities, transaction volume and selling price in major first and second-tier cities in China decreased by 30% to 50% and 20% to 40% respectively when compared with that in the peak of 2007. As a result of the decrease in both transaction volume and selling price of the properties, inventory of property developers continued to accumulate. As at the end of December, vacant area of commodity housing in China totalled 164 million sq. m, with an increase of 21.8% from that of the previous year. The growth rate increased 6.5 percentage points over that of the period between January and November. GFA of vacant commodity residential housing reached 90.7 million sq. m, representing a year-on-year growth of 32.3%, which translated into an increase of 9.4 percentage points. The rapid increase in inventory led to a slowdown in turnover for the property sector.

(Source: The National Bureau of Statistics of China and The National Development and Reform Commission)

Effectiveness of changes in macroeconomic policies in 2008 takes time to realize

As an important pillar industry of the economy, the Central Government changed its policy direction from "stringent control" to "stabilization" as the macroeconomic environment sagged in the fourth quarter of 2008, so as to prevent a "hard landing" of the Chinese economy triggered by the adjustment of the property sector. In addition, the government also introduced a series of taxation and monetary policies to encourage the demand for self-owned properties and allow local governments to enforce policies which help to stable the market. A trend of increasing easing policies on property sector has been revealed. Despite the implementation of more favourable measures, effectiveness of those policies takes time to realize. However, for industry cycle, the process of consolidation is unlikely to take a U turn and the downward cycle is yet to be broken. Moreover, market recovery is closely linked with the revival of the macro-economic situation. The property sector is unlikely to rejuvenate in the short term and will only regain growth momentum when the effectiveness of government policies is realized.

Market economies of the regions in which the Group invested

In 2008, the Group continued to focus on its strategic development regions, including the Bohai Rim and Central and southwestern China. Economic development in major cities where the Group has established its presence remained stable. In spite of the continuous growth in residents' income and accumulation of wealth, investment in property development was severely affected by the downturn of external environment, resulting in market differentiation. For instance, investment in Beijing and Chengdu slumped, whereas second-tier cities at the Bohai Rim and southwestern China, such as Tianjin, Shenyang and Xian, posted a satisfactory growth. Wuxi, a second-tier city in the prosperous Yangtze River Delta, also demonstrated stable development. In general, cities where the Group has established its presence maintained moderate growth in economic development and residents' income, contributing to positive market prospects.

Market/ Indicators	Gross Domestic Product (GDP)		Per Capita Disposable Income of Urban Residents		Completed Investment in Property Development	
	RMB billion	Y-o-Y Change	RMB	Y-o-Y Change	RMB billion	Y-o-Y Change
Overall	30,067.0	9%	15,781	14.5%	3,058.0	20.9%
Beijing	1,048.8	9%	24,725	12.4%	190.9	-4.4%
Tianjin	635.4	16.5%	19,423	12.6%	65.4	29.4%
Shenyang	385.5	16.3%	17,290	18.4%	100.0	36.9%
Chengdu	390.1	12.1%	16,943	14.1%	91.3	0.3%
Chongqing	509.7	14.3%	15,709	14.5%	99.1	16.6%
Xian	219.0	15.6%	15,207	20.1%	34.4	39.8%
Wuxi	440.0	13%	23,550	12.7%	33.4	20.47%

Overview of Beijing property market

There has been limited supply of land in the Beijing property market over the past years, which caused a serious shortage of land supply in city prime areas. Supply in other areas, however, was mainly for the development of social security housing. Due to limited land supply and the product structure of the property market, property selling price at the city center of Beijing remained relatively stable. Regions outside the city center are the new development focus of Beijing government, significant improvement in transportation network and environment are expected. Therefore, those regions are experiencing a rapid growth in property price but the pressure on price adjustment is also increased. In the long run, the remarkable success of the Beijing Olympics will enhance the image and the investment value of the city. In addition, residents are less likely to move to the peripheral areas of Beijing City as the degree of urbanization in those areas lagged behind that of Beijing City in a large extent. This, together with the land supply constraint, will result in a lack of commodity housing supply.

Sales of commodity housing for the year (include completed housing and forward delivery housing) totaled 13.4 million sq. m, a decrease of 38.6% as compared to that of the previous year, in which residential commodity housing posted a drop of 40.4% and accounted for 10.3 million sq. m. commodity housing with restriction on size and pricing. Property selling price grew 9.5% year-on-year, which represented a decrease of 1.9 percentage point. In particular, selling price for newly constructed residential property increased 11.9%, 0.9 percentage point less than that of the previous year. In December of 2008, the growth in property selling price reduced for consecutive nine months, from 13.8%, its highest in March, to 1%.

(Source: Beijing Municipal Bureau of State Land and Resources, Beijing Statistics Bureau, Beijing Property Transaction Management's Website and The National Bureau of Statistics of China)

Overview of Tianjin property market

Tianjin property market was largely dominated by actual housing demand of residents. Benefited from the introduction of favourable policies in Binhai New District and acceleration of district development, ancillary facilities in suburb areas have been improving gradually. This led to increasing emigration and a redistribution of demographic structure, which become a new trend of urban development in Tianjin. With a number of large-scale infrastructure projects being put into operation, such as the intercity railway, subway and coastline refinement, the environment and potential of Tianjin property market were significantly enhanced, resulting in an improvement of its urban image and an increase in product value of the property market. As one of the cities with immense development potential in northern China, Tianjin will become the market limelight and attract more investment. Capitalizing on a solid foundation for development established in the past years, Tianjin property market will maintain a relatively moderate and healthy pace of development. In 2008, GFA of commodity housing sold in Tianjin amounted to 12.5 million sq. m with a sales revenue reaching RMB75.3 billion, which represented year-on-year decreases of 19.3% and 16.3% respectively. Property selling price increased 5.8% year-on-year whereas the growth rate was 1.2 percentage points less than that of last year.

(Sources: Tianjin Municipal Bureau of Statistics, The National Bureau of Statistics)

Overview of Shenyang property market

Shenyang property market has a relatively reasonable structure of residential property consumption, with less than 10% being purchases for investment and the remaining 90% purchases for self-owned properties. In 2008, most cities in China experienced a setback in growth of property price and transaction volume. Against a backdrop of poor market situation across the nation, Shenyang property market still maintained stable growth and healthy development with stable selling price, reasonable consumption structure and active transaction. In particular, the implementation of a series of stimulative policies by the local and central government in the end of 2008, which aim at boosting domestic consumption, has brought forth new momentum for market growth. In 2008, GFA of commodity housing sold in Shenyang reached 13.2 million sq. m, representing a growth of 1.3% when compared with that in the previous year. The price index of commodity residential properties recorded a year-on-year increase of 4%. Shenyang property market is in a stage of robust growth with strong market demand. The increase in urban population also generated enormous demand. Currently, property purchases by people outside Shenyang accounts for 33% of total sales volume and there is tremendous demand for improving the quality of residential environment. According to initial estimation, Shenyang property market has an ample room for future development, with 140,000 residents entering the market of residential commodity housing in 2009 and the demand generated is expected to exceed 10 million sq. m. The average selling price of commodity housing in Shenyang has maintained a moderate growth trend in recent years. With the implementation of the stimulative policies promulgated by the government at the end of 2008, consumption demand will be further enhanced and thus alleviating the "wait-and-see" attitude of Shenyang property market. It is believed that the sales of commodity housing will maintain a rising trend.

(Sources: The Work Report of Shenyang Municipal Government, Shenyang Statistics Bureau, The National Bureau of Statistics)

Overview of Chengdu property market

Chengdu, the provincial city of Sichuan, is named one of the cities most suitable for residence in China. Chengdu has a strong radiating effect on the property market of southwestern China, including the entire Sichuan Province and Tibet. Property purchases by non-local residents accounted for approximately 50% of total sales. Chengdu property market is still in the development stage. Although the property price stays at a relatively high level, it is in line with the affordability of most residents. Exuberant demand has been pivotal for the rapid development of Chengdu property market over the years. Upon the drastic market consolidation in 2008, Chengdu property market demonstrated a strong self-adjustment capability, which was mainly attributable to its high level of market orientation and keen competition. Urbanization in Chengdu accelerated with the establishment of Chengdu and Chongqing Special Economic Zone, which generated enormous demand for housing. According to the statistics of Chengdu Property Management Bureau, the average annual demand for housing in Chengdu was approximately 20 million sq. m and the future demand for residential property remains strong.

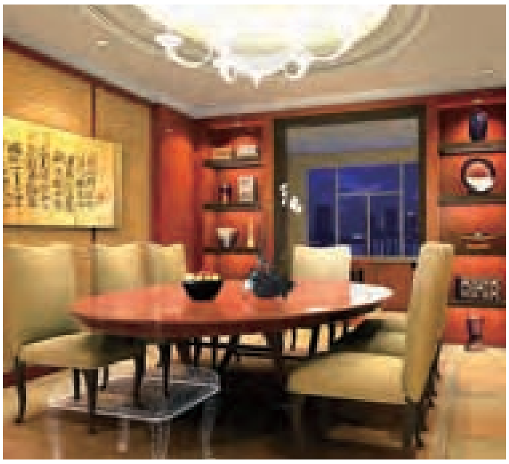
In 2008, new supply of first-hand residential property in Chengdu amounted to 10.1 million sq. m, representing a year-on-year decrease of 16.7%. It was the first time for market supply recorded a downward adjustment. During the year, transacted areas for first-hand residential properties amounted to 5.9 million sq. m, a drop of 45.5% over that of the previous year. Average selling price was approximately RMB5,595 per sq. m, posting a growth of 3.7%, which is 20.3 percentage points less than that of the previous year.

(Sources: Chengdu Property Management Bureau, Chengdu Statistics Bureau)

Overview of Chongqing property market

In 2008, the development of the Chongqing property market remained stable and property selling price maintained an increasing trend. 2009 will be a year of challenges and opportunities for the Chongqing property market with a number of favourable factors supporting its healthy development. With the positioning of Chongqing as the economic center of the upstream region of Yangtze River and the transportation hub of western China further strengthened, the coming decade will be a golden era for the city's development, which will therefore, benefit the growth of the property market. Besides, Chongqing is a pilot region for urban-rural integration in China. The speed up of urbanization and increasing reconstruction of dilapidated and old housing will stimulate the actual housing demand for residents in Chongqing while bolstering the development of the property market. It is believed that the Chongqing Municipal Government will introduce a number of policies in relations to land, credit and taxation, so as to promote the stable and vigorous development of the property market. For the year 2008, construction areas of commodity residential housing transaction in the urban area of Chongqing amounted to 10.9 million sq. m. Despite a year-on-year decrease of 19% as compared to that of 2007, the figure is in line with that of 2005 and 2006, which demonstrated that market sales returned to normal. In terms of the selling price of commodity housing, the average transaction price for commodity residential housing in Chongqing showed a gradual increase and decrease for the year 2008, and recorded a year-on-year increase of 2%.

(Sources: Chongqing Bureau of Statistics and The National Bureau of Statistics)



Overview of Xian property market

At present, Xian property market is dominated by the demand for self-occupied property. When compared with other first or second-tier cities, the average selling price for property in Xian is relatively low. After the market consolidation in 2008, property price is becoming more reasonable. The recent measures introduced by the Central and local government demonstrated that there is only limited room for downward market adjustment. It is believed that property purchasers will regain confidence as new policies are gradually implemented, which will stimulate the market demand for self-occupied property and demand for upgrading living standard, rejuvenating the Xian property market as a result. During the period from January to November 2008, sales areas and sales amount of commodity housing in Xian recorded year-on-year declines of 30.7% and 17.4% respectively. The growth in the selling price of residential properties slowed down and remained stable in the second half of the year. For the period between January and November, average selling price of ordinary commodity housing was RMB4,032 per sq. m, a rise of 14.97% when compared with the corresponding period the previous year.

(Sources: Xian Bureau of Statistics and The National Bureau of Statistics)

Overview of Wuxi property market

Wuxi is a well-developed second-tier city where property price is relatively low and market demand of property is mainly for improving living environment. In 2008, investment in property development in Wuxi continued to grow at a slower pace, with stable land transfer and sufficient supply of commodity housing. Despite a substantial drop in market transaction volume, property selling price remained stable. When compared with peripheral cities, Wuxi property market posted a sound performance. During the year, sales areas of commodity housing in Wuxi totaled 3.97 million sq. m, representing a year-on-year decrease of 27.6%, the decrease in percentage was less than that of Nanjing, Suzhou and other neighboring cities. Sales amount totaled RMB23.5 billion, translating into a decline of 16.4% as compared to that of the previous year. Upon recent market consolidation due to the implementation of austerity measures and economic downturn, speculative demand will be restrained as investment cost increased and investment risk heightened. Property purchase based on the demand for improving living environment will be suspended while first-time homebuyers will be more prudent in making their decision. Hence, the phenomenon of inactive transaction will prevail in the short term and will not improve until market prospects become positive. Nonetheless, actual demand of Wuxi property market continues to be strong and is only restrained temporarily. As the market returns to rational development, properties which are value for money, meaning that properties with excellent quality and reasonable selling price could be the mainstream product of the market.

(Sources: Wuxi Bureau of Statistics, Wuxi Real Estate Index and The National Bureau of Statistics)

BUSINESS REVIEW

During the year under review, China also felt the heat of the global financial crisis and fell into a stage of consolidation. The property sector also experienced a painful adjustment and was hit hard by triple whammy encompassing market downturn, tightening of credits, and the catastrophic earthquake. In light of this, the Group hammered out an array of measures involving sales strategy adjustment to boost consumption, lingering over development projects to save construction cost, initiating the issuance of corporate bonds to widen the channel of financing, advocating cost target management as well as taking opportunity of the high occupancy rate to improve customer service in attempts to alleviate the negative impact from the fall out of the property market slump. The Group successfully maintained the overall profitability stay at a relatively stable level.

During the year, the Group recorded RMB5,167,098,000 in revenue, representing a 6% increase from the previous year. Operating profit amounted to RMB1,423,686,000, a rise of 10% from the previous year. In addition, profit attributable to shareholders dropped 27% to RMB382,890,000 and basic earning per share was 0.1888, compared with RMB0.2594 in 2007. The decrease in profit attributable to shareholders and basic earning per share was primarily due to the fact that projects with recognized income for the year were co-operate development projects and profit attributable to minority shareholders increased correspondingly. The Board recommended payment of a final dividend of RMB0.08 per share for the year ended 31st December 2008 (2007: RMB0.12 per share).

During the year under review, the Group achieved major breakthroughs in the following operation and management areas:

Steady advancement of three major product lines — Following the successful nationwide launch of "Low Density Humanistic Community" series and "Diversified Integrated Community" series, the Group rolled out the "Internationalized High-end Community" series, with a project title of "First City", in Chengdu and Shenyang in the second half of 2008. In 2009, the same product series will be launched in Tianjin and Xian. The scale and standardized operation will effectively shorten the development duration and minimize development cost while demonstrating the strengths of the Group's brand and products.

Breakthrough in capital operation and obtaining approval for corporate bond issuance — In 2008, the Group was actively preparing for the issuance of A shares. The Group submitted an application, which was then taken up officially by China Securities Regulatory Commission. However, as the capital market was then in the doldrums, the planned issuance was temporary suspended. The Group then swiftly modified its capital raising strategy and initiated the issuance of corporate bonds in July. In November, the Group secured approval from the Review Committee of China Securities Regulatory Commission and became the first H-share real estate company to have been granted permission of this kind. The Group was allowed to issue corporate bonds of not more than RMB1.8 billion. It is expected that the interest rate is still in decline at the time of the issuance and therefore the financing cost would be lowered, which could effectively replenish operating funds and improve the debt structure of the Group. The issuance of corporate bonds implied that the Group had opened the door to the Mainland's capital market, laying a good foundation for the issuance of A shares and carrying out other capital-related operations in the future.

Building an advanced industry platform for international cooperation — The Group adheres to the management philosophy of internationalized operation and always strives to build an advanced industry platform for international cooperation. During the year, it has deepened strategic cooperation with GIC and there were a total of 15 projects between both parties and as a result, the Group's investment risks were successfully diversified. In the area of high-end property development, the Group has worked with some top international developers and achieved an intention in strategic cooperation. The Group has also secured strong international partners in areas including capital operation, hotel management, business operation, property assessment and strategic management.

Refinement of the operation and management system — The Group continued to refine and implement the management system of "strategy — planning — budgeting — performance". It has orchestrated and modified development strategy after taking into account of external changes and the Group's internal condition, formulated plans with the help of particular strategy and maintained standard execution capability through budgeting and performance assessment.

Optimization of the flow of management control and initiate information system building — The Group has making reference of the advanced experience of other property developers and coordinating the internal management flow and work guidance, the Group published a business flow booklet, which marked the completion of management control and organization structure modification. In order to meet the management requirements in various regions and of different projects of the Group, the Group launched an informationalization project in November, with an aim of establishing management and control procedures and optimizing the results. The first phase of informationalization involved building a "financial system, human resources system and a coordinated office system" in accordance with the "3+X" development mode.

A more sophisticated professional management system — In 2008, the Group further enhanced the professional level of its management system, resulting in more sophisticated management. In terms of cost management, the Group has introduced a report system that requires the reporting of the total cost of a project. Other new systems include the post-project assessment system, and management systems that monitor project cost, obligation cost and target cost, so as to strengthen the Group's cost control. On the research and development front, the Group has further promoted product standardization. The Group devised a standard for product installation in different regions and for project materials, to unify product designs and technological requirement, and to standardize product components and technological management. Regarding brand building, the Group has come up with a product brand strategy for the coming five years and prepared for optimizing its brand strategy for brand image enhancement. As for customer service, the Group has completed the preliminary customer service system and other related systems. While seeking to build a long-standing client servicing system, the Group endeavors to upgrade the current client servicing system to a more comprehensive level.

PROPERTY DEVELOPMENT

During the year, the Group and its jointly controlled entities and associates have completed parts of development of the following projects: The Reflections, Urban Town, Beijing A-Z Town, The Interwest, Upper East Side, Tianjin Butchart Garden, Chengdu A-Z Town and Wuxi Gentle House. The projects have a total GFA of approximately 988,422 sq. m.

Projects completed in FY2008

Project	Type	Approximate GFA completed (sq. m)	Attributable Interest
The Reflections	Residential	104,678	55%
Urban Town	Residential	94,761	50%
Beijing A-Z Town	Residential/Commercial	125,889	55%
The Interwest	Office/Commercial	136,400	50%
Upper East Side	Residential	79,417	25%
Tianjin Butchart Garden	Residential	209,738	55%
Chengdu A-Z Town	Residential/Commercial	163,429	55%
Wuxi Gentle House	Residential	74,110	60%
Total		988,422	

PROPERTY SALES PERFORMANCE

Project	Approximate Contracted Sales Area (sq. m)	Approximate Contracted Sales Revenue (RMB'000)	Approximate Contracted Average Selling Price (RMB/sq. m)
Residential	**303,886**	**3,507,680**	
The Reflections	13,687	470,870	34,403
Urban Town	35,139	724,200	20,610
Beijing A-Z Town	27,335	433,310	15,852
Upper East Side	32,889	730,290	22,205
The Interwest	459	9,470	20,632
Tianjin Butchart Garden	89,833	578,590	6,441
Chengdu A-Z Town	60,512	350,990	5,800
Chengdu First City	15,593	64,970	4,167
Shenyang First City	6,883	33,030	4,799
Wuxi Gentle House	21,556	111,960	5,194
Commercial/Office	**3,532**	**80,640**	
The Interwest	1,287	43,100	33,489
Chengdu A-Z Town	1,985	29,540	14,882
Upper East Side	260	8,000	30,769
Car park space	**30,524**	**154,550**	
North Ring Centre	134	570	
The Reflections	4,564	45,810	
Urban Town	3,944	14,540	
Beijing A-Z Town	1,294	4,000	
Upper East Side	1,150	4,000	
The Interwest	15,349	77,070	
Chengdu A-Z Town	4,089	8,560	
Total	**337,942**	**3,742,870**	

In 2008, the property market in China had seen a significant retreat in both transaction volume and selling price. In the first half of the year, market consolidation and the accumulated effect of the austerity measures implemented over the years led to an evident shrinkage in transaction volume. In the second half of the year, rapid downturn of the global economy further struck against the property market in China, where sales of commodity housing in certain cities were under grim challenge. There was a substantial reduction in transaction volume in Beijing, with project sales in the third quarter near stagnation, while the Sichuan earthquake affected the market sales in Chengdu, where both cities are the Group's key areas for strategic planning. During the year, the Group and its jointly controlled entities and associates sold approximately 340,000 sq. m in contracted GFA, which amounted to a 53.1% drop year-on-year. Approximately 300,000 sq. m of the sold area was residential spaces. Contracted sales amounted to about RMB3.74 billion, a decrease of 53.2% from the previous year. About RMB3.51 billion of the contracted sales revenue came from sales of residential properties.

During the year under review, the Group adopted sales strategies that cater to different market characteristics and product features based on its judgment of market landscape and policy direction. In addition, the Group launched the "First City" series across the nation, thus strengthening brand recognition and increasing sales of new projects. In the fourth quarter, the Group achieved an improvement in project sales with the implementation of a proactive sales strategy and the promulgation of a series of stimulative measures in boosting property consumption and stabilizing the property market. Contracted sales amounted to RMB1.42 billion, representing an increase of 132.8% when compared with the third quarter of the same year.

During the year, the Group launched a number of new units of its key projects, such as The Reflections, Urban Town, Beijing A-Z Town, Tianjin Butchart Garden and Chengdu A-Z Town. Despite the negative impact of the market condition and the rapid sales slowdown, the Group capitalized on the continuous enhancement of its positive market image and rising recognition from clients and posted stable sales performance.

- With a unique living concept, prominent quality and prime location, sales of The Reflections, the Group's high-end project rarely found in market, was not seriously affected by the latest round of market adjustment. The Group launched Block 3 of the project in mid-May 2008 and received overwhelming market response due to its excellent quality. Contracted sales amounted to RMB200 million and contracted average selling price exceeded

RMB43,000 per sq. m, reflecting a 48% rise from the end of the previous year. The sales performance of The Reflections demonstrated the Group's unrivalled market competitiveness and also enhanced the Group's brand influence among high-end projects.

- Urban Town represents a perfect combination of the Group's core development concept and the classic model of ideal living. Located at prime location with convenient transportation facilities, coupled with a sophisticated residential atmosphere and diversified product types, the project attracted a wide spectrum of consumers. Amid negative market condition, the Group adopted a host of effective sales strategies and launched new units at reasonable prices in a timely manner, which generated positive results. Towards the end of the year, the Group put on sale another batch of new units of Block 5, which was sold out basically in one month after its launch.

- The Group replicated the A-Z Town series, the first product line of "Diversified Integrated Community" across the country. It has been well received by the market since its launch, thanks to its unique location, accurate anticipation of clients' demands and introduction of renowned business centres in the projects. However, during the first three quarters of 2008, sale of the Beijing A-Z Town had been affected by unfavourable market landscape and fierce competition in Chaoqing district. The Group adjusted its pricing strategy and launched new units based on the sales performance of current property supply, market competition and customer demand. As a result, sale in the fourth quarter improved notably. For Chengdu A-Z Town, the Sichuan earthquake dragged down the total property sales in Chengdu for the first half of the year. In the second half, the Group made relentless efforts to entice customers by introducing Chengdu A-Z Town, and achieved total contracted sales of RMB390 million for the year.

- Tianjin Butchart Garden is a prototype of the Group's "Urban Low-density Humanistic Community" series. With a development ideal founded on a humanity environment, this product features attention to details and makes for a small-sized, high quality residential community with a pleasant environment and beautiful scene. The sales in first-phase of this project delivered an excellent performance and contributed to the Group's brand effect. The positive effect of the performance also spilled over to the ensuing launch of other units, which produced satisfactory performance despite market volatility. While unfavourable market condition has led to a slowdown in property sales, Tianjin Butchart Garden managed to perform well and ranked the third in Tianjin's property market in terms of sale.

- In the second half of 2008, the Group launched the First City, an "Internationalized High-end Community" series, in Chengdu and Shenyang and planned to launch the same product series in Tianjin and Xian in 2009. With the concept of "Brilliance on top of the world", the First City enables the Group to realize its competitive edges in brand and products by shortening the development progress via large-scale production and standardized operation, and by mitigating development cost. Supported by the concept of "neo-internationalism", Chengdu First City is the Group's first development project of this series in south-western China. Since its launch on 20th September 2008, the project has won extensive client recognition and recorded encouraging sales performance. Shenyang First City is a strategic project that marked the Group's efforts in investing in the Bohai Rim region and its attempt to expand in Northeast China. Located in the core of Hunnan, the project is a river away from the CBD of Wuli River. It enjoys transport efficiency and shares the prosperity of Jinlan, which is connected to Hunnan by a bridge crossing the river. The project has been well received since its launch on 28th September 2008.

In 2009, it is expected that the property market will go south further. In light of the challenging environment, the Group will further enhance the value of its product by modifying product design and facilities. In respect of sales and marketing, the Group will get a better understanding of customer demand by strengthening market research and customer analysis, it will also adopt effective sales and pricing strategies to promote sales and accumulate client base. With The Reflections and Beijing World Center Phase 2 remain as pioneer projects, the Group will also launch a number of First City projects and making use of "BCL Hall" ("首創館") as the window to facilitate external communication and as a comprehensive sales headquarters. In sum, the Group will cultivate a brand-new market image, enhance its brand awareness and reinforce its market competitiveness.

HOTEL OPERATIONS

During the year under review, the two hotels of the Group captured the opportunities brought forth by the hosting of the Beijing Olympics and achieved a remarkable improvement in the operation results. Revenue amounted to approximately RMB295.56 million, representing a growth of 19% when compared to the previous year.

Inter-Continental Financial Street Beijing, the first prime hotel in Financial Street, further enhanced its service quality. During the year, it provided accommodation to NBA players during the Olympic Games and strengthened its reputation with the accreditation of a number of awards, including "The Best Inter-Continental Brand in Asia-Pacific" (亞太區最佳洲際品牌獎) and "The World's Best Hotel to Stay" (全球金牌下榻酒店獎). For the year ended 31st December 2008, the average occupancy rate of the hotel stood at approximately 67%.

Holiday Inn Central Plaza Beijing continued to focus on consolidating its positioning as a hotel for business and conference. By establishing "The Prestige Club" and launching various programs such as "Loyal Customer Service Manager" and "Guests Knowledge Scheme", the hotel effectively enhanced its service quality, explored new client base and recorded encouraging results during the year. In 2008, Holiday Inn Central Plaza Beijing recorded an average occupancy rate of approximately 67%.

LAND BANK

During the year under review, in view of the drastic change in the market landscape, the Group modified its land bank strategy in a timely manner and established the principles of land bank replenishment after project launch, investment base on sales performance and further focus on the strategic regions. With the view of capturing the opportunities arising from market consolidation to optimize the scale and structure of the land bank, the Group will proactively seek for ways to expand its business by exploring the synergy between the infrastructure business of Capital Group (its parent company) and its own property development business. Meanwhile, the Group will also capitalize on the strong capital position of its international collaboration platform and its competitiveness in integrated operation, and ride on market opportunity to acquire quality land resources for the development of premium projects.

For the year ended 31st December 2008, the unsold GFA of the Group's land bank totaled to 7.12 million sq. m, in which attributable GFA was 3.7 million sq. m. The geographical distribution of its land bank in terms of unsold GFA is as follow, about 9% in Beijing, 21% in Tianjin, 18% in Shenyang, 17% in Chengdu, 11% in Chongqing, 19% in Xian and 5% in Wuxi. In terms of land use for the unsold GFA, approximately 87% is accounted for residential projects, 11% for commercial projects, 1% for office properties and 1% for hotels. The Group's current land bank is of a reasonable scale and is sufficient for the development for the coming four to five years.

HUMAN CAPITAL

As at 31st December 2008, the Group had a professional team of 585 people with an average age of 33.3. 15.2% and 62.6% of the employees received master degree or above and undergraduate education respectively. Of the total number of staff, employees at the middle level accounted for 33% and those at senior level accounted for 5.6%.

During the year under review, the Group endeavoured to establish and enhance its human resources development system via staff selection, strengthening of staff training and promotion as well as standardized and technological assessment standard. The Group also offered specific training and introduced development programmes to senior management, primary operation staff and candidates for mid to long term development. The Group organized 60 training programmes and the total training attendance reached 5,268. The number of training hours totalled 28,570 hours with an average of 49 hours per staff.

COMMUNITY AFFAIRS

China was attacked by the snow storm and Sichuan earthquake in the first half of 2008. The Group and all staff members took the initiative to donate in support of the victims of these disasters. The Group has made a donation of approximately RMB3.7 million. Beijing Capital Land Chengdu Company Limited immediately launched the campaign of "Love the City with Action" and changed it sales office into a temporary reception centre for residents of neighboring areas living in endangered old buildings. A team named "Repair Team with Love" was organized to provide emergency repair services to the affected secondary and primary schools in the Chenghua district, Chengdu. The team also purchased food and water and delivered to the areas seriously affected. The Group has raised a total of RMB12 million (including fund and goods) together with its cooperating partners.

During the Beijing Olympics, the two hotels of the Group, namely the Inter-Continental Finance Street Beijing and The Holiday Inn Central Plaza Beijing, assigned 50 staff members to be the volunteers and to provide service at the Olympic Village and Media Village on behalf of the Group. The entire team contributed to a satisfactory living environment and conditions for the Chinese sports delegation with their valuable contribution, responsible attitude and meticulous work. The Group's contribution to the successful hosting of the Beijing Olympics demonstrated its public spirit in serving the community.

PROSPECTS

Propelling growth has been the focus of China property development. Selling price and transaction volume varied in different stages. However, factors that determine the basic market demand and supply as well as resources allocation remain unchanged. In the long run, the fundamentals of the development of real estate industry remain intact. If there is no significant fluctuation of the macroeconomic environment, the growth in people's wealth, the economic benefits brought forth by higher proportion of labor force population and urbanization will continue to be the momentum for the increase in actual property demand. The structural consolidation of the property market is favorable to a stable development of the industry in the mid to long run. However, the market will continue its consolidation for the short term. At present, the objectives of the State's policies are clear, i.e. to establish a secured system for residential property market while strengthening the efficiency in demand and supply of commodity housing, so as to cater to consumption demand and restrain market speculation. The adjustment in the State's policies will lead to a change in industry structure, which results in market differentiation and an upset of the original situation of demand and supply. The implementation of government policies and market adjustment will accelerate industry consolidation and only property developers with strong brand awareness and competitiveness in cost control will surpass the others.

This is a time when challenges and opportunities both exist. As one of the large-scale integrated property developers, the Group is confident in and capable of overcoming the difficulties ahead, adapting to market changes and expediting the healthy development of China's property industry in the long term.

The Group will continue to implement the following development strategies in 2009:

1. To take the initiative to adapt to market changes and satisfy customer demand in order to achieve outstanding sales performance

    — Keep a close eye on and analyze changes in market landscape to timely adjust sales strategy, with an aim of promoting sales and reducing inventory.

    — Optimize product design and ancillary to cater to customer demand and enhance the functionality and price competitiveness of the product.

    — Strengthen customer relationship management to increase brand awareness and expand market share.

2. To impose stringent cost control, speed up capital turnover and reduce debt

    — Control cost and expenses to effectively reduce operating cost.

    — Further enhance management on cost and investment return, so as to speed up the progress of product standardization and control construction cost.

    — Enhance asset liquidity and optimize asset portfolio by adjusting and upgrading land bank scale and structure while accelerating asset turnover.

    — Accelerate the progress of receivable turnover and strengthen asset liquidity to reduce debt.

3. To improve operation efficiency, ride on the opportunities arising from industry consolidation and foster the Group's capability

    — Determine production and adjust the progress and cost of development base on sales performance.

    — Capitalize on the Group's reputation in credits to take advantage of the loan policy adjustment of the state while proactively exploring different financing channels.

    — Monitor the opportunity for business expansion at low cost and strengthen capital position.

4. To enhance management and consolidate business foundation

    — Expedite the progress of informationalization and enhance management efficiency.

    — Optimize the model of three-tier management, promote internal reform propel the growth of the Group's branch offices in cities it operates and develop them into major profit centres.

FINANCIAL ANALYSIS

1. Revenue and Operating Results

During the year 2008, the turnover of the Group was approximately RMB5,167,098,000 (2007: RMB4,870,929,000), representing an increase of 6% from the year 2007. Such increase in turnover was attributable to high sales and occupancy rate of The Reflections project in Beijing, The Urban Town project, The A-Z Town project in Beijing, The A-Z Town project in Chengdu and The Tianjin Butchart Garden project developed by the Group during the year. The turnover was relatively stable.

During the year 2008, the Group achieved a gross margin of 32%, representing a slight increase from 31% of last year. It was mainly due to higher selling prices in the properties sold which sales revenue was recognised in the year than that in year 2007, thus leading to an increase in gross margin.

During the year 2008, the operating profit of the Group was approximately RMB1,423,686,000 (2007: RMB1,292,887,000), representing an increase of 10% from the year 2007.

2. Financial Resources, Liquidity and Liability Position

As at 31st December 2008, the Group's total assets were RMB19,067,502,000 (2007: RMB19,803,326,000) (of which, current assets were RMB12,452,174,000 (2007: RMB10,737,134,000) and non-current assets were RMB6,615,328,000 (2007: RMB9,066,192,000)) and the total liabilities were RMB12,908,182,000 (2007: RMB14,045,002,000) (of which, current liabilities were RMB7,104,449,000 (2007: RMB9,895,500,000) and non-current liabilities were RMB5,803,733,000 (2007: RMB4,149,502,000)), and the equity reached RMB6,159,320,000 (2007: RMB5,758,324,000).

The Group is of sound liquidity and solvency. Current ratio of the Group as at 31st December 2008 was 1.75 (2007: 1.09).

As at 31st December 2008, the Group's cash and cash equivalents amounted to RMB2,147,142,000 (2007: RMB2,614,383,000), which represented sufficient cash flow for operations.

Bank loans of the Group as at 31st December 2008 amounted to RMB6,383,500,000 (2007: RMB5,869,138,000), of which the long-term loans amounted to RMB5,661,500,000 (2007: RMB3,550,000,000), which were mainly used to meet the capital requirements of the Group's property development projects.

The Group currently makes investment in the PRC only. As at 31st December 2008, all of the Group's bank loans came from banks in the PRC and were borrowed and repaid in RMB. Therefore, there exists no significant risk of currency fluctuation. All of the Group's long-term bank loans are granted on a floating rate basis.

As at 31st December 2008, the Company's gearing ratio was 41% (2007: 35%). The gearing ratio of the Company is calculated by first adding up (i) the Group's short-term and long-term bank loans and (ii) net amounts due from/to parent company, net of (iii) net cash and bank balances (the balance of (i), (ii) and (iii) being referred to as "(A)"), then have (A) divided by the aggregate of (A) and net assets of the Group.

3. Changes in major subsidiaries

During the year, the Company acquired 15% equity interests in Tianjin Banshan Renjia Real Estate Company Limited from Tianjin Taida Construction Group Company Limited, a shareholder of Tianjin Banshan Renjia Real Estate Company Limited and, after the acquisition, the Company owned 100% equity interests in Tianjin Banshan Renjia Real Estate Company Limited.

During the year, the Company disposed of its 45% equity interests in subsidiaries Tianjin Capital Xingang Real Estate Development Company Ltd. and Tianjin Capital Xinyuan Real Estate Development Company Ltd. respectively to Reco Ziyang Pte Ltd. and, after the disposal, the Company owned 55% equity interests in Tianjin Capital Xingang Real Estate Development Company Ltd. and 55% equity interests in Tianjin Capital Xinyuan Real Estate Development Company Ltd.

During the year, Central Plaza Real Estate Development Company Limited, a wholly-owned subsidiary of the Company established Central Plaza Xinrong Hotel Management Company Limited through division by continued existence to operate and manage the assets of Holiday Inn Central Plaza Beijing. Central Plaza Xinrong Hotel Management Company Limited was owned as to 75% equity interests by the Company and 25% equity interests by International Finance Centre Property Ltd. (國際金融中心物業有限公司), a wholly-owned subsidiary of the Company.

4. Changes in major jointly-controlled entities and associates

During the year, the Company jointly contributed in the establishment of Chongqing Capital Xinshi Real Estate Ltd. with Reco Ziyang Pte Ltd., such that Chongqing Capital Xinshi Real Estate Ltd. was held as to 50% equity interests by the Company.

During the year, the Company disposed of 60% equity interests in subsidiary Tianjin Capital Xinming Real Estate Development Company Ltd. to Reco Ziyang Pte Ltd. and, after the disposal, the Company owned 40% equity interests in Tianjin Capital Xinming Real Estate Development Company Ltd.

During the year, Beijing Shangbodi Investment Consultant Company Limited, a wholly owned subsidiary of the Company, transferred 40% and 60% equity interests in Tianjin Capital Xinqing Real Estate Development Company Ltd. to the Company and Reco Ziyang Pte Ltd., respectively. After the transfer, the Company owned 40% equity interests in Tianjin Capital Xinqing Real Estate Development Company Ltd.

During the year, Beijing Rongjin Real Estate Development Co., Ltd., a subsidiary of the Company established Beijing Finance Street International Hotel Ltd. (北京金融街國際酒店有限公司) through division by continued existence to operate and manage the assets of Inter-Continental Hotel (Financial Street) (金融街洲際酒店). Beijing Finance Street International Hotel Ltd., which was accounted for as an associate according to the cooperation agreement and the memorandum of association of Beijing Finance Street International Hotel Ltd., was owned as to 10% equity interests by the Company and 49.5% equity interests by Central Plaza Development Limited, a wholly-owned subsidiary of the Company.

5. Entrusted Deposits and Overdue Time Deposits

As at 31st December 2008, the Group did not have any deposits under trusts in financial institutions in the PRC. All of the Group's cash were held in commercial banks in the PRC in accordance with applicable laws and regulations. The Company has no bank deposits which are not recoverable upon maturity.

As at 31st December 2008, bank borrowings of RMB4,241,500,000 (2007: RMB4,350,000,000) were secured by rights to yields on certain land use rights (gains on the sales of land use rights or other profit obtained from the related land use rights).

As at 31st December 2008, bank borrowings of RMB1,242,000,000 (2007: RMB419,138,000) were secured by land use right in properties under development amounted to RMB454,051,000 (2007: RMB229,814,000) and gains from the sales of land use rights or other profit obtained form the relevant properties.

As at 31st December 2008, bank borrowings of RMB300,000,000 (2007: Nil) were secured by the hotel properties and land use rights.

6. Contingent Liabilities

The Group had arranged bank facilities for certain purchasers of its properties and provided guarantees to secure the repayment obligations of such purchasers. The outstanding balances of guarantees amounted to RMB2,826,257,000 as at 31st December 2008 (2007: RMB2,143,607,000).

As at 31st December 2008, other than the guarantees provided for a long-term bank loan of RMB600,000,000 (2007: RMB600,000,000) granted to a subsidiary, the Group had no other material external guarantee.

Biographical Details of Directors, Supervisors and Senior Management

Current session of the Board of Directors took effect on 5th December 2008 for a term of three years.

CHAIRMAN

Liu Xiaoguang (劉曉光), aged 54, has been appointed as an executive Director and the Chairman of the Company since December 2002. Mr. Liu has served as the vice-chairman and the general manager of Capital Group since 1995. Prior to his appointment with Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as the vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Since 1994, Mr. Liu has been serving as the chairman of the board of directors of New Capital International Investment Limited (Stock Code: 1062). Presently, Mr. Liu is the visiting lecturer at Beijing's Commerce Council. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

EXECUTIVE DIRECTORS

Tang Jun (唐軍), aged 50, has been appointed as an executive Director and the President of the Company since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

Zhang Juxing (張巨興), aged 55, was appointed as the vice-president of the Company in December 2002. Mr. Zhang has worked in the infrastructure office of Beijing Public Transport Corporation for seven years. Since 1993, Mr. Zhang has been serving as the department manager and deputy general manager of Beijing Sunshine Real Estate Comprehensive Development Company. Mr. Zhang graduated with a basic economy infrastructure degree from the People's University of China in 1989. During 2005 to 2007, he studied in Beijing University and obtained his Master Degree in Business Administration from the University of Northern Virginia.

NON-EXECUTIVE DIRECTORS

Feng Chunqin (馮春勤), aged 57, has been appointed as a non-executive Director since December 2005. Mr. Feng has been serving as the deputy general manager of Capital Group since June 2001. Prior to his appointment with Capital Group, Mr. Feng served as the general manager of Beijing Jinghua Trust and Investment Corporation and Beijing Jianxin Enterprise Holdings Limited, the trust and investment company of the headquarters of China Construction Bank. Mr. Feng has also worked for the Organization Department of the Beijing Municipal Communist Party of China Committee and MOFTEC Department of Beijing Municipal Communist Party of China Committee. Mr. Feng obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

Cao Guijie (曹桂杰), aged 57, is a postgraduate and senior economist, has been appointed as a non-executive Director since December 2008. Ms. Cao has served as the director and deputy general manager of Capital Group since 1995. Prior to her appointment with Capital Group, Ms. Cao served as a committee member of the Secretary Bureau of the General Office of the State Council, a committee member of the Office of Central Financial Work Leading Group, the vice-chairperson of the Research Office of the Ministry of Light Industry, the chairperson of the Office of Policy and Regulation Division and head of the Regulation Department of the Ministry of Light Industry and the vice-chairperson of the Development and Research Center of Chinese Light Industry. Ms. Cao was a postgraduate student in Money and Banking in the Chinese Academy of Social Sciences from 1996 to 1998.

Zhu Min (朱敏), aged 47, has been appointed as a non-executive Director since December 2002. Ms. Zhu has worked for the Beijing Municipal Bureau of Statistics and Beijing Municipal Development and Planning Commission. Since 2001, Ms. Zhu has been serving as the director and general manager of Beijing Capital Technology Investment Ltd. Ms. Zhu obtained her Master Degree of Enterprise Management from the Institute of Economic and Trade University in 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ke Jianmin (柯建民), aged 55, has been appointed as an independent non-executive Director since June 2003. Mr. Ke has served as the vice-president of SNC-Lavaline International. Mr. Ke graduated with a bachelor's degree and a master's degree in urban planning from Shanghai Tongji University in 1979 and 1982 respectively. He also obtained a doctorate degree from Sheffield University, United Kingdom in 1994.

Li Zhaojie (李兆杰), aged 54, is a professor of School of Law, Tsinghua University. Mr. Li has been appointed as an independent non-executive Director since December 2005. Mr. Li is the vice-president of the Chinese Society of International Law, the chief editor of the Chinese Yearbook of International Law and the committee member of Asian Society in International Law. Mr. Li was a visiting professor at Duke University Law School in 2002 and University of Tokyo in 2003. Mr. Li is also the committee member of the 11th CPCC of Beijing City in 2008. Mr. Li obtained his Bachelor of Laws degree from Peking University in 1983, Master of Laws degree from the University of California in 1985, Master of Library Information Studies degree from the University of California in 1986 and Doctor of Juridical Sciences degree from the University of Toronto in 1996.

Ng Yuk Keung (吳育強), aged 45, has been appointed as an independent non-executive Director since December 2008. Mr. Ng is the vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (Stock Code: 1886). Mr. Ng worked with PricewaterhouseCoopers from 1988 to 2001. From November 2004 to August 2006, Mr. Ng was the deputy chief financial officer, the joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (Stock Code: 438). Mr. Ng is also an independent non-executive director of Xinjiang Xinxin Minging Industry Co. Ltd. (Stock Code: 3833). Mr. Ng graduated from the University of Hong Kong with a Bachelor degree in Management Studies and Economics and a Master degree in Global Business Management and E-commerce. Mr. Ng is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

SUPERVISORS

Yu Changjian (俞昌建), aged 54, was appointed as a supervisor of the Company in December 2002. Mr. Yu has worked for Beijing Chemical Group and Beijing Capital Hangyu Economic Development Co., Ltd. Since 1995, Mr. Yu has been serving as manager and chief financial officer of Capital Group's Finance Department. Mr. Yu graduated from the Beijing Broadcasting Television University in 1986.

Wang Qi (王琪), aged 56, was appointed as a supervisor of the Company in May 2004. Prior to his appointment, Mr. Wang has served as commissioner of the Beijing Municipality's Financial Budget Department and Education Department of the Beijing Financial Bureau. Mr. Wang has also served as deputy general manager and general manager of Beijing Municipal Economic Development and Investment Company, and the deputy general manager of the Capital Group. Currently, Mr. Wang serves as chairman of Beijing Infrastructure Investment Co., Lted., and is a director of Beijing Capital Co., Ltd. Mr. Wang obtained his Bachelor of Economics degree from the Beijing Institute of Finance and Trade in 1982.

Wei Jianping (魏建平), aged 42, was appointed as a supervisor of the Company in December 2002. Mr. Wei has been working as engineer and manager for Beijing Sunshine Real Estate Comprehensive Development Company and its subsidiaries since 1994. Mr. Wei also serves as project manager of Beijing Rongjin Real Estate Development Co., Ltd. Currently, Mr. Wei serves as the chairman of the board of directors of Central Plaza Real Estate Development Company Limited and as a director of Beijing Rongjin Real Estate Development Co., Ltd. Mr. Wei graduated with a Master degree in Economics from the People's University of China in 2000.

SECRETARY OF THE BOARD OF DIRECTORS

Hu Weimin (胡衛民), aged 44, was appointed secretary of the Board of Directors in August 2007. Starting from 1988, Mr. Hu had served in Beijing Shougang Corporation, China Shougang International Trade & Engineering Corp. and Beijing Certified Public Accountants Co. Ltd, mainly engaged in technological management, investment management and investment consultancy. He joined Capital Group in 1999 as the manager of the business department of Beijing Guanwei Investment Management and Consultancy Company, responsible for investment consulting and project monitoring of ING Beijing Investment Fund . He joined the Company in 2002, and was appointed vice assistant president of the Company in December 2006. Mr. Hu obtained his master degree in engineering from Northeastern University.

COMPANY SECRETARY

Lee Sing Yeung, Simon (李聲揚), aged 40, was appointed as the Company Secretary of the Company in April 2008. He is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He has over 18 years of experience in accounting and financial management in Hong Kong and the PRC. Prior to joining the Company, he served as a qualified accountant and company secretary in companies listed on the GEM board and main board of The Stock Exchange of Hong Kong Limited. Mr. Lee obtained a master degree of professional accounting from the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Zhang Fuxiang (張馥香), aged 48, was appointed as a vice president of the Company in March 2006. Ms. Zhang has been serving as financial manager and financial controller of Super Shine and Beijing Sunshine Real Estate Comprehensive Development Company respectively and as supervisor of Super Shine since 2000. Ms. Zhang was appointed as the chief financial officer of the Company in December 2002. Ms. Zhang obtained her Bachelor of Economics degree from the financial accounting department of the People's University of China in 1985.

Sun Baojie (孫寶杰), aged 39, an assistant economist, was appointed as the vice president of the Company in March 2006. During the period from 1996 to December 2003, Ms. Sun served as the manager of the development department of Beijing Capital Sunshine Real Estate Development Co., Ltd. Since December 2003, she has been the general manager of An Hua Century/Sunshine City Real Estate Company Limited. Ms. Sun obtained his Bachelor of Economics from the Central Financial and Banking University in 1993.

Wu Huai Liang (吳懷量), aged 46, engineer, was appointed deputy president of the Company in March 2008. Mr. Wu had served in the United Front Work Department of the Industrial, Commercial and Economic Office of Beijing Municipal Party Committee, Beijing Integrated Investment Company, Beijing Economic Development Company successively. He joined Beijing Capital Technology Investment Co., Ltd. in 2000 as general manager of the Real Estate Business Department. During 2002 to 2003, he acted as general manager of Beijing Anhua Century Property Development Co., Ltd. Since 2004, he has been serving as general manager of S.C. Real Estate Development Company Limited. In December 2006, he was appointed assistant president of the Company. Mr. Wu obtained his Bachelor Degree in Engineering from Wuhan University in 1984.

Luo Jun (羅俊), aged 37, was appointed as the chief financial officer of the Company in March 2007. Mr Luo has acted as the general manager of the Finance Department of the Company from October 2003 to March 2007. Prior to his appointment, Mr. Luo was senior manager of the auditing department in a domestic accounting firm. Mr. Luo is a member of Beijing Institute of Certified Public Accountants and is a certified public accountant in the PRC. Mr. Luo graduated from Beijing Jiaotong University. He obtained his Bachelor of Economics degree in 1993 and Master of Economics degree in 1996.

Directors' Report

DIRECTORS' REPORT

The Board of Directors is pleased to present to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development and hotel investment and operation.

RESULTS

The results of the Group for the year ended 31st December 2008, prepared in accordance with Hong Kong Financial Reporting Standards and its financial position as at the same date are set out on pages 66 to 74 of the annual report.

DIVIDENDS

At a Board meeting held on 2nd March 2009, the directors proposed a final dividend of RMB0.08 per share based on the Company's total issued number of shares of 2,027,960,000 on the same day and the total amount payable will be RMB162,237,000. This proposed dividend is not represented as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2009.

FINANCIAL HIGHLIGHTS

The Group's results and summary of assets and liabilities for the last five years are set out on page 4 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 13% of goods and services from its five largest suppliers and sold less than 2% of its goods and services to its five largest customers. The Group's turnover from the largest customer accounted for less than 1% of the total sales.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement of property, plant and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties owned by the Group is set out on pages 9 to 11 of the annual report.

RESERVE

Details of movements of reserve of the Group and the Company during the year are set out in note 19 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of its equity securities.

DIRECTORS AND SUPERVISORS

The directors and supervisors for the year are as follows:

Directors

Executive Directors	
Mr. Liu Xiaoguang	*(Chairman)*
Mr. Tang Jun	*(President)*
Mr. Zhang Juxing	(appointed on 5th December 2008)
Mr. He Guang	(Vice-President, retired on 4th December 2008)
Non-executive Directors	
Mr. Feng Chunqin	
Ms. Cao Guijie	(appointed on 5th December 2008)
Ms. Zhu Min	
Mr. Wong Zhengbin	(retired on 4th December 2008)
Mr. Muk Kin Yau	(retired on 4th December 2008)
Independent Non-executive Directors	
Mr. Ke Jianmin	
Mr. Li Zhaojie	
Mr. Ng Yuk Keung	(appointed on 5th December 2008)
Mr. Kwong Kai Sing, Benny	(retired on 4th December 2008)
Mr. Yu Xingbao	(retired on 4th December 2008)

Supervisors

Mr. Yu Changjian
Mr. Wang Qi
Mr. Wei Jianping

The biographical details of directors, supervisors and senior management are set out on pages 40 to 43 of the annual report.

DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are set out in note 27 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During the year, the five individuals with the highest remuneration in the Group are all directors and senior management of the Company.

MANAGEMENT CONTRACTS

Except for the connected transactions as stated in this report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS

As at 31st December 2008, the interests and short positions of each director, supervisor and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they are applied to the supervisors):

Director/Supervisor	Relevant entity	Long/Short position	Interests in shares/ underlying shares	Capacity of shares held	No. of shares held	Approximate percentage of registered capital of the relevant entity
Liu Xiaoguang	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	3,250,000	3.25%
Tang Jun	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	8,640,000	8.64%
Zhang Juxing	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	3,380,000	3.38%
Feng Chunqin	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	1,350,000	1.35%
Cao Guijie	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	2,250,000	2.25%
Yu Changjian	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	600,000	0.60%
Wang Qi	Beijing Capital Sunshine Real Estate Development Co., Ltd.	Long position	Shares	Individual	400,000	0.40%

Saved as disclosed above, as at 31st December 2008, none of the directors, supervisors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors and chief executive of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for equity or debt securities of the Company, nor had any of them exercised such rights during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contract of significance to which the Company, its holding company, any of its subsidiaries or its fellow subsidiaries was a party, and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or supervisors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE CAPITAL

As at 31st December 2008, there was a total issued share capital of 2,027,960,000 shares of the Company (the "Shares") which include:

	Number of Shares	Approximate percentages of share capital
Domestic Shares	649,205,700	32.01%
Non-H Foreign Shares	357,998,300	17.65%
H Shares	1,020,756,000	50.34%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31st December 2008, the following persons (not being director or chief executive of the Company), so far as is known to any director, had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

			Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
Name of shareholders	Number of Shares directly and indirectly held	Class of Shares	Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	924,441,900 (1)	Non-listed Shares	30.88 (long position)	60.90 (long position)	91.78	15.34 (long position)	30.25 (long position)	45.58
	33,000,000 (1)	H Shares	—	3.23 (long position)	3.23	—	1.63 (long position)	1.63
Beijing Sunshine Real Estate Comprehensive Development Company	322,654,800 (2)	Non-listed Shares	4.71 (long position)	27.33 (long position)	32.04	2.34 (long position)	13.57 (long position)	15.91
	33,000,000 (2)	H Shares	—	3.23 (long position)	3.23	—	1.63 (long position)	1.63
Beijing Capital Sunshine Real Estate Development Co., Ltd.	275,236,200 (3)	Non-listed Shares	—	27.33 (long position)	27.33	—	13.57 (long position)	13.57
	33,000,000 (3)	H Shares	—	3.23 (long position)	3.23	—	1.63 (long position)	1.63
Beijing Capital Technology Investment Ltd.	172,006,700	Non-listed Shares	17.08 (long position)	—	17.08	8.48 (long position)	—	8.48
Beijing Shou Chuang Jian She Co., Ltd.	118,747,600	Non-listed Shares	11.79 (long position)	—	11.79	5.86 (long position)	—	5.86
China Resource Products Limited	275,236,200	Non-listed Shares	27.33 (long position)	—	27.33	13.57 (long position)	—	13.57
	33,000,000	H Shares	3.23 (long position)	—	3.23	1.63 (long position)	—	1.63
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	8.22 (long position)	—	8.22	4.08 (long position)	—	4.08
Fexi Holdings Limited	82,762,100 (4)	Non-listed Shares	—	8.22 (long position)	8.22	—	4.08 (long position)	4.08
Chung Pok Ying	82,762,100 (5)	Non-listed Shares	—	8.22 (long position)	8.22	—	4.08 (long position)	4.08
Reco Pearl Private Limited	165,070,000	H Shares	16.17 (long position)	—	16.17	8.14 (long position)	—	8.14
Recosia China Pte Ltd.	165,070,000 (6)	H Shares	—	16.17 (long position)	16.17	—	8.14 (long position)	8.14
Recosia Pte Ltd.	165,070,000 (7)	H Shares	—	16.17 (long position)	16.17	—	8.14 (long position)	8.14
Government of Singapore Investment Corporation (Realty) Pte Ltd.	165,070,000 (8)	H Shares	—	16.17 (long position)	16.17	—	8.14 (long position)	8.14
UBS AG	72,125,945 (9)	H Shares	4.56 (long position)	2.51 (long position)	7.07	2.29 (long position)	1.26 (long position)	3.56
	1,263,000 (9)	H Shares	—	0.12 (short position)	0.12	—	0.06 (short position)	0.06
The Hamon Investment Group Pte Limited	112,236,000 (10)	H Shares	—	11.00 (long position)	11.00	—	5.53 (long position)	5.53
The Bank of New York Mellon Corporation	61,400,000 (11)	H Shares	—	6.02 (long position)	6.02	—	3.03 (long position)	3.03

Notes:

1. Of these 924,441,900 Shares, 311,032,800 Shares are directly held by Capital Group, the remaining 613,409,100 Shares are deemed corporate interests under the SFO indirectly held through Beijing Sunshine Real Estate Comprehensive Development Company, Beijing Capital Technology Investment Ltd., Beijing Shou Chuang Jian She Co., Ltd. and China Resource Products Limited. 33,000,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

2. Of these 322,654,800 Shares, 47,418,600 Shares are directly held by Beijing Sunshine Real Estate Comprehensive Development Company, the remaining 275,236,200 Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited. 33,000,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

3. 275,236,200 non-listed Shares and 33,000,000 H Shares are deemed corporate interests under the SFO indirectly held through China Resource Products Limited.

4. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited.

5. 82,762,100 Shares are deemed corporate interests under the SFO indirectly held through Yieldwell International Enterprise Limited and Fexi Holdings Limited.

6. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited.

7. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.

8. 165,070,000 Shares are deemed corporate interests under the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

9. Of these 72,125,945 Shares (long position) and 1,263,000 Shares (short position), 18,633,358 Shares (long position) are directly held by UBS AG as beneficial owner, 27,866,587 Shares (long position) are directly held by UBS AG as person having a security interest in shares, 8,433,000 Shares (long position) are indirectly held through UBS Fund Services (Luxembourg) SA, 11,714,000 Shares (long position) are held indirectly through UBS Global Asset Management (Singapore) Ltd, 4,216,000 Shares (long position) are indirectly held through UBS Global Asset Management (Hong Kong) Ltd., 1,263,000 Shares (long position) and 1,263,000 Shares (short position) are indirectly held through UBS Securities LLC.

10. Of these 112,236,000 Shares, 66,340,000 Shares are directly held by the Hamon U.S. Investment Advisors Limited, 8,478,000 Shares are indirectly held through Hamon Investment Management Limited and 37,418,000 Shares are indirectly held through Hamon Asset Management Limited.

11. Of these 61,400,000 Shares, 1,008,000 Shares are directly held by the Mellon Capital Management Corp and 60,392,000 Shares are indirectly held through The Dreyfus Corporation.

Save as disclosed above, so far as is known to the directors, there was no person (other than a director or chief executive of the Company) who, as at 31st December 2008, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

DESIGNATED DEPOSIT AND DUE FIXED DEPOSIT

As at 31st December 2008, the Group had no Designated Deposit and Due Fixed Deposit.

EMPLOYEES

As at 31st December 2008, the Group had 585 staff. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. The Company has conditionally adopted the Share Appreciation Rights Incentive Scheme (the "Incentive Scheme"). The principal terms and conditions of the Incentive Scheme are summarised in the section headed "Summary of terms of the Share Appreciation Rights Incentive Scheme" in Appendix VIII to the Prospectus of the Company dated 10th June 2003. As at 31st December 2008, no share appreciation rights had been granted under the Incentive Scheme. The Group has also adopted the Long Term Incentive Fund Scheme (the "Long Term Incentive Fund Scheme"), details of which have been laid out in the Appendix of the Amendments to Notice of Extraordinary General Meeting of the Company dated 31st August 2007 and in the Amended Draft Long Term Incentive Fund Scheme of the Company dated 7th September 2007 and passed in the Extraordinary General Meeting held on 27th September 2007.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

Connected transactions of the Group have been approved by the Board of the Company. During the year, the connected transactions of the Group were as follows:

1. Establishment of a new jointly controlled entity

   In April 2008, the Company entered into a contract to establish a sino-foreign equity joint venture company with Reco Ziyang Pte Ltd. ("Reco Ziyang", the minority shareholder of subsidiaries of the Group). The total amount of investment is USD95,000,000. The Company and Reco Ziyang shall both contribute 50% of the total amount of investment respectively to the newly established joint venture company.

2. Disposal of interests in subsidiaries to a minority shareholder

   In March 2008, the Company disposed of its 45% interest of Tianjin Capital Xingang Real Estate Development Company Limited ("Tianjin Xingang") and Tianjin Capital Xinyuan Real Estate Development Company Limited ("Tianjin Xinyuan") to Reco Ziyang for a cash consideration of RMB4,500,000 each. As a result, the Company's attributable interest in both Tianjin Xingang and Tianjin Xinyuan decreased from 100% to 55%.

3. Disposal of subsidiaries to a minority shareholder

In April 2008, the Group disposed of its 60% interest in Tianjin Capital Xinqing Real Estate Development Company Limited ("Tianjin Xinqing") and Tianjin Capital Xinming Real Estate Development Company Limited ("Tianjin Xinming") to Reco Ziyang for a cash consideration of RMB6,000,000 each. As a result, net gains on disposal of interests of Tianjin Xinqing and Tianjin Xinming of RMB5,000 and RMB1,011,000 was recognised to consolidated income statement respectively. Thereafter, Tianjin Xinqing and Tianjin Xinming became 40% owned associates of the Group.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans of the Group are set out in note 22 to the consolidated financial statements. Other borrowings were mainly the amounts due to parent company and minority interests of subsidiaries, details of which are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and related laws which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUBSIDIARIES

Details of the Company's major subsidiaries are set out in note 9 to the consolidated financial statements.

RESULTS OF OPERATIONS

Results of Operations of Financial Year 2008 are set out on page 37 of the annual report.

POLICIES ON INCOME TAX

The Company and its subsidiaries paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC.

FINANCIAL RESOURCES AND LIQUIDITY

Financial Resources and Liquidity are set out on page 37 of the annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and continued to uphold a good, solid and sensible framework of corporate governance and has compiled with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers, who retire and being eligible, offer themselves for reappointment. A resolution reappointing PricewaterhouseCoopers as the Hong Kong auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Liu Xiaoguang
Chairman

Beijing, the PRC, 2nd March 2009

Corporate Governance Report

The Company is firmly committed to maintaining high standards of corporate governance and continues to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the development of the Company, in its internal management, financial management, balance of business risk and protection of shareholders' and stakeholders' rights and enhancement of shareholder value.

It has been the Company's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. The Company acknowledges the importance to provide shareholders with an open and highly transparent management. Apart from enhancing shareholders' value and improving corporate earnings, sound corporate governance can also facilitate the steady development of the financial sector in Hong Kong.

- Sound corporate governance may also promote communication with external parties, such that investors can appreciate more of the Company's development potential and future prospects, to comprehend investment value of the Company.

- The procedures and systems under sound corporate governance can improve operation efficiency of the Group, such that all divisions or departments can contribute to enhance performance of the Group through close and intimate communication.

The Board has reviewed its corporate governance practices and ensured that they are in compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in the year ended 31st December 2008.

In addition to compliance of the code provisions of the Corporate Governance Code, the Company has also adopted, as far as practicable, recommended best practices in the Corporate Governance Code. Set out below are the status and details of the Company's corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry made by the Group that they have complied with the required standard set out in the Model Code throughout the period.

BOARD OF DIRECTORS

The Board comprises 9 Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors; the profile of each Director is set out on pages 40 to 43 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive directors and independent of the management, thereby promoting critical review and control of the management process. The non-executive directors also bring a wide range of business and financial expertise to the Board, which contribute to the effective stewardship of the Group.

The Board held four regular Board meetings at approximately quarterly intervals during the year ended 31st December 2008. Directors who cannot attend in person may participate through other electronic means of communication. Agenda to be discussed in Board meetings include business operation, financial planning and future strategic development of the Company. Due notice and relevant materials for the meeting were given to all directors prior to the meetings in accordance with the Company's articles of association and the Corporate Governance Code. Details of individual attendance of directors are set out in the following table:

Attendance of individual Directors at Board meetings in 2008:

	Number of attendance/ Number of meeting
Executive Directors	
Mr. Liu Xiaoguang *(Chairman)*	4/4
Mr. Tang Jun	4/4
Mr. He Guang	2/2
Mr. Zhang Juxing	2/2
Non-executive Directors	
Mr. Feng Chunqin	3/4
Mr. Wang Zhengbin	1/2
Ms. Zhu Min	3/4
Mr. Muk Kin Yau	1/2
Ms. Cao Guijie	1/2
Independent Non-executive Directors	
Mr. Kwong Kai Sing, Benny	2/2
Mr. Ke Jianmin	4/4
Mr. Yu Xing Bao	1/2
Mr. Li Zhaojie	4/4
Mr. Ng Yuk Keung	2/2

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board maintains and promotes successful business development of the Group and endeavours to enhance shareholder value. The Board is under the leadership of the Chairman and each director makes decisions objectively in the overall interests of the Group. Control and day to day operation of the Company is delegated to the President and the management of the Company.

The Directors are aware of their collective and individual responsibilities to the Company and its shareholders for the manner in which the affairs of the Company are managed, controlled and operated. In general, the types of decisions which are to be taken by the Board in accordance with the Company's article of associations are as follows:

1. Power of managing the development strategy and plan of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of the middle to long-term development objectives and strategy of the Company;
2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
4. formulation of plans for the increase of share capital and issue of additional shares;
5. formulation of proposals for the merger, separation and dismissal of the Company;
6. tendering insolvency petition of the Company;
7. formulation of amendment proposal to the Articles;
8. formulation of proposals for the change of use of proceeds from the issue of shares.

(2) those that may be exercised by the Board at its discretion:

1. resolution on proposals to improve the operation management and operating results of the Company;
2. resolution on the operating plans, audit plans and investment plans of the Company;
3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;
5. resolution on investment plans falling within the scope of authority of the Board;
6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

2. Power of personnel management on senior officers of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of director allowance and share option or warrant (or similar schemes) of the Company;

2. assessment and consideration of the eligibility of candidates for election as directors or independent directors;

3. proposing for the removal of a director.

(2) those that may be exercised by the Board at its discretion:

1. resolution on the strategy and plan of human resources development and deployment;

2. definition of the major duties and authorities of the general manger, responsible person for financial matters, secretary to the Board and the auditing department;

3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;

4. evaluation of the work performance of the general manager;

5. approval of the appointment of representatives of the shareholders to the subsidiaries or associates of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements;

6. approval of the plan of staff provident fund and other staff benefit plans.

3. Power of supervision and inspection of the development and operation of the Company:

(1) supervision of the implementation of the Company's development strategy;

(2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;

(3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;

(4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;

(5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;

(6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;

(7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness;

(8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The Directors acknowledge their responsibility for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st December 2008, the Directors have selected suitable accounting policies and applied them consistently; made judgement that are prudent, fair and reasonable. The Directors are responsible for keeping proper accounting records and ensure the preparation of financial statements of the Group for the year under review are in accordance with statutory requirements and suitable accounting policies.

The appointment of new Directors will be considered by the Nomination Committee (duties of the Nomination Committee is set out in the latter part of this report) and decided by all members of the Board. Candidates to be selected and recommended are experienced, high caliber individuals who meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules.

The Board has established a Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/their duties to the Group.

There is in place a directors and senior executive liabilities insurance cover in respect of legal action against directors and senior executives.

For the year ended 31st December 2008, the Board at all times complied the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

The interests in the Company's securities held by Directors as at 31st December 2008 are disclosed in the Directors' Report on page 46 of this annual report.

There is no relationship among members of the Board and in particular, between the Chairman and the President.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

According to the Company's articles of association, the term of office for the Directors is three years and can be re-elected. The second session of the Board of Directors was formed on 5th December 2005 and expired on 4th December 2008, while the third session of the Board of Directors (including non-executive directors) was formed on 5th December 2008 with 3-year term of office and can be re-elected.

CHAIRMAN AND PRESIDENT

The Chairman and President are held separately by Mr. Liu Xiaoguang and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to lead the Board and the President's responsibility to manage the Company's business.

BOARD COMMITTEE

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and Strategic Committee to strengthen its functions and corporate governance practices. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific duties in accordance with their respective written terms of reference. The Strategic Committee assists the Group in corporate strategy, business development and operation.

AUDIT COMMITTEE

The Group's Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ng Yuk Keung (Chairman of the Audit Committee), Mr. Li Zhaojie and Mr. Ke Jianmin The committee members performed their duties within written terms of reference formulated by the Company which includes duties set out in the code provision C.3.3 (a) to (n) of the Corporate Governance Code. Major duties include:

- to review the financial controls, internal control and risk management systems of the Group.

- to monitor the integrity of financial statements of the Company, the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approve those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:

  — provide suggestion to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;

  — review and supervise the independency and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;

  — formulate and execute policy for the provision of non-audit services by external auditors, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

During the year under review, the Audit Committee held a total of two meetings. In the meetings, the Audit Committee reviewed the financial statements for the year ended 31st December 2007 and for the six months ended 30th June 2008, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company. Information of member attendance is listed below:

Attendance of individual members at Audit Committee meetings in 2008:

	Number of Attendance/ Number of Meeting
Mr. Kwong Kai Sing, Benny (retired on 4th December 2008)	2/2
Mr. Yu Xing Bao (retired on 4th December 2008)	2/2
Mr. Li Zhaojie	2/2
Mr. Ng Yuk Keung (appointed on 5th December 2008)	N/A
Mr. Ke Jianmin (appointed on 5th December 2008)	N/A

The Group's results for the year ended 31st December 2008 have been reviewed by the Company's Audit Committee with a recommendation to the Board for approval.

NOMINATION COMMITTEE

The Group's Nomination Committee is responsible for review of the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes. It is also responsible for making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors, supervisors of the Company and senior executives and succession planning for directors in particular Executive Directors and senior executives. Majority members of the Nomination Committee are Non-executive Directors. It is chaired by Mr. Liu Xiaoguang with two other members, namely, Mr. Li Zhaojie and Mr. Ke Jianmin. During the year under review, the Nomination Committee held one meeting for annual review of the current Board structure and assessment of the independence of independent non-executive directors. Information of members attendance is listed below:

Attendance of individual members at Nomination Committee meeting in 2008:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang	1/1
Mr. Kwong Kai Sing, Benny (retired on 4th December 2008)	N/A
Mr. Ke Jianmin	1/1
Mr. Li Zhaojie (appointed on 5th December 2008)	1/1

REMUNERATION COMMITTEE

The Group's Remuneration Committee is responsible for providing recommendations to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. Majority members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Ms. Cao Guijie with two other members, namely, Mr. Li Zhaojie and Mr. Ke Jianmin. During the year under review, the Remuneration Committee held two meetings to review relevant matters relating to remuneration for the Directors and Supervisors. Information of member attendance is listed below:

Attendance of individual members at Remuneration Committee meeting in 2008:

	Number of Attendance/ Number of Meeting
Mr. Liu Xiaoguang (retired on 4th December 2008)	1/1
Mr. Kwong Kai Sing, Benny (retired on 4th December 2008)	1/1
Mr. Ke Jianmin	2/2
Ms. Gao Guijie (appointed on 5th December 2008)	1/1
Mr. Li ZhaoJie (appointed on 5th December 2008)	1/1

Major written terms of reference of the current remuneration system of the directors and supervisors of the Company are set out below:

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- No one is allowed to determine his or her own remunerations;
- The remuneration levels should tally with the Company's competitors in the human resources market;
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Directors and Supervisors

Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

3. Executive Directors

Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards. The remuneration of executive directors comprises of two parts:

(a) Basic Remuneration

The basic remuneration of executive directors accounts for about 70% of their total remuneration. Yearly reviews will be conducted, taking into account the competitive situations in the market, customary practice and personal performance.

(b) Yearly Gratuitous Payment

The amount of yearly gratuitous payment is determined based on the performances of the Company, functional departments and individual performance. The main performance-assessing standards include whether financial and operational targets can be achieved, and whether the individual has demonstrated key leadership skills like creating mutual objectives and nurturing talents.

The Company set a target yearly gratuitous payment for each executive director, which account for 30% of his total remuneration. Yearly gratuitous payment will only be granted when their performance reach satisfactory levels. The actual amount to be granted depends on individual performance.

THE COMPANY DOES NOT ADOPT ANY SHARE OPTION SCHEME

No director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

STRATEGIC COMMITTEE

The main function of the Group's Strategic Committee is to study and advise on the Group's long-term development strategies and major investment decision. The Strategic Committee undertakes to review and adjust the strategies of the company. It is composed of Mr. Feng Chunqin, as Chairman of the Strategic Committee and Mr. Tang Jun and Mr. Ke Jianmin as members of the committee.

INTERNAL CONTROLS

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Board is responsible for the Group's system of internal controls and has reviewed its effectiveness for the year ended 31st December 2008. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Centre for Risk Management on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. The Centre for Risk Management reports to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting is sent to the Board for information.

EXTERNAL AUDITORS

The Board agrees with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Group's external auditors for the audit of the financial statements prepared in accordance with Hong Kong Financial Reporting Standards for 2008. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 7th April 2009.

The Group has established a Policy on Appointment of External Auditor in Providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The amount of fee payable to PricewaterhouseCoopers for providing audit and audit related services for the year ended 31st December 2008 amounted to RMB5,900,000.

SHAREHOLDERS' RIGHT

According to the Articles of Association of the Company when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to laws and regulations and the Company's Articles of Association.

The Group communicates with its shareholders through different channels, including annual general meetings, special general meetings; annual and interim reports, notices of general meetings and circulars sent to shareholders by post; investors meetings and announcements on the Company's website and the website of the Stock Exchange. The Company regards annual general meeting as an important event in the corporate year and all Directors and senior management should make an effort to attend.

INVESTOR RELATIONS

The Group has always upheld its policy of open communication and fair disclosure. The Group believes that the completeness and timeliness of information disclosure is essential for building market confidence and places much effort in maintaining interactive communications with shareholders and investors and is open-minded to the investment community. As such, the Group has established an Investor Relations Department, which is responsible for maintaining close communications with shareholders and investors.

The Group strives to maintain high transparency and to keep shareholders and the investment community abreast of its latest development and progress by dissemination of relevant corporate information on a timely basis through various channels including regular distribution of press releases. All this information is also available for download from the Group's website at http://www.bjcapitalland.com.

By timely information disclosure and organizing regular meetings for the management to communicate with media, it facilitates investors' further understanding of the Group's business development while at the same time enables the management to fully realise the opinion and expectation of the investment community of the Group's future development.

In addition to press conference and analysts' meeting held after results announcement, the Group's management held regular meetings with securities analysts and investors, and participated in a number of large-scale investment conferences and, presentations. These allow shareholders and investors to have better understanding of the Group's development potential and future prospects, facilitating their comprehension of the Group's investment value.

For the year ended 31st December 2008, the Group participated in the following activities:

- 221 one-on-one investor meetings
- 9 corporate conferences
- 2 media conferences

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Liu Xiaoguang
Chairman

Beijing, the PRC, 2nd March 2009

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31st December 2008, the Supervisory Committee of Beijing Capital Land Ltd. (the "Supervisory Committee"), have diligently performed their duties in ensuring that the Company has observed and complied with the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other relevant legislations and regulations which protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended the meetings of the Board of Directors and the General Meetings to strictly and effectively monitor the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company and its shareholders. It also provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company.

The Supervisory Committee has reviewed and agreed to the report of the directors, audited financial statements and profit appropriation proposal to be proposed by the Board of Directors for presentation at the forthcoming Annual general Meeting. The Supervisory Committee is satisfied that the Directors, and other senior management of the Company are committed to act honestly and to perform their duties diligently, so as to protect the best interests of the Company and its shareholders.

The Supervisory Committee has carefully reviewed the audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and consider that the financial statement reflect a true and fair view of the financial position and results of operations of the Company and they comply with the regulations applicable to the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2008 and has great confidence in the future of the Company.

By order of the Supervisory Committee

Yu Changjian
Chairman

Beijing, the PRC, 2nd March 2009

Independent Auditor's Report

To the shareholders of Beijing Capital Land Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing Capital Land Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 148, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2nd March 2009

Consolidated Balance Sheet

	Note	As at 31st December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**585,990**	1,477,930
Land use rights	7	**45,835**	96,817
Properties under development	8	**4,323,038**	6,305,482
Jointly controlled entities	10	**373,828**	352,513
Associates	11	**1,071,327**	317,204
Available-for-sale financial assets	12	**114,757**	444,176
Deferred income tax assets	23	**100,553**	72,070
		6,615,328	9,066,192
Current assets			
Inventories	13	**3,986**	8,742
Properties held for sale	13	**2,645,761**	1,607,810
Properties under development	8	**5,103,214**	5,150,344
Trade and other receivables	14	**2,515,412**	1,212,866
Amounts due from Promoters		**—**	35,974
Restricted bank deposits	15	**36,659**	107,015
Cash and cash equivalents	16	**2,147,142**	2,614,383
		12,452,174	10,737,134
Total assets		**19,067,502**	19,803,326

	Note	As at 31st December 2008 RMB'000	2007 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	**2,027,960**	2,027,960
Share premium	17	**987,446**	987,446
Other reserves	19	**162,658**	790,076
Retained earnings			
— proposed final dividend	18	**162,237**	243,355
— others	18	**907,909**	518,004
		4,248,210	4,566,841
Minority interests		**1,911,110**	1,191,483
Total equity		**6,159,320**	5,758,324
LIABILITIES			
Non-current liabilities			
Borrowings	22	**5,661,500**	3,859,415
Deferred income tax liabilities	23	**142,233**	290,087
		5,803,733	4,149,502
Current liabilities			
Trade and other payables	20	**5,257,226**	6,570,659
Tax payables	21	**623,822**	774,856
Borrowings	22	**1,223,401**	2,533,978
Special dividend payable		**—**	9,608
Amounts due to parent company		**—**	6,399
		7,104,449	9,895,500
Total liabilities		**12,908,182**	14,045,002
Total equity and liabilities		**19,067,502**	19,803,326
Net current assets		**5,347,725**	841,634
Total assets less current liabilities		**11,963,053**	9,907,826

The notes on pages 75 to 148 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 2nd March 2009.

On behalf of the Board

Liu Xiaoguang
Chairman

Tang Jun
Director

Balance Sheet

	Note	As at 31st December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**78,870**	78,344
Subsidiaries	9	**6,936,362**	8,140,342
Jointly controlled entities	10	**206,181**	156,181
Associates	11	**877,913**	179,260
Available-for-sale financial assets	12	**114,757**	444,176
Deferred income tax assets	23	**40,921**	14,470
		8,255,004	9,012,773
Current assets			
Properties held for sale	13	**52,343**	71,626
Trade and other receivables	14	**544,395**	208,348
Amounts due from Promoters		**—**	35,974
Cash and cash equivalents	16	**68,586**	630,802
		665,324	946,750
Total assets		**8,920,328**	9,959,523

	Note	As at 31st December 2008 RMB'000	2007 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	**2,027,960**	2,027,960
Share premium	17	**987,446**	987,446
Other reserves	19	**172,980**	470,838
Retained earnings			
— proposed final dividend	18	**162,237**	243,355
— others	18	**408,450**	320,004
Total equity		**3,759,073**	4,049,603
LIABILITIES			
Non-current liabilities			
Borrowings	22	**3,941,500**	3,150,000
Deferred income tax liabilities	23	**17,128**	94,299
		3,958,628	3,244,299
Current liabilities			
Trade and other payables	20	**240,920**	352,300
Loans from subsidiaries	9	**654,844**	560,078
Tax payables	21	**6,863**	43,635
Special dividend payable		**—**	9,608
Borrowings	22	**300,000**	1,700,000
		1,202,627	2,665,621
Total liabilities		**5,161,255**	5,909,920
Total equity and liabilities		**8,920,328**	9,959,523
Net current liabilities		**(537,303)**	(1,718,871)
Total assets less current liabilities		**7,717,701**	7,293,902

The notes on pages 75 to 148 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 2nd March 2009.

On behalf of the Board

Liu Xiaoguang
Chairman

Tang Jun
Director

Consolidated Income Statement

	Note	Year ended 31st December 2008 RMB'000	2007 RMB'000
Revenue	5	**5,167,098**	4,870,929
Cost of sales	26	**(3,507,509)**	(3,376,024)
Gross profit		**1,659,589**	1,494,905
Other gains-net	25	**44,634**	82,273
Selling and marketing costs	26	**(151,060)**	(146,320)
Administrative expenses	26	**(129,477)**	(137,971)
Operating profit		**1,423,686**	1,292,887
Finance income	28	**60,243**	68,355
Finance costs	28	**(238,171)**	(203,102)
Finance costs-net	28	**(177,928)**	(134,747)
Share of profit less loss of:			
— jointly controlled entities		**21,315**	48,493
— associates		**(553)**	9,951
Net gains on disposal of an associate		**—**	103,184
Profit before income tax		**1,266,520**	1,319,768
Income tax expenses	29	**(504,258)**	(592,901)
Profit for the year		**762,262**	726,867
Attributable to:			
Equity holders of the Company		**382,890**	526,009
Minority interests		**379,372**	200,858
		762,262	726,867
Earnings per share for profit attributable to equity holders of the Company (basic and diluted) (RMB cents)	31	**18.88**	25.94
Dividends	32	**162,237**	243,355

The notes on pages 75 to 148 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Ordinary shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1st January 2007	2,027,960	987,446	356,782	403,548	3,775,736	890,195	4,665,931
Profit for the year	—	—	—	526,009	526,009	200,858	726,867
2006 final dividend	—	—	—	(121,678)	(121,678)	—	(121,678)
Dividend to minority shareholders of subsidiaries	—	—	—	—	—	(160,803)	(160,803)
Transfer from retained earnings	—	—	46,520	(46,520)	—	—	—
Adjustment of contribution from Promoters	—	—	(19,676)	—	(19,676)	—	(19,676)
Fair value gains on available-for-sale financial assets, net of deferred tax	—	—	163,124	—	163,124	—	163,124
Reserve realised upon disposal of available-for-sale financial assets	—	—	(11,483)	—	(11,483)	—	(11,483)
Write-down of deferred income tax liabilities resulted from the new CIT Law	—	—	9,684	—	9,684	—	9,684
Acquisition of subsidiaries	—	—	397,804	—	397,804	486,843	884,647
Reserve realised upon disposal of properties held for sale	—	—	(105,607)	—	(105,607)	(105,607)	(211,214)
Acquisition of interest from a minority shareholder	—	—	(47,072)	—	(47,072)	(87,928)	(135,000)
Increase/(decrease) in minority interests as a result of:							
— setting up of a new subsidiary	—	—	—	—	—	167,783	167,783
— disposal of a subsidiary	—	—	—	—	—	(199,858)	(199,858)
Balance at 31st December 2007	2,027,960	987,446	790,076	761,359	4,566,841	1,191,483	5,758,324
Representing:							
Proposed final dividend at 31st December 2007				243,355			
Retained earnings - others				518,004			
				761,359			

	Attributable to equity holders of the Company						
	Ordinary shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1st January 2008	2,027,960	987,446	790,076	761,359	4,566,841	1,191,483	5,758,324
Profit for the year	—	—	—	382,890	382,890	379,372	762,262
2007 final dividend	—	—	—	(243,355)	(243,355)	—	(243,355)
Dividend to minority shareholders of subsidiaries	—	—	—	—	—	(423,000)	(423,000)
Transfer to retained earnings	—	—	(169,252)	169,252	—	—	—
Fair value loss on available-for-sale financial assets, net of deferred tax	—	—	(231,512)	—	(231,512)	—	(231,512)
Reserve realised upon disposal of properties held for sale	—	—	(96,948)	—	(96,948)	(96,948)	(193,896)
Acquisition of interest from minority shareholders	—	—	(111,932)	—	(111,932)	(17,358)	(129,290)
Increase in minority interests as a result of:							
— capital injection	—	—	—	—	—	741,034	741,034
— disposal of subsidiaries	—	—	—	—	—	109,753	109,753
— partial disposal of interest to minority shareholders	—	—	(17,774)	—	(17,774)	26,774	9,000
Balance at 31st December 2008	2,027,960	987,446	162,658	1,070,146	4,248,210	1,911,110	6,159,320
Representing:							
Proposed final dividend at 31st December 2008				162,237			
Retained earnings - others				907,909			
				1,070,146			

The notes on pages 75 to 148 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31st December 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Cash used in operations	33(a)	**(267,659)**	(1,164,788)
Interest paid		**(482,505)**	(367,020)
Current income tax paid		**(559,950)**	(260,463)
Net cash used in operating activities		**(1,310,114)**	(1,792,271)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,312)**	(17,057)
Proceeds from sale of property, plant and equipment	33(b)	**3,256**	1,950
Increase in investment in subsidiaries		**(129,290)**	(135,000)
Increase in investment in jointly controlled entities		**(50,000)**	(126,180)
Increase in investment in associates		**(672,292)**	(97,650)
Interest received		**32,753**	55,864
Dividend income from a jointly controlled entity		**50,000**	—
Dividend received from an associate		**560**	1,120
Proceeds from partial disposal of interest in subsidiaries	36(v)	**9,000**	—
Proceeds from disposal of an associate		**—**	142,100
Acquisition of interest in subsidiaries, net of cash acquired		**—**	732,490
Disposal of subsidiaries, net of cash disposed		**(7,948)**	—
Proceeds from sales of available-for-sale financial assets		**—**	58,957
Purchase of financial assets at fair value through profit or loss		**(2,075)**	(28,587)
Proceeds from sales of financial assets at fair value through profit or loss		**2,627**	50,164
Net cash (used in)/generated from investing activities		**(774,721)**	638,171

	Note	Year ended 31st December 2008 RMB'000	2007 RMB'000
Cash flows from financing activities			
Repayment to parent company		**—**	(168,342)
Dividends paid to equity holders of the Company		**(157,549)**	(129,292)
Dividends paid to minority shareholders of subsidiaries		**(10,000)**	(10,200)
Contribution from minority shareholders		**741,034**	167,783
Repayment of bank loans		**(2,463,868)**	(1,667,000)
New bank loans raised		**3,550,000**	1,900,000
Decrease in amounts due to minority shareholder of a subsidiary		**—**	(25,706)
Repayment of other loans		**(22,854)**	—
Special dividend repayment		**(9,608)**	—
Net cash generated from financing activities		**1,627,155**	67,243
Net decrease in cash and cash equivalents		**(457,680)**	(1,086,857)
Cash and cash equivalents at 1st January		**2,614,383**	3,706,833
Exchange loss on cash and cash equivalents		**(9,561)**	(5,593)
Cash and cash equivalents at 31st December	16	**2,147,142**	2,614,383

The notes on pages 75 to 148 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Beijing Capital Land Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC" or "China") on 5th December 2002 as a result of a reorganisation (the "Reorganisation") of a state-owned enterprise known as Capital Group in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company was granted the status of sino-foreign joint venture joint stock limited company on 28th November 2002. The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

The Company is principally engaged in real estate development and investment holding. The subsidiaries are mainly engaged in real estate development and investment in the PRC. The Company and its subsidiaries are herein collectively referred to as the "Group". The address of the Company's registered office is Room 501, No.1, Yingbin Zhong Road, Huairou District, Beijing, the PRC.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2nd March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Excepted as described below, these policies have been consistently applied to all the years presented.

In previous years, the Group and the Company recognised the amortisation of land use rights over the use term ranging from 40 to 70 years in the consolidated income statement using the straight-line method. In 2008, the Group decided to change its accounting policy for the treatment of the amortisation of land use rights that are directly attributable to the construction of properties under development. Consequently, such amortisation cost is capitalised as the cost of properties under development.

The Group's management is of the view that the new accounting policy is consistent with the accounting policy commonly adopted within the industry which financial statements are prepared in accordance with HKFRS, and therefore applying the new accounting policy can provide comparable and more relevant information to the readers of the financial statements. The change in accounting policy has been accounted for in current year's consolidated financial statements, and the net impact on result for the year ended 31st December 2008 is RMB13,517,000.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) *Standards, amendments and interpretations effective in 2008 but not relevant*

The following amendments and interpretations to published standards is mandatory for accounting periods beginning on or after 1st January 2008 but is not relevant to the Group's operations:

- HKAS 39 — "Financial instruments: Recognition and measurement"
- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasure share transactions"
- HK(IFRIC) — Int 12, "Service Concession arrangements"
- HK(IFRIC) — Int 14, "HKFRS 19 — The limit on a defined benefit assets, minimum funding requirements and the interaction"

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of financial statements" (effective from 1st January 2009).

The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1st January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

HKAS 23 (Revised), "Borrowing costs" (effective from 1st January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Since the group currently applies a policy of capitalising borrowing costs, it is not expected to have any material impact.

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1st July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. Since the group currently applies a policy of transaction with minority interests as transaction with equity owners of the Group, as stated in note 2.2(b), it is not expected to have any material impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

HKFRS 1 (Amendment), "First time adoption of HKFRS" and HKAS 27, "Consolidated and separate financial statements" (effective from 1st July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1st January 2010.

HKFRS3 (Revised), "Business combinations" (effective from 1st July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. Management is assessing the impact of the new requirements on the Group.

The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1st January 2010.

HKFRS 8, "Operating segments", (effective from 1st January 2009). HKFRS 8 replaces HKAS 14, "Segment reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January 2009. The expected impact is still being assessed in detail by the management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HKICPA's improvements to HKFRS published in October 2008.

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1st January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1st January 2009.

- HKAS 28 (Amendment), "Investments in associates" (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, "Financial instruments: Disclosures") (effective from 1st January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1st January 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

HKICPA's improvements to HKFRS published in October 2008 *(Continued)*.

- HKAS 36 (Amendment), "Impairment of assets" (effective from 1st January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1st January 2009.

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1st January 2009).

  — This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  — The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  — The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision maker.

  — When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

HKICPA's improvements to HKFRS published in October 2008 *(Continued)*.

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1st January 2009) *(Continued)*.

  The Group will apply the HKAS 39 (Amendment) from 1st January 2009. It is not expected to have an impact on the Group's consolidated income statement.

- HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS1, "First-time adoption") (effective from 1st July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1st January 2010.

- There are a number of minor amendments to HKFRS7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together without goodwill carried in the balance sheet.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.12). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For Purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

2.3 Jointly controlled entities

Jointly controlled entities are all entities with a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.12 for the impairment of non-financial assets.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its in jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2.12). The results of jointly controlled entities companies are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.12 for the impairment of non-financial assets.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (note 2.12). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.5 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the internal financial reporting of the Group, the Group has determined that business segments be presented as the primary reporting. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains-net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

— Buildings	40 years
— Hotel properties	10 - 40 years
— Furniture, fixtures and equipment	3 - 10 years
— Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

Gains and loss on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "other gains-net", in the consolidated income statement.

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities are included in investments in associates and jointly controlled entities respectively and are tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (note 2.12).

2.9 Land use right

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

The amortization is capitalized as the cost of properties upon the commencement of construction. The carrying value of land use rights will be transferred to "cost of sales" upon the recognition of sales.

2.10 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises construction cost, amortization of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

2.11 Properties held for sale

Properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "amounts due from Promoters" in the balance sheet (note 2.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets carried at fair value though profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains-net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is described in note 2.15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises invoiced price, delivery and other direct costs relating to the purchases. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "Selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Selling and marketing costs" in the consolidated income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Domestic and H shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Bonus entitlements*

The expected cost of bonus payments are recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) *Retirement benefit costs*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement benefit plan are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

(a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities.

(b) *Sales under hotel operations*

Revenue from hotel operations is recognised upon the provision of services.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.28 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers and subsidiaries.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, restricted bank deposits, available-for-sale financial assets, amounts due from Promoters, amounts due to parent company, special dividend payable, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Company and its subsidiaries' functional currency is RMB since majority of the revenues of the companies are derived from operation in the PRC.

The group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities such as cash and cash equivalents, trade and other payables and bank loans which are dominated in a currency that is not the entity's functional currency. The majority of the Group's foreign currency transactions and balances are dominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31st December 2008, if RMB had increased/decreased by 5% against USD/HKD with all other variables held constant, post-tax profit for the year would have been decreased/increased by approximately RMB2,380,000 (2007: increased/decreased by RMB7,116,000), mainly as a net impact on translation of USD and HKD dominated cash and cash equivalents and translation of USD dominated borrowings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on borrowings which carry at prevailing market interest rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

At 31st December 2008, if interest rates had been increased/decreased 50 basis points with all other variables held constant, the Group's post-tax profit would decrease/increase by approximately RMB24,656,000 (2007: RMB16,312,000).

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

As at 31st December 2008, if the price of the listed equity securities the Group holds had increased/decreased by 50%, total equity would have been increased/decreased by approximately RMB33,515,000 (2007: RMB130,867,000) net of tax.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, amount due from Promoters and trade and other receivables.

The carrying amount of restricted bank deposits, cash and cash equivalents, amount due from Promoters and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned banks. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers

The credit risk on restricted bank deposits is limited because the counterparties are mainly the state-owned banks.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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

At 31st December 2008	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings	1,646,016	2,151,661	3,412,883	1,021,060	8,231,620
Trade and other payables	3,333,145	—	—	—	3,333,145
	4,979,161	2,151,661	3,412,883	1,021,060	11,564,765

At 31st December 2007	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings	2,860,168	1,229,688	2,528,629	900,541	7,519,026
Trade and other payables	2,519,787	—	—	—	2,519,787
Amounts due to parent company	6,399	—	—	—	6,399
Special dividend payable	9,608	—	—	—	9,608
	5,395,962	1,229,688	2,528,629	900,541	10,054,820

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank balance. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the gearing ratio within 35% to 45% and a BB credit rating. The gearing ratios at 31st December 2008 and 2007 were as follows:

	2008 RMB'000	2007 RMB'000
Total bank borrowings (note 22)	**(6,383,500)**	(5,869,138)
Less: Cash and bank balance	**2,183,801**	2,721,398
Net debt	**(4,199,699)**	(3,127,773)
Total equity	**(6,159,320)**	(5,758,324)
Total capital	**(10,359,019)**	(8,886,097)
Gearing ratio	**41%**	35%

The increase in the gearing ratio during 2008 resulted primarily from the increase in bank borrowings and decrease in cash and bank balance, which in mainly due to the increase in cash used in investing activities.

3.3 Fair value estimation

The fair value of financial instruments traded in active market (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of receivables

The Group tests annually whether trade and other receivables have suffered any impairment in accordance with the accounting policy stated in note 2.15 and make provisions for impairment accordingly.

Management evaluated the collectibility of doubtful receivables at year end and recognised provisions for impairment of receivables amounted for RMB38,691,000 in the consolidated income statement.

(b) Income tax and land appreciation tax ("LAT")

The Company is subject to various taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. These taxes are incurred upon transfer of property ownership. The significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

(c) Estimate impairment of assets

The Group tests annually whether assets has suffered any impairment in accordance with accounting policies stated in note 2.12. Assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.23. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 34, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(e) Estimate of fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair value of available-for-sale financial assets is determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(f) Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

(g) Estimate of impairment of properties under development

Property under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

(h) Estimate of net realizable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each balance sheet date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(i) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

5. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31st December 2008, the Group is organised into two main business segments:

(1) Sales of properties;

(2) Hotel operations.

Revenue consists of sales of properties, and hotel operations, which are RMB5,167,098,000 and RMB4,870,929,000 for the year 31st December 2008 and 2007 respectively.

The segment results for the year ended 31st December 2008 are as follows:

	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Revenue	4,871,538	295,560	5,167,098
Segment results	1,473,840	17,986	1,491,826
Unallocated costs			(68,140)
Operating profit			1,423,686
Finance income			60,243
Finance costs			(238,171)
Share of profits less losses of			
— jointly controlled entities	21,315	—	21,315
— associates	34,037	(34,590)	(553)
Profit before income tax			1,266,520
Income tax expenses			(504,258)
Profit for the year			762,262

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

The segment results for the year ended 31st December 2007 are as follows:

	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Revenue	4,622,867	248,062	4,870,929
Segment results	1,428,512	(30,399)	1,398,113
Unallocated costs			(105,226)
Operating profit			1,292,887
Finance income			68,355
Finance costs			(203,102)
Share of profits less losses of			
— jointly controlled entities	48,493	—	48,493
— associates	9,951	—	9,951
Net gains on disposal of an associate	103,184	—	103,184
Profit before income tax			1,319,768
Income tax expenses			(592,901)
Profit for the year			726,867

Unallocated costs represent corporate expenses.

There are no material sales or other transactions between the business segments.

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

Other segment terms included in the income statement are as follows:

	Year ended 31st December 2008		
	Sales of properties	Hotel operations	Group
	RMB'000	RMB'000	RMB'000
Depreciation	16,848	72,455	89,303
Amortisation	—	2,583	2,583
Provision for impairment of receivables	38,691	—	38,691

	Year ended 31st December 2007		
	Sales of properties	Hotel operations	Group
	RMB'000	RMB'000	RMB'000
Depreciation	14,866	67,290	82,156
Amortisation	—	2,384	2,384
Provision for impairment of receivables	3,371	—	3,371

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

The segment assets and liabilities at 31st December 2008, and capital expenditure for the year ended 31st December 2008 are as follows:

	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Segment assets	16,765,379	677,585	17,442,964
Jointly controlled entities	373,828	—	373,828
Associates	1,037,359	33,968	1,071,327
Unallocated assets			179,383
Total assets			19,067,502
Segment liabilities	4,874,827	318,978	5,193,805
Borrowings	6,584,901	300,000	6,884,901
Unallocated liabilities			829,476
Total liabilities			12,908,182
Capital expenditure	11,312	—	11,312

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities	17,442,964	5,193,805
Jointly controlled entities	373,828	—
Associates	1,071,327	—
Borrowings	—	6,884,901
Unallocated:		
Property, plant and equipment	78,830	—
Deferred income tax assets/liabilities	100,553	142,233
Tax payables	—	623,822
Dividend payable	—	63,421
Total	19,067,502	12,908,182

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

The segment assets and liabilities at 31st December 2007, and capital expenditure for the year ended 31st December 2007 are as follows:

	Sales of properties RMB'000	Hotel operations RMB'000	Group RMB'000
Segment assets	17,418,167	1,547,789	18,965,956
Jointly controlled entities	352,513	—	352,513
Associates	317,204	—	317,204
Unallocated assets			167,653
Total assets			19,803,326
Segment liabilities	5,266,610	1,275,444	6,542,054
Borrowings	6,393,393	—	6,393,393
Unallocated liabilities			1,109,555
Total liabilities			14,045,002
Capital expenditure	17,057	—	17,057

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities	18,965,956	6,542,054
Jointly controlled entities	352,513	—
Associates	317,204	—
Borrowings	—	6,393,393
Unallocated:		
Cash and cash equivalents	15,051	—
Property, plant and equipment	80,532	—
Deferred income tax assets/liabilities	72,070	290,087
Tax payables	—	774,856
Amounts due to parent company	—	6,399
Dividend payable	—	28,605
Special dividend payable	—	9,608
Total	19,803,326	14,045,002

In December 2008, Beijing Rongjin Real Estate Development Company Limited, a subsidiary of the Company, split up into two companies - a company with the original name and Beijing Financial Street International Hotel Company Limited. The Group still holds 59.5% shares of both companies. As for Beijing Financial Street International Hotel Company Limited who took over the hotel business, the Group has no control over the board of directors and such board is responsible for determining the financial policies in the ordinary course of business, and accordingly this company is classified as an associate of the Group. Such part of the hotel-related assets and liabilities are not included in 2008 year end segment figures.

5. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

Segment assets consist primarily of property, plant and equipment, land use rights, properties under development, available-for-sale financial assets, inventories, properties held for sale, receivables and operating cash. They exclude deferred income tax assets, corporate assets, investments in jointly controlled entities and associates.

Segment liabilities comprise operating liabilities. They exclude items such as tax payables, borrowings, deferred income tax liabilities, amount due to parent company and dividend payable.

Capital expenditure comprises additions to property, plant and equipment.

(b) Secondary reporting format — geographical segments

Since almost all the Group's turnover and operating profit are derived from activities in the PRC, no geographical segment information is presented.

6. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings RMB'000	Hotel properties RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1st January 2007					
Cost	81,131	1,575,870	42,109	28,124	1,727,234
Accumulated depreciation	(2,311)	(117,347)	(22,249)	(9,926)	(151,833)
Accumulated impairment	—	(31,000)	—	—	(31,000)
Net book amount	78,820	1,427,523	19,860	18,198	1,544,401
Year ended 31st December 2007					
Opening net book amount	78,820	1,427,523	19,860	18,198	1,544,401
Additions	5,600	—	3,420	8,037	17,057
Depreciation	(1,919)	(67,290)	(9,054)	(3,893)	(82,156)
Disposals	—	—	(298)	(1,691)	(1,989)
Acquisition of subsidiaries	—	—	70	547	617
Closing net book amount	82,501	1,360,233	13,998	21,198	1,477,930
At 31st December 2007					
Cost	86,731	1,575,870	44,717	31,905	1,739,223
Accumulated depreciation	(4,230)	(184,637)	(30,719)	(10,707)	(230,293)
Accumulated impairment	—	(31,000)	—	—	(31,000)
Net book amount	82,501	1,360,233	13,998	21,198	1,477,930
Year ended 31st December 2008					
Opening net book amount	82,501	1,360,233	13,998	21,198	1,477,930
Additions	—	—	7,826	3,486	11,312
Depreciation	(2,180)	(72,455)	(7,916)	(6,752)	(89,303)
Disposals	—	—	(1,165)	(1,681)	(2,846)
Disposal of subsidiaries (note 5 (a))	—	(805,119)	(4,346)	(1,638)	(811,103)
Closing net book amount	80,321	482,659	8,397	14,613	585,990
At 31st December 2008					
Cost	86,731	601,431	27,057	26,510	741,729
Accumulated depreciation	(6,410)	(118,772)	(18,660)	(11,897)	(155,739)
Net book amount	80,321	482,659	8,397	14,613	585,990

Depreciation expense of RMB80,670,000 (2007: RMB77,526,000) has been charged in "cost of sales", and RMB8,633,000 (2007: RMB4,630,000) in "administrative expenses".

The carrying value of hotel properties of RMB482,659,000 (2007: Nil) has been pledged as security for a long-term bank loan of RMB300,000,000 (2007: Nil) (note 22).

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Company			
	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1st January 2007				
Cost	67,325	2,195	7,328	76,848
Accumulated depreciation	(1,745)	(1,131)	(1,070)	(3,946)
Net book amount	65,580	1,064	6,258	72,902
Year ended 31st December 2007				
Opening net book amount	65,580	1,064	6,258	72,902
Additions	5,600	1,174	1,987	8,761
Depreciation	(1,563)	(741)	(1,015)	(3,319)
Closing net book amount	69,617	1,497	7,230	78,344
At 31st December 2007				
Cost	72,925	3,369	9,315	85,609
Accumulated depreciation	(3,308)	(1,872)	(2,085)	(7,265)
Net book amount	69,617	1,497	7,230	78,344
Year ended 31st December 2008				
Opening net book amount	69,617	1,497	7,230	78,344
Additions	—	5,086	1,342	6,428
Depreciation	(1,824)	(1,069)	(1,778)	(4,671)
Disposal	—	(9)	(1,222)	(1,231)
Closing net book amount	67,793	5,505	5,572	78,870
At 31st December 2008				
Cost	72,925	8,419	8,350	89,694
Accumulated depreciation	(5,132)	(2,914)	(2,778)	(10,824)
Net book amount	67,793	5,505	5,572	78,870

7. LAND USE RIGHTS

Land use rights represent the Group's interest in lands in the PRC which are held on leases of 50 years. The movements are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At 1st January	**96,817**	99,201
Amortisation	**(2,583)**	(2,384)
Disposal of a subsidiary (note 5(a))	**(48,399)**	—
At 31st December	**45,835**	96,817

The carrying value of land use right of RMB45,835,000 (2007: Nil) has been pledged as security for a long-term bank loan of RMB300,000,000 (2007: Nil) (note 22).

8. PROPERTIES UNDER DEVELOPMENT

	Group	
	2008	2007
	RMB'000	RMB'000
At 1st January	**11,455,826**	6,187,260
Additions	**5,229,732**	6,786,953
Acquisition of subsidiaries	**—**	2,847,883
Disposal of subsidiaries (note 36 (vi))	**(1,777,024)**	—
Transfer to properties held for sale	**(5,120,352)**	(4,366,270)
Resumption of land (a)	**(361,930)**	—
At 31st December	**9,426,252**	11,455,826
Non current	**4,323,038**	6,305,482
Current	**5,103,214**	5,150,344
	9,426,252	11,455,826
Land use rights	**4,475,153**	4,207,503
Construction costs and capitalized expenditure	**4,623,615**	6,937,575
Finance costs capitalised	**327,484**	310,748
	9,426,252	11,455,826

8. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	Group	
	As at 31st December	
	2008	2007
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**4,358,088**	4,031,592
Leases within 50 years	**117,065**	175,911
As at 31st December	**4,475,153**	4,207,503

Note:

(a) Taiyuan Changfeng project was developed by Shanxi Capital Xinzi Real Estate Development Limited ("Shanxi Xinzi"), a subsidiary of the Company. In 2005, Shanxi Xinzi entered into a land use right purchase contract with Taiyuan Municipal Bureau of Land and Resources and paid the contract amount. In 2008, due to the change of government's planning, the land was resumed and the initial amount paid and related expenditure was refunded to Shanxi Xinzi. As a result, Shanxi Xinzi recognised net gain of RMB50,303,000.

(b) As at 31st December 2008, land use rights in properties under development amounted to RMB454,051,000 (2007: RMB229,814,000) and gains from the sale of land use rights or other profit obtained from the relevant properties have been pledged as securities for bank loans of RMB1,242,000,000 (2007: RMB419,138,000) (note 22).

As at 31st December 2008, right to yields on certain land use rights (gains from the sale of land use rights or other profit obtained from the relevant land use rights) have been pledged as security for bank loans of RMB4,241,500,000 (2007: RMB4,350,000,000) (note 22).

9. SUBSIDIARIES

	Company	
	As at 31st December	
	2008	2007
	RMB'000	RMB'000
Unlisted investments, at cost	**3,847,981**	2,842,900
Provision for impairment loss	**—**	(31,000)
	3,847,981	2,811,900
Loans to subsidiaries (i)	**3,088,381**	5,328,442
	6,936,362	8,140,342
Loans from subsidiaries (ii)	**(654,844)**	(560,078)

Notes:

(i) Loans to subsidiaries are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment.

(ii) Loans from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(iii) The carrying amounts of the loans approximate their fair values.

9. SUBSIDIARIES *(Continued)*

The directors are of the opinion that the following is a list of the principal subsidiaries at 31st December 2008 (all of which are directly or indirectly held by the Company, established and operate in the PRC, except otherwise stated) which materially affect the results or assets of the Group:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2008	Attributable interest held 2007
Beijing Rongjin Real Estate Development Company Limited (i) (note 5(a))	Sino-foreign cooperative joint venture	Property development and investment	USD6,360,000	**59.5%**	59.5%
Central Plaza Real Estate Development Company Limited (ii)	Sino-foreign cooperative joint venture	Property development and investment	USD11,258,000	**100%**	100%
Central Plaza Xinrong Hotel Managementt Company Limited (ii)	Sino-foreign cooperative joint venture	Hotel operation	USD6,062,000	**100%**	N/A
Beijing Arkgarden Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD9,200,000	**75%**	75%
S.C. Real Estate Development Company Limited	Limited liability company	Property development	RMB640,000,000	**100%**	100%
Beijing Sunshine Jindu Properties Company Limited	Limited liability company	Property development	RMB370,000,000	**100%**	100%
Beijing Anhua Shiji Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%
Beijing HYHL Real Estate Development Company Limited (iii)	Sino-foreign cooperative joint venture	Property development	USD10,000,000	**100%**	100%
Beijing Capital Xinzi Real Estate Limited	Sino-foreign cooperative joint venture	Property development	USD60,000,000	**55%**	55%
Beijing Shangboya Investment Consultant Company Limited (iv)	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%

9. SUBSIDIARIES *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2008	2007
Beijing Shangbodi Investment Consultant Company Limited (iv)	Limited liability company	Investment holding	RMB30,000,000	**100%**	100%
Tianjin Xinchuang Land Limited (v)	Sino-foreign equity joint venture	Property development	USD25,000,000	**55%**	55%
Shanxi Capital Xinzi Real Estate Development Limited (vi)	Limited liability company	Property development	RMB10,000,000	**100%**	100%
Xi'an Capital Xinzi Real Estate Limited (vii)	Limited liability company	Property development	USD25,000,000	**N/A**	100%
Beijing Maple Real Estate Development Company Limited	Limited liability company	Property development	RMB82,770,000	**99.99%**	99.99%
Chengdu Capital Xinzi Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD30,000,000	**55%**	55%
Jiangsu Capital Real Estate Development Limited	Sino-foreign cooperative joint venture	Property development	USD12,500,000	**60%**	60%
Beijing Caotang Real Estate Development Limited	Limited liability company	Property development	RMB10,000,000	**100%**	60%
Beijing Shangyi Real Estate Development Limited	Limited liability company	Property development	RMB10,310,000	**N/A**	68%

9. SUBSIDIARIES *(Continued)*

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2008	2007
Beijing Donghai Investment Development Company Limited (vi)	Limited liability company	Investment holding	RMB21,000,000	**100%**	100%
Beijing Capital Land Chengdu Company Limited	Limited liability company	Property development	RMB150,000,000	**100%**	100%
Tianjin Banshan Renjia Real Estate Company Limited (viii)	Limited liability company	Property development	RMB63,330,000	**100%**	85%
Beijing Sun Shine City Real Estate Development Company Limited (ix)	Sino-foreign cooperative joint venture	Property development	USD20,000,000	**50%**	50%
Chengdu Capital Yidu Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD100,000,000	**55%**	55%
Wuxi Xindong Real Estate Development Company Limited	Limited liability company	Property development	RMB100,000,000	**100%**	N/A
Tianjin Capital Xinming Real Estate Development Company Limited (note36(vi))	Limited liability company	Property development	USD95,000,000	**N/A**	100%
Tianjin Capital Xinyuan Real Estate Development Company Limited (note36(v))	Limited liability company	Property development	USD95,000,000	**55%**	100%
Tianjin Capital Xingang Real Estate Development Company Limited (note36(v))	Limited liability company	Property development	USD95,000,000	**55%**	100%
Tianjin Capital Xinqing Real Estate Development Company Limited (note36(vi))	Limited liability company	Property development	USD95,000,000	**N/A**	100%

9. SUBSIDIARIES *(Continued)*

Notes:

(i) 10% directly and 49.5% indirectly held by the Company

(ii) 75% directly and 25% indirectly held by the Company

In May 2008, Central Plaza Real Estate Development Company Limited split up into two companies-a company with the original name and Central Plaza Xinrong Hotel management Company Limited.

(iii) 85% directly and 15% indirectly held by the Company

(iv) 90% directly and 10% indirectly held by the Company

(v) 55% indirectly held by the Company

(vi) 100% indirectly held by the Company

(vii) In 2008, the financial statements of Xi'an Capital Xinzi Real Estate Limited have been cleared and the Group withdrew the share capital of USD25,000,000.

(viii) In 2008, the Group purchased 15% interest in Tianjin Banshan Renjia Real Estate Company Limited ("Tianjin Banshan") for a cash consideration RMB124,495,000 .

(ix) According to the Article of Association, the Group gets the majority of seats in the Board of directors in Beijing Sun Shine City Real Estate Development Company Limited. Accordingly, the company actually controlled Sun Shine City, which is reclassified as subsidiary of the Company.

10. JOINTLY CONTROLLED ENTITIES

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Equity jointly controlled entities				
At 1st January	**352,513**	222,890	**156,181**	82,767
Share of profit	**21,315**	48,493	**—**	—
Addition (note 36(iv))	**50,000**	—	**50,000**	—
Acquisition	**—**	156,180	**—**	156,180
Reclassification of a jointly controlled entity as a subsidiary	**—**	(75,050)	**—**	(82,766)
Dividend received	**(50,000)**	—	**—**	—
At 31st December	**373,828**	352,513	**206,181**	156,181
Unlisted investments, at cost	**—**	—	**206,181**	156,181
Group's share of net assets, unlisted	**373,828**	352,513	**—**	—

The following is a list of the principal jointly controlled entities at 31st December 2008, all of which are established and operate in the PRC:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2008	2007
Equity jointly controlled					
Beijing Ruijingqingyuan Real Estate Development Company Limited	Limited liability company	Property development	RMB20,000,000	**50%**	50%
Shenyang Jitian Real Estate Development Company Limited	Sino-foreign cooperative joint venture	Property development	USD40,000,000	**50%**	50%
Chongqing Capital Xinshi Real Estate Development Company Limited (note 36(iv))	Sino-foreign cooperative joint venture	Property development	USD95,000,000	**50%**	N/A

10. JOINTLY CONTROLLED ENTITIES *(Continued)*

The following amounts represent the Group's shares of the assets and liabilities, and revenue and results of the jointly controlled entities:

Name	Assets	Liabilities	Revenue	Profit/(loss)
2008				
Beijing Ruijingqingyuan Real Estate Development Company Limited	440,906	(256,624)	266,359	35,209
Shenyang Jitian Real Estate Development Limited	485,983	(346,322)	—	(13,779)
Chongqing Capital Xinshi Real Estate Development Company Limited	49,885	—	—	(115)
	976,774	(602,946)	266,359	21,315
2007				
Beijing Sun Shine City Real Estate Development Company Limited	—	—	—	(1,047)
Beijing Ruijingqingyuan Real Estate Development Company Limited	712,403	(513,330)	1,782,873	52,280
Shenyang Jitian Real Estate Development Limited	453,768	(300,328)	—	(2,740)
	1,166,171	(813,658)	1,782,873	48,493

11. ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**317,204**	249,639	**179,260**	134,063
Share of (loss)/profit	**(553)**	9,951	**—**	—
Additions	**672,292**	97,650	**672,292**	97,650
Reclassified from subsidiaries	**82,944**	—	**60,951**	—
Dividends received	**(560)**	(1,120)	**—**	—
Disposal	**—**	(38,916)	**—**	(52,453)
Provision for impairment loss	**—**	—	**(34,590)**	—
At 31st December	**1,071,327**	317,204	**877,913**	179,260
Investments, at cost				
— unlisted	**—**	—	**918,641**	185,398
Provision for impairment loss	**—**	—	**(40,728)**	(6,138)
	—	—	**877,913**	179,260
Group's share at net assets				
— unlisted	**1,071,327**	317,204	**—**	—
	1,071,327	317,204	**—**	—

11. ASSOCIATES *(Continued)*

The following is a list of the principal associates at 31st December 2008, all of which are unlisted, established and operate in the PRC:

Name	Legal status	Principal activities	Particulars of registered capital	Attributable interest held 2008	2007
Beijing GoldenNet Property Investment Consultant Company Limited (i)	Limited liability company	Property sales agency	RMB5,000,000	**14%**	14%
Beijing Xing Tai Real Estate Development Company Limited	Limited liability company	Property development	RMB55,180,000	**25%**	25%
Beijing Yang Guang Yuan Real Estate Development Company Limited	Limited liability company	Property development	RMB72,190,000	**35%**	35%
Beijing SCJF Real Estate Agency Company Limited	Limited liability company	Property sales agency	RMB18,000,000	**49%**	49%
Shenyang Xinzi Capital Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD92,500,000	**30%**	30%
Xi'an Xin Kai Capital Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**40%**	38.4%
Tianjin Capital Xinqing Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**40%**	N/A
Tianjin Capital Xinming Real Estate Development Company Limited	Sino-foreign equity joint venture limited	Property development	USD95,000,000	**40%**	N/A
Beijing Shangyi Real Estate Development Limited	Limited liability company	Property development	RMB10,310,000	**47%**	N/A
Beijing Financial Street International Hotel Company Limited (note 5(a))	Sino-foreign cooperative joint venture	Hotel operation	USD5,640,000	**59.5%**	N/A

(i) The Company has significant influence over the board of directors and such board is responsible for determining the financial policies in the ordinary course of business, and accordingly this company is classified as an associate.

11. ASSOCIATES *(Continued)*

The following amounts represent the Group's share of the assets, liabilities and revenue and results of the associates:

Name	Assets	Liabilities	Revenue	Profit/(loss)
2008				
Beijing GoldenNet Property Investment Consultant Company Limited	3,381	(630)	—	52
Beijing Xing Tai Real Estate Development Company Limited	766,213	(584,353)	339,971	41,760
Beijing Yang Guang Yuan Real Estate Development Company Limited	201,913	(130,439)	17,692	(823)
Beijing SCJF Real Estate Agenc Company	8,312	(5,469)	5,088	(1,653)
Shenyang Xinzi Capital Real Estate Development Company Limited	264,111	(67,212)	—	(3,775)
Xi'an Xin Kai Capital Real Estate Development Company Limited	348,944	(40,516)	—	(624)
Tianjin Capital Xinqing Real Estate Development Company Limited	10,944	(7,210)	—	(263)
Tianjin Capital Xinming Real Estate Development Company Limited	431,815	(169,497)	—	(625)
Beijing Shangyi Real Estate Development Company Limited	607,272	(600,220)	—	(12)
Beijing Financial Street International Hotel Company Limited	699,831	(665,863)	—	(34,590)
	3,342,736	(2,271,409)	362,751	(553)
2007				
Beijing GoldenNet Property Investment Consultant Company Limited	3,330	(70)	—	926
Beijing Xing Tai Real Estate Development Company Limited	882,908	(742,808)	298,212	14,275
Beijing Yang Guang Yuan Real Estate Development Company Limited	217,359	(145,062)	18,028	(255)
Beijing SCJF Real Estate Agenc Company	13,516	(9,020)	5,390	(3,687)
Beijing Jinyaguang Real Estate Development Company Limited	—	—	—	(709)
Shenyang Xinzi Capital Real Estate Development Company Limited	97,051	—	—	(599)
	1,214,164	(896,960)	321,630	9,951

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company As at 31st December	
	2008	2007
	RMB'000	RMB'000
Fair value:		
— listed	**89,372**	390,647
— unlisted	**25,385**	53,529
Total	**114,757**	444,176
Market value of listed securities	**89,372**	390,647

	Group and Company	
	2008	2007
	RMB'000	RMB'000
As at 1st January	**444,176**	252,052
Net (loss)/gains transfer to equity	**(308,683)**	217,499
Disposal	**—**	(25,375)
Reclassed to other receivables	**(20,736)**	—
As at 31st December	**114,757**	444,176

There were no impairment provisions on available-for-sale financial assets in 2008 or 2007.

The fair values of unlisted secured securities are based on cash flows discounted using a rate based on the market interest rate.

Available-for-sale financial assets are all denominated in RMB.

13. INVENTORIES AND PROPERTIES HELD FOR SALE

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Merchandise	**2,962**	2,788	**—**	—
Low value consumable materials	**1,024**	5,954	**—**	—
Total inventories	**3,986**	8,742	**—**	—
Development costs	**2,383,449**	1,438,992	**45,863**	65,837
Land use rights	**177,788**	76,816	**6,480**	5,789
Finance costs capitalised	**84,524**	92,002	**—**	—
Total properties held for sale	**2,645,761**	1,607,810	**52,343**	71,626

The cost of inventories and properties held for sale recognised as expense and included in "cost of sales" amounted to RMB3,026,886,000 in 2008 (2007: RMB2,875,608,000).

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
In the PRC held on:				
Leases of over 50 years	**157,489**	69,340	**—**	—
Leases within 50 years	**20,299**	7,476	**6,480**	5,789
As at 31st December	**177,788**	76,816	**6,480**	5,789

14. TRADE AND OTHER RECEIVABLES

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (a)	**284,559**	340,891	**165**	165
Other receivables	**225,610**	143,019	**71,371**	44,424
Less: provisions for impairment of receivables (e)	**(72,003)**	(33,358)	**(37,400)**	(24,540)
Receivables-net	**438,166**	450,552	**34,136**	20,049
Tax and other prepayments	**203,164**	441,752	**15,751**	23,928
Amounts due from jointly controlled entities (c)	**37,127**	17,328	**1,127**	2,328
Amounts due from associates (c)	**1,836,955**	—	**493,381**	—
Amounts due from fellow subsidiaries (c)	**—**	2,043	**—**	2,043
Deposit for tender of land	**—**	301,191	**—**	160,000
	2,515,412	1,212,866	**544,395**	208,348

Notes:

(a) At 31st December 2008 and 2007, the ageing analysis of the trade receivables was as follows:

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**6,388**	62,720	**—**	—
Over one year and within two years	**—**	258,304	**—**	—
Over two years and within three years	**258,304**	165	**—**	165
Over three years	**19,867**	19,702	**165**	—
	284,559	340,891	**165**	165

Trade receivables outstanding for over one year are mainly related to sales of office building units in bulk and large pieces of developed land. In 2008, the amount for past due but not impaired is RMB10,489,000 (2007: RMB10,489,000) with the ageing of 3 years and the full amount has been received in January 2009. The amount for past due and impaired is RMB9,213,000 (2007: RMB9,213,000) with the ageing of 3 years, the impairment is RMB3,844,000 (2007: RMB3,890,000). The amount not past due but impaired is RMB258,304,000 with the ageing of 2 years (2007: RMB258,304,000), and the impairment is RMB25,831,000 (2007: Nil).

14. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(c) At 31st December 2008 and 2007, the amounts due from jointly controlled entities, associates are unsecured, carry interest at prevailing market rates and have no fixed terms of repayment.

At 31st December 2007, the amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

These are no provisions held against receivables from jointly controlled entities, associates and fellow subsidiaries. (2007: nil).

(d) Amounts of trade and other receivables are all denominated in RMB.

(e) Movements on the Group's provision for impairment of receivables are as follows:

	2008 RMB'000	2007 RMB'000
At 1st January	**33,358**	29,987
Provisions for impairment of receivables	**38,691**	14,376
Unused amounts reversed	**—**	(11,005)
Disposal of a subsidiary	**(46)**	—
At 31st December	**72,003**	33,358

The above amount includes provisions for impairment of other receivables RMB42,328,000 (2007: RMB29,468,000).

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement (note 26).

(f) The other classes within trade and other receivables do not contain impaired assets.

(g) The carrying amounts of trade and other receivables approximate their fair values.

15. RESTRICTED BANK DEPOSITS

The restricted bank deposits have been pledged as security for certain mortgage loans to customers (note 34).

16. CASH AND CASH EQUIVALENTS

	Group As at 31st December 2008 RMB'000	 2007 RMB'000	Company As at 31st December 2008 RMB'000	 2007 RMB'000
Cash at bank and in hand	**2,147,142**	2,614,383	**68,586**	630,802

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group As at 31st December 2008 RMB'000	 2007 RMB'000	Company As at 31st December 2008 RMB'000	 2007 RMB'000
RMB	**2,034,935**	2,526,569	**56,200**	630,802
USD	**41,307**	22,593	**12,386**	—
HKD	**70,900**	65,221	**—**	—
	2,147,142	2,614,383	**68,586**	630,802

17. SHARE CAPITAL AND PREMIUM

At 31st December 2008 and 2007, the ordinary shares and share premium of the Company was as follows:

	Number of shares RMB'000	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Registered, issued and fully paid:				
As at 1st January and 31st December 2007	2,027,960	2,027,960	987,446	3,015,406
Registered, issued and fully paid:				
As at 31st December 2008	2,027,960	2,027,960	987,446	3,015,406

18. RETAINED EARNINGS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**761,359**	403,548	**563,359**	139,933
Profit for the year	**382,890**	526,009	**184,337**	591,624
Dividends relating to 2007/2006	**(243,355)**	(121,678)	**(243,355)**	(121,678)
Transfer from/(to) statutory reserve fund	**169,252**	(46,520)	**66,346**	(46,520)
At 31st December	**1,070,146**	761,359	**570,687**	563,359
Representing:				
Proposed final dividend at 31st December	**162,237**	243,355	**162,237**	243,355
Retained earnings — Others	**907,909**	518,004	**408,450**	320,004
At 31st December	**1,070,146**	761,359	**570,687**	563,359

According to the respective Articles of Association, the Company and subsidiaries are required to transfer certain percentages of their profit to their statutory reserve fund on an annual basis. The statutory reserve fund can be used to offset accumulated loss or convert as share capital of the Company.

19. OTHER RESERVES

Group

	Other reserves		
	Capital surplus RMB'000	Statutory reserve fund RMB'000	Total RMB'000
Balance at 1st January 2007	148,428	208,354	356,782
Adjustment of contribution from Promoters	(19,676)	—	(19,676)
Transfer from retained earnings	—	46,520	46,520
Fair value gains on available-for-sale financial assets, net of deferred tax	163,124	—	163,124
Reserve realised upon disposal of available-for-sale financial assets	(11,483)	—	(11,483)
Write-down of deferred income tax liabilities resulted from the new CIT Law (note 23)	9,684	—	9,684
Acquisition of interest from a minority shareholder	(47,072)	—	(47,072)
Acquisition of a subsidiary	397,804	—	397,804
Reserve realised upon disposal of properties held for sale	(105,607)	—	(105,607)
Balance at 31st December 2007	535,202	254,874	790,076
Balance at 1st January 2008	535,202	254,874	790,076
Transfer to retained earnings	—	(169,252)	(169,252)
Fair value loss on available-for-sale financial assets, net of deferred tax	(231,512)	—	(231,512)
Reserve realised upon disposal of properties held for sale	(96,948)	—	(96,948)
Acquisition of interest from minority shareholders	(111,932)	—	(111,932)
Partial disposal of interest to minority shareholders	(17,774)	—	(17,774)
Balance at 31st December 2008	77,036	85,622	162,658

19. OTHER RESERVES *(Continued)*

Company

	Other reserves		
	Capital surplus RMB'000	**Statutory reserve fund** RMB'000	**Total** RMB'000
Balance at 1st January 2007	177,304	105,448	282,752
Adjustment of contribution from Promoters	(19,676)	—	(19,676)
Transfer from retained earnings	—	46,520	46,520
Fair value gains on available-for-sale financial assets, net of deferred tax	163,124	—	163,124
Reserve realised upon disposal of available-for-sale financial assets	(14,637)	—	(14,637)
Write-down of deferred income tax liabilities resulted from the new CIT Law (note 23)	12,755	—	12,755
Balance at 31st December 2007	318,870	151,968	470,838
Balance at 1st January 2008	318,870	151,968	470,838
Transfer to retained earnings	—	(66,346)	(66,346)
Fair value loss on available-for-sale financial assets, net of deferred tax	(231,512)	—	(231,512)
Balance at 31st December 2008	87,358	85,622	172,980

20. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31st December		As at 31st December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	**10,340**	24,773	**—**	3,102
Advances from customers	**1,796,081**	3,922,872	**583**	1,427
Dividends payable	**63,421**	28,605	**63,421**	28,605
Dividends payable to minority shareholders of subsidiaries	**528,699**	115,699	**—**	—
Accrued construction costs	**2,130,342**	2,010,509	**15,840**	39,900
Amount due to associates	**37,269**	—	**36,637**	—
Amounts due to a subsidiary	**—**	—	**—**	150,000
Amounts due to jointly controlled entities	**18,783**	10,000	**18,783**	—
Advance from the subsidiaries of Yang Guang	**128,000**	128,000	**—**	—
Other payables	**544,291**	330,201	**105,656**	129,266
	5,257,226	6,570,659	**240,920**	352,300

At 31st December 2008 and 2007, the amounts due to associates and jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

At 31st December 2007, the amount due to a subsidiary is unsecured, carries interest at 5.75% and repaid in March 2008.

At 31st December 2008 and 2007, the ageing analysis of the trade payables was as follows:

	Group		Company	
	As at 31st December		As at 31st December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	**9,621**	15,043	**—**	—
Over one year	**719**	9,730	**—**	3,102
	10,340	24,773	**—**	3,102

Amounts of trade and other payables are all denominated in RMB.

The carrying amounts of trade and other payables approximate their fair values.

21. TAX PAYABLES

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Business tax payable	**32,936**	69,701	**5,385**	5,048
Current income tax payable				
— PRC income tax	**172,893**	418,916	**—**	34,380
— PRC LAT	**414,647**	279,232	**—**	—
Others	**3,346**	7,007	**1,478**	4,207
	623,822	774,856	**6,863**	43,635

22. BORROWINGS

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current,				
Bank borrowings	**5,661,500**	3,550,000	**3,941,500**	3,150,000
Other loans	**—**	309,415	**—**	—
	5,661,500	3,859,415	**3,941,500**	3,150,000
Current,				
Bank borrowings	**722,000**	2,319,138	**300,000**	1,700,000
Other loans	**501,401**	214,840	**—**	—
	1,223,401	2,533,978	**300,000**	1,700,000
	6,884,901	6,393,393	**4,241,500**	4,850,000

22. BORROWINGS *(Continued)*

At 31st December 2008 and 2007, the Group's borrowings were repayable as follows:

	Group				Company	
	Bank borrowings		Other loans		Bank borrowings	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Within 1 year	**722,000**	2,319,138	**501,401**	214,840	**300,000**	1,700,000
Between 1 and 2 years	**1,821,500**	700,000	**—**	309,415	**541,500**	300,000
Between 2 and 5 years	**2,890,000**	2,041,500	**—**	—	**2,600,000**	2,041,500
Wholly repayable within 5 years	**5,433,500**	5,060,638	**501,401**	524,255	**3,441,500**	4,041,500
Over 5 years	**950,000**	808,500	**—**	—	**800,000**	808,500
	6,383,500	5,869,138	**501,401**	524,255	**4,241,500**	4,850,000

The effective interest rates at the balance sheet date were as follows:

	2008		2007	
	RMB	**USD**	RMB	USD
Bank borrowings	**6.87%**	**NA**	6.24%	6.33%
Other loans	**6.98%**	**6.63%**	6.84%	6.63%

Bank borrowings of RMB4,241,500,000 (2007: RMB4,350,000,000) were secured by rights to yields on certain land use rights (gains on the sales of land use rights or other profit obtained from the related land use rights) (note 8(b)).

Bank borrowings of RMB1,242,000,000 (2007: RMB419,138,000) were secured by land use rights in properties under development amounted to RMB454,051,000 (2007: RMB229,814,000) and gains from the sale of land use rights or other profit obtained from the relevant properties (note 8(b)).

Bank borrowings of RMB300,000,000 (2007: Nil) were secured by the hotel properties and the land use rights (note 6 and 7).

22. BORROWINGS *(Continued)*

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
6 months or less	**2,333,414**	591,414	**—**	—
6 -12 months	**4,241,500**	4,969,138	**4,241,500**	4,350,000
	6,574,914	5,560,552	**4,241,500**	4,350,000

The exposure of the Group's borrowings to fixed interest-rate at the balance sheet dates are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
	309,987	832,841	**—**	500,000

The fair value of fixed interest-rate borrowings and other non-current borrowings are not materially different from their book value. The carrying amounts of short-term borrowings approximate their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	As at 31st December		As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**6,836,170**	6,321,808	**4,241,500**	4,850,000
USD	**48,731**	71,585	**—**	—
	6,884,901	6,393,393	**4,241,500**	4,850,000

The Group has the following undrawn borrowing facilities:

	As at 31st December	
	2008	2007
	RMB'000	RMB'000
Floating rate — expiring beyond one year	**2,000,000**	2,900,000

The facilities have been arranged to finance the working capital of the Group.

23. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxed levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Group		Company	
	As at 31st December		As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**52,275**	25,864	**13,305**	7,165
— Deferred tax assets to be recovered within 12 months	**48,278**	46,206	**27,616**	7,305
	100,553	72,070	**40,921**	14,470
Deferred tax liabilities:				
— Deferred tax liabilities to be recovered after more than 12 months	**(75,758)**	(159,258)	**(17,128)**	(94,299)
— Deferred tax liabilities to be recovered within 12 months	**(66,475)**	(130,829)	**—**	—
	(142,233)	(290,087)	**(17,128)**	(94,299)
	(41,680)	(218,017)	**23,793**	(79,829)

23. DEFERRED INCOME TAX *(Continued)*

The movement on the deferred income tax assets/(liabilities) account is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1st January	**(218,017)**	46,130	**(79,829)**	(45,226)
Recognised in the income statement (note 29)	**29,047**	81,928	**26,451**	7,017
Tax charged directly to equity	**147,854**	(54,375)	**77,171**	(54,375)
Acquisition of subsidiaries	**—**	(301,384)	**—**	—
Disposal of a subsidiary	**(564)**	—	**—**	—
Write-down of deferred income tax assets resulted from the new CIT Law — charged directly to equity	**—**	9,684	**—**	12,755
At 31st December	**(41,680)**	(218,017)	**23,793**	(79,829)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB29,066,000 (2007: RMB93,313,000) in respect of losses amounting to RMB116,264,000 (2007: RMB373,252,000) that can be carried forward against future taxable income. These tax losses will expire from 2009 to 2013.

23. DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction during the year is as follows:

Deferred tax assets:

	Group						
	Difference in cost base of properties RMB'000	Tax losses RMB'000	Unpaid accruals RMB'000	Provision for impairment of receivables RMB'000	Amortisation of land use rights RMB'000	Others RMB'000	Total RMB'000
At 1st January 2007	13,132	47,861	8,269	6,178	14,560	1,827	91,827
Recognised in the income statement	—	(11,110)	2,505	1,920	(3,162)	5,119	(4,728)
Acquisition of a subsidiary	—	6,506	—	—	1,527	—	8,033
Write-down of deferred income tax assets resulted from the new CIT Law — recognised in the income statement	(3,183)	(10,486)	(2,612)	(1,963)	(3,134)	(1,684)	(23,062)
At 31st December 2007	9,949	32,771	8,162	6,135	9,791	5,262	72,070
Recognised in the income statement	(9,949)	20,075	19,144	9,673	(9,791)	(105)	29,047
Disposal of a subsidiary	—	(564)	—	—	—	—	(564)
At 31st December 2008	—	52,282	27,306	15,808	—	5,157	100,553

	Company				
	Unpaid accruals RMB'000	Provision for impairment of receivables RMB'000	Amortisation of land use rights RMB'000	Tax Losses RMB'000	Total RMB'000
At 1st January 2007	8,269	6,178	247	—	14,694
Recognised in the income statement	2,505	1,920	(19)	—	4,406
Write-down of deferred income tax assets resulted from the new CIT Law — recognised in the income statement	(2,612)	(1,963)	(55)	—	(4,630)
At 31st December 2007	8,162	6,135	173	—	14,470
Recognised in the income statement	1,893	3,215	(173)	21,516	26,451
At 31st December 2008	10,055	9,350	—	21,516	40,921

23. DEFERRED INCOME TAX *(Continued)*

Deferred tax liabilities:

	Group			Company
	Fair value gain of available-for-sale financial assets	Fair value gain of properties under development	Total	Fair value gain of available-for-sale financial assets
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2007	(45,697)	—	(45,697)	(59,920)
Charged directly to equity	(54,375)	—	(54,375)	(54,375)
Recognised in the income statement	5,687	104,031	109,718	7,241
Acquisition of a subsidiary	—	(10,588)	(10,588)	—
Acquisition of another subsidiary	—	(298,829)	(298,829)	—
Write-down of deferred income tax liabilities resulted from the new CIT Law				
— charged directly to equity	9,684	—	9,684	12,755
As at 31st December 2007	(84,701)	(205,386)	(290,087)	(94,299)
Charged directly to equity	83,222	64,632	147,854	77,171
As at 31st December 2008	(1,479)	(140,754)	(142,233)	(17,128)

24. RETIREMENT BENEFIT OBLIGATIONS

The Group's employees participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

25. OTHER GAINS — NET

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Gains on sales of available-for-sale financial assets	**—**	50,752
Gains on sales of financial assets at fair value through profit or loss	**552**	21,577
Compensation for resumption of land (note 8(a))	**50,303**	—
Gain from disposal of subsidiaries	**1,016**	—
Exchange loss	**(9,561)**	(859)
Others	**2,324**	10,803
	44,634	82,273

26. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Depreciation	**89,303**	82,156
Amortisation	**2,583**	2,384
Provisions for impairment of receivables	**38,691**	3,371
Employee benefit expenses (directors' emoluments included)	**121,067**	155,316
Advertising costs	**67,041**	52,776
Cost of properties sold	**2,972,843**	2,829,268
Cost of inventories sold in relation to hotel operations	**54,043**	46,340
Business taxes and other levies	**290,970**	280,246
Office expenses	**22,591**	18,594
Auditor's remuneration	**6,680**	5,605
Consulting expenses	**7,478**	16,151
Commission fee	**70,293**	79,490
Energy expenses in relation to hotel operations	**15,531**	16,041
Management fee and maintenance expenses in relation to hotel operations	**23,321**	32,627
Others	**5,611**	39,950
Total cost of sales, selling and marketing costs and administrative expenses	**3,788,046**	3,660,315

27. EMPLOYEE BENEFIT EXPENSE

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Wages and salaries	**142,428**	176,245
Social security costs	**25,522**	24,398
Retirement benefit costs		
— defined contribution plans	**11,451**	12,709
	179,401	213,352
Less: capitalised in properties under development	**(58,334)**	(58,036)
	121,067	155,316

Wages and salaries include directors' emoluments.

(a) Retirement benefit costs — defined contribution plans

There were no forfeited contributions during the year or available at 31st December 2008 (2007: Nil) to reduce future contributions.

Contributions totaling RMB431,000 (2007: RMB639,000) were included in trade and other payables at the year end.

27. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2008 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Other benefits RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. Liu Xiaoguang	—	2,420	—	—	2,420
Mr. Tan Jun	—	3,146	208	23	3,377
Mr. He Guang (i)	—	1,976	—	131	2,107
Mr. Feng Chunqin	37	—	—	—	37
Mr. Wang Zhengbin (i)	—	—	—	—	—
Ms. Zhu Min	37	—	—	—	37
Mr. Muk Kin Yau (i)	—	—	—	—	—
Mr. Kwong Kai Sing, Benny (i)	224	—	—	—	224
Mr. Ke Jianmin	242	—	—	—	242
Mr. Yu Xingbao (i)	112	—	—	—	112
Mr. Li Zhaojie	130	—	—	—	130
Mr. Yu Changjian	11	—	—	—	11
Mr. Wei Jianping	—	276	97	23	396
Mr. Wang Qi	67	—	—	—	67
Mr. Zhang Juxing (ii)	—	111	12	2	125
Ms. Cao Guijie (ii)	37	—	—	—	37
Mr. Ng Yuk Keung (ii)	18	—	—	—	18
	915	7,929	317	179	9,340

(i) Resigned on 4th December 2008.

(ii) Appointed on 5th December 2008.

27. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' and senior management's emoluments *(Continued)*

The remuneration of every director for the year ended 31st December 2007 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Other benefits RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. Liu Xiaoguang	—	2,200	—	—	2,200
Mr. Tan Jun	—	2,860	269	21	3,150
Mr. He Guang	—	1,736	433	148	2,317
Mr. Feng Chunqin	—	—	—	—	—
Mr. Wang Zhengbin	—	—	—	—	—
Ms. Zhu Min	—	—	—	—	—
Mr. Muk Kin Yau	—	—	—	—	—
Mr. Kwong Kai Sing, Benny	220	—	—	—	220
Mr. Ke Jianmin	220	—	—	—	220
Mr. Yu Xingbao	110	—	—	—	110
Mr. Li Zhaojie	110	—	—	—	110
Mr. Yu Changjian	—	—	—	—	—
Mr. Wei Jianping	—	282	95	21	398
Mr. Wang Qi	55	—	—	—	55
Mr. Xu Jianhong	41	—	—	—	41
	756	7,078	797	190	8,821

The above remuneration exclude the amount of long term incentive fund. For related information please refer to note 36 (iii)(b).

27. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,581**	1,739

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands (in RMB)		
RMB800,001 - RMB1,000,000	**—**	2
RMB1,000,001 - RMB2,000,000	**2**	—

The above emoluments exclude the amount of long term incentive fund. For related information please refer to note 36(iii)(b).

(d) During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

28. FINANCE INCOME AND COSTS

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Interest expenses:		
Bank loans, wholly repayable within five years	**163,907**	158,527
Bank loans, not wholly repayable within five years	**312,054**	211,814
Other loans, wholly repayable within five years	**35,706**	34,094
	511,667	404,435
Less: Amount capitalised in properties under development with capitalisation rate between 6.66% and 7.56% (2007: 5.91% and 7.05%) per annum	**(273,496)**	(201,333)
Finance costs	**238,171**	203,102
Finance income:		
Interest income on bank deposits	**(31,139)**	(39,237)
Interest income on loans to associates and jointly controlled entities	**(27,491)**	(25,331)
Interest income on loans to others	**(1,613)**	(3,787)
Finance income	**(60,243)**	(68,355)
	177,928	134,747

29. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31st December 2008 (2007: Nil). PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC income tax rate is 25% (2007: 33%).

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

29. INCOME TAX EXPENSES *(Continued)*

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Current income tax		
— PRC income tax	**303,992**	500,850
— PRC LAT	**229,313**	173,979
Total current tax	**533,305**	674,829
Deferred tax (note 23)	**(29,047)**	(81,928)
Income tax expense	**504,258**	592,901

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory rate of 25% as follows:

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Profit before income tax	**1,266,520**	1,319,768
Tax calculated at PRC statutory rate of 25% (2007:33%)	**316,630**	435,524
Income not subject to taxation	**—**	(1,838)
Share of profits less losses of jointly controlled entities and associates	**(5,191)**	(19,287)
Expenses not deductible for tax purposes	**2,108**	695
Effect of higher tax rates for the appreciation of land in the PRC	**171,985**	116,566
Unrecognised tax losses	**18,726**	38,179
Write-down of deferred income tax assets resulted from the new CIT Law (note 23)	**—**	23,062
Income tax expenses	**504,258**	592,901

30. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB184,337,000 (2007: RMB591,624,000).

31. EARNINGS PER SHARE (BASIC AND DILUTED)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**382,890**	526,009
Weighted average number of shares in issue (thousands)	**2,027,960**	2,027,960
Earnings per share (basic and diluted) (RMB cents per share)	**18.88**	25.94

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 31st December 2008 and 2007.

32. DIVIDENDS

The dividend paid in 2008 was RMB243,355,000 (representing 2007 final dividend of RMB0.12 per share).

A final dividend for the year ended 31st December 2008 of RMB0.08 per ordinary share, amounting to a total dividend of RMB162,237,000, was proposed at the Board meeting held on 2nd March 2009. Such dividend is to be approved by the shareholders at the Annual General Meeting on 7th April 2009. These financial statements do not reflect this dividend payable, but it will be reflected as an appropriation of retained earnings for the year ending 31st December 2009.

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
2008 Proposed final dividend of RMB0.08 per share (2007: RMB0.12 per share)	**162,237**	243,355

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash used in operations

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Profit before income tax	**1,266,520**	1,319,768
Provisions for impairment of receivables	**38,691**	3,371
Share of profit of jointly controlled entities	**(21,315)**	(48,493)
Share of loss/(profit) of associates	**553**	(9,951)
Net gains on disposal of an associate	**—**	(103,184)
Net gains on disposal of subsidiaries	**(1,016)**	—
Gain on disposal of financial assets at fair value through profit or loss	**(552)**	(21,577)
Gain on sales of available-for-sale financial assets	**—**	(50,752)
Exchange loss/(gain)	**9,561**	(11,792)
Depreciation	**89,303**	82,156
Amortisation	**2,583**	2,384
(Gain)/loss on disposal of property, plant and equipment (note b)	**(410)**	39
Interest income	**(60,243)**	(68,355)
Interest expense	**238,171**	203,102
Operating profit before working capital changes	**1,561,846**	1,296,716
Decrease/(increase) in restricted bank deposits	**70,356**	(45,741)
Decrease in inventories	**2,750**	8,430
Increase in properties held for sale	**(1,892,735)**	(1,302,915)
Decrease/(increase) in properties under development	**267,520**	(2,201,405)
(Increase)/decrease in trade and other receivables	**(1,592,467)**	967,623
Increase in trade and other payables	**1,315,071**	112,504
Cash used in operations	**(267,659)**	(1,164,788)

(b) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Net book amount	**2,846**	1,989
Gain/(loss) on disposal of property, plant and equipment	**410**	(39)
Proceeds from disposal of property, plant and equipment	**3,256**	1,950

34. FINANCIAL GUARANTEES

(a) The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB2,826,257,000 as at 31st December 2008 (2007: RMB2,143,607,000).

Such guarantees terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group deliver possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

(b) As at 31st December 2008, other than guarantees provided for long-term bank loans of RMB600,000,000 (2007: RMB600,000,000) granted to subsidiaries of the Company and a long-term bank loan of RMB Nil (2007: 100,000,000) granted to a jointly controlled entity, the Group had no material external guarantee.

35. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	Group	
	As at 31st December	
	2008	2007
	RMB'.000	RMB'.000
Property under development		
Contracted but not provided for	**1,379,629**	1,390,818
Authorised but not contracted for	**8,385,950**	4,437,740
	9,765,579	5,828,558
Land use right		
Contracted but not provided for	**335,497**	2,278,037
	10,101,076	8,106,595

35. COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the period at market rate.

	Group As at 31st December		Company As at 31st December	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
No later than 1 year	**7,258**	3,688	**1,577**	1,051
Later than 1 year and no later than 2 years	**5,061**	1,621	**1,051**	—
Later than 2 year and no later than 3 years	**1,791**	270	**—**	—
	14,110	5,579	**2,628**	1,051

(c) Investment commitments

	Group and Company As at 31st December	
	2008	2007
	RMB'000	RMB'000
A jointly controlled entity	**274,644**	—
Subsidiaries	**187,952**	114,000
Associates	**327,472**	266,472
	790,068	380,472

36. RELATED PARTY TRANSACTIONS

The Group is controlled by Capital Group (parent company), which aggregately holds 47.21% of the Company's shares directly and indirectly.

The parent company itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than the parent company, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

For purpose of related party transaction disclosure, the Group has identified the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programmes. Due to the pervasiveness of the Group's retail transactions with the entities' employees on corporate business, their key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relative to related party transactions has been disclosed.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(i) Related party transactions

	Related party	Nature of transaction	Year ended 31st December 2008 RMB'000	2007 RMB'000
(a)	Jointly controlled entities	Interest income	—	8,705
(b)	Associates	Interest income	**27,491**	16,626
(c)	Associates	Commission fee (i)	**45,121**	47,145
(d)	Minority shareholder of subsidiaries	Interest expense	**31,763**	33,278
(e)	State-owned enterprises	Interest income	**30,323**	45,529
		Sales of goods and services	—	1,443,934
		Purchase of goods and services	**1,216,423**	673,480
		Drawdown of bank loans	**3,550,000**	1,400,000
		Repayment of bank loans	**1,744,730**	1,667,000
		Interest expense	**449,024**	254,537

Note:

(i) The commission fee payable to the associates was charged ranging from 1% to 1.6% (2007: 1.2% to 1.8%) based on property sales price.

The Group does not have a system to identify the related parties within its retail customers, therefore the sales of goods disclosed above does not include the retail sales to related parties. The Group does not believe it is meaningful to disclose the retail sales to related parties as the sales terms, including pricing, with these related parties are similar as the ones with non-related parties.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Related party balances

		As at 31st December	
		2008	2007
		RMB'000	RMB'000
(a)	Bank deposits		
	State-owned banks	**2,167,596**	2,698,358
(b)	Trade receivables		
	State-owned enterprises	**276,260**	346,921
(c)	Bank loans		
	State-owned banks	**6,383,500**	5,150,000
(d)	Amount due from Promoters	**—**	35,974
(e)	Amounts due to parent company	**—**	6,399
(f)	Other receivables, net		
	State-owned enterprises	**45,693**	37,180
(g)	Other payables		
	State-owned enterprises	**3,035**	3,878

Apart from bank deposits and bank loans, the amounts receivables and payables are unsecured, interest free and have no fixed terms of repayment as at 31st December 2008 and 2007.

At 31st December 2008, the balance of the Group's provisions for impairment of receivables from related parties is RMB43,668,000 (2007: RMB17,837,000), the Group's provisions for impairment of receivables charged to income statement for the year ended 31st December 2008 amounted to RMB25,831,000 (2007: RMB3,832,000).

36. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Key management compensation

(a) The compensation paid or payable to key management for employee services is shown below:

	Year ended 31st December	
	2008	2007
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**18,825**	14,748
Post-employment benefits	**315**	278

The above compensation excluded the amount of long term incentive fund. For related information please refer to the following note (b).

(b) The extraordinary generally meeting held on 27th September 2007, approved the adoption of the long term incentive fund scheme. At the end of 2007, the Company accrued RMB20,000,000 incentive fund according to the operating performance of the Company in 2007. The distribution to the senior management, core management and key person are 90% of total amount (the distribution to senior management is 60% of total amount), and the rest are distributed to the board of directors and Supervisors. The allocation proposal of distribution of long term incentive fund for the Directors and Supervisors of the Company is approved and announced by the Annual General Meeting held on 5th May 2008. The actual amount of distribution to Chairman is 6% of total amount, and the non-executive directors and Supervisors are distributed to 4% of total amount. Muk Kin Yau, non-executive director of the Company, waive the amount of distribution voluntarily.

At the end of 2008, the Company accrued RMB12,000,000 according to the operating performance in 2008. The allocation proposal of distribution of long term incentive fund will be subjected to Annual General Meeting approval.

(iv) Establishment of a new jointly controlled entity

In April 2008, the Company entered into a contract to establish a sino-foreign equity joint venture company with Reco Ziyang Pte Ltd. ("Reco Ziyang", the minority shareholder of subsidiaries of the Group). The total amount of investment is USD95,000,000. The Company and Reco Ziyang shall both contribute 50% of the total amount of investment respectively to the newly established joint venture company.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(v) Disposal of interests in subsidiaries to a minority shareholder

In March 2008, the Company disposed of its 45% interest of Tianjin Capital Xingang Real Estate Development Company Limited ("Tianjin Xingang") and Tianjin Capital Xinyuan Real Estate Development Company Limited ("Tianjin Xinyuan") to Reco Ziyang for a cash consideration of RMB4,500,000 each. As a result, the Company's attributable interest in both Tianjin Xingang and Tianjin Xinyuan decreased from 100% to 55%.

(vi) Disposal of subsidiaries to a minority shareholder

In April 2008, the Group disposed of its 60% interest in Tianjin Capital Xinqing Real Estate Development Company Limited ("Tianjin Xinqing") and Tianjin Capital Xinming Real Estate Development Company Limited ("Tianjin Xinming") to Reco Ziyang for a cash consideration of RMB6,000,000 each. As a result, net gains on disposal of interests of Tianjin Xinqing and Tianjin Xinming of RMB5,000 and RMB1,011,000 were recognised to consolidated income statement respectively. Thereafter, Tianjin Xinqing and Tianjin Xinming became 40%-owned associates of the Group.

37. EVENTS AFTER THE BALANCE SHEET DATE

On 10th February 2009, the Company disposed of its 45% Interest of Tianjin Banshan to Reco Ziyang for a cash consideration of RMB92,400,000. As a result, the Company's attributable interest in Tianjin Banshan decreased from 100% to 55%.

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