



建業地產股份有限公司
Central China Real Estate Limited

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www.centralchina.com

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Central China Real Estate Limited
2008 ANNUAL REPORT



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CORPORATE PROFILE

Central China Real Estate Limited (“Central China” or the “Company”, together with its subsidiaries, collectively the “Group”; stock code: 832.HK) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 June 2008. It is a leading residential property developer in Henan Province with the class 1 qualification for property development in the People’s Republic of China (the “PRC” or “China”).

Positioning itself as a professional and leading regional brand property developer, the Group has been focusing on residential property development since the early 1990s in Henan Province, which is one of the most populous provinces in the PRC. The Group has started to implement its “Provincial Strategy” since 2002 and gradually extended its footprint of business to medium-sized cities in Henan Province. It has established 35 project companies in 22 cities in Henan Province to operate its property development business. While further consolidating its leadership in Henan Province, the Group also achieved organic growth in a steady and rapid way. As of 31 December 2008, the Group had land reserves of approximately 8.15 million sq.m. The current land reserves of the Group will be sufficient to meet the Group’s development needs for the next three to four years, which lays down a solid foundation for the future growth of the Group.

Following the great success in the implementation of its “Provincial Strategy”, the Group ranked 39th among the “2008 Top 100 Real Estate Enterprises in the PRC” according to the Top 100 China Real Estate Enterprises Research Report (中國房地產百強企業研究報告) published in March 2008 by the China Real Estate Top 10 Research Team. The Group continued to rank first among the “Top 10 Real Estate Enterprises by Brand Value in Midwestern China” with noticeable advantages according to the 2008 China Real Estate Enterprises Brand Value Research Report (2008年中國房地產公司品牌價值研究報告) published on 20 September 2008. According to the latest published official figures, the Group ranked first in the real estate markets of both Henan Province and Zhengzhou City for the year 2008 in terms of sales volume and amount of tax paid.

Looking ahead, the Group will continue to leverage its competitiveness in its region, such as brand recognition and reputation, sophisticated development mode and excellent management team, to maintain its leading position in Henan Province, targeting to develop into a large residential property developer with strong profitability and sustainable growth.





CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present to you the annual results of the Group for the year ended 31 December 2008 on behalf of the board of directors of the Company (the "Board").

In 2008, the financial crisis triggered by the U.S. sub-prime mortgage crisis swept across the world. The major economies in the world are being challenged by this once-in-a-century financial turmoil. Uncertainties arose in China's real estate market due to drastic changes in the financial environment, national macro-economy, market sentiment and expectation of future income. During the year under review, property prices fell with lower transaction volume in many cities in China due to the weak sentiments in China's real estate industry.

Although real estate developers in China were adversely affected by this financial crisis and China's deteriorating industry environment, after two years of preparation, the Company made a consummate breakthrough amid such uncertainties by successfully listing the Company's shares on the Main Board of the Stock Exchange on 6 June 2008, raising net proceeds of approximately US\$160 million. Such an achievement has won wide accolades in the international capital market for Henan Province and even for the whole Midwestern China. After its listing, the Company continued to execute its planned operation strategies, focused on operations and spared no efforts in improvement amidst the plight of the real estate market. Despite the overall slowdown in China's real estate market, the Company still ranked first in Henan Province in terms of sales performance and steadily gained larger market shares when compared to 2007.

Facing numerous uncertainties in the real estate market, the Company realised that grasping market trends is the key to handling market changes. Aiming to "provide customers with zero-defect products and superb service", the Company has taken initiatives to review and enhance the quality of products and services provided to customers.



Extending its pursuit of product innovation and quality in seventeen years, in 2008, the Company adopted the brand new “Central China standards” as the systematic foundation for delivering zero-defect products.

During the reporting period, the Company was committed to build a unique and nationwide advanced customer service platform, promote the construction of province-wide network community, and constantly improve the customer service system covering eighteen mid-tier cities across Henan Province so as to ensure that customers can be provided with first-class services. Meanwhile, the Company expanded its investments, upgraded its service standards and perfected its service system to improve service quality.

Recognising that talent is the most precious corporate resource, the Company continually cultivates and enhances employees’ professional spirit and



qualities, aiming to fully unify corporate and employees' interests in the long run. The Company recruited industry elites when the industry was undergoing correction, thus building a strong talent pool for the achievement of management targets.

The Company has been celebrated for its conservative investment since its inception 17 years ago. In 2008, the Company ranked eighth in "Top 10 Enterprises in Risk Resistance Capacity" in the appraisal for risk resistance capacity of Top 100 Property Enterprises in the PRC.

Despite the unprecedented trough in the real estate market, the Company firmly believes that the acceleration of urbanisation remains the keynote of social development in China for the next two decades. The real estate industry, as the major carrier of urbanisation, is bound to play its longer-term role as the country's pillar industry. Leveraging our capital strengths, the Company is well-positioned to take advantage of the opportunities that will arise during this temporary downturn. Therefore, the Group had not stopped its pace for investment. On 30 June 2008, the Group acquired the controlling interest in Huayang Square (Luoyang) project (世紀華陽). On 9 July 2008, it acquired the land development rights with total GFA of 500,000 sq.m. in Zhoukou City. On 21 November 2008, it established Shangqiu Jianye Huarun Zhiye Company Limited through a joint venture and will obtain the land development rights with total GFA of 335,000 sq.m.. On 22 December 2008, it further increased its equity interest in Luohe Central China Changjian Real Estate Company Limited, thus increasing its controlling interest in the parcel of land in Songjiang New District, Luohe City to 75%. On 25 December 2008, the Group entered into an agreement with Hebi Municipal Government to implement its investment plan in the near future, aiming at completing the Group's corporate strategic layout in eighteen prefecture-level cities of Henan Province.

Bearing in mind the saying “reaping what we sow”, the Company has rooted in the central part of China for seventeen years and will continue to capitalise on expansion opportunities. As a regional benchmarking real estate developer, the Company strongly believes in the core value of “Rooted in central part of China, contribute to the society” in its corporate behaviour, and demonstrates prudent business operations and admirable corporate style. Aspiring to become a top-tier enterprise in China, the Company always persists in improving product quality and service level in order to reward our shareholders, customers and partners with higher returns.

Acknowledgments

The Group's outstanding performance in 2008 would not have been possible without the diligence and efforts of our highly professional team of management and staff. On behalf of the Board, I wish to express our gratitude to all employees for their efforts. Our sincere appreciation also goes to all shareholders, customers and other stakeholders for your greatest support and trust during the economic downturn. We believe that we are well positioned to reciprocate and to make greater contribution to the healthy and sustainable growth of China's real estate industry in the years to come.

Wu Po Sum
Chairman

27 March 2009



FINANCIAL HIGHLIGHTS

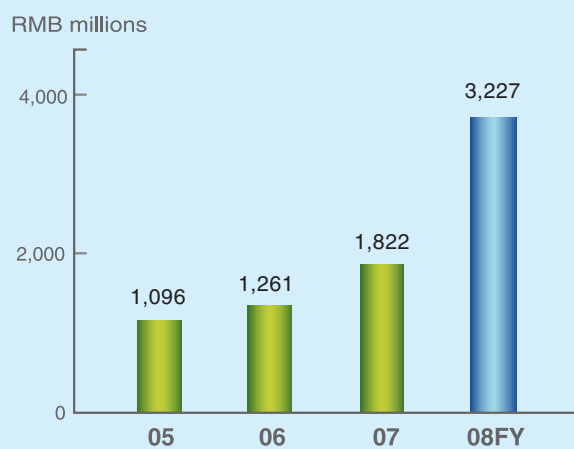
	2008	2007	Change (%)
Financial Highlights (RMB'000)			
Turnover	3,226,996	1,821,663	+77.1
Profit attributable to equity shareholders	653,301	164,988	+296.0
Financial Ratios			
Gearing ratio+ (%)	2.3	59.8	-57.5*
Gross profit margin (%)	38.4	28.2	+10.2*
Net profit margin (%)	20.2	9.1	+11.1*
Financial Information per Share (RMB)			
Earnings#	0.3267	0.0825	+296.0
Equity attributable to equity shareholders#	1.47	0.67	+119.4

Notes: * Change in percentage points

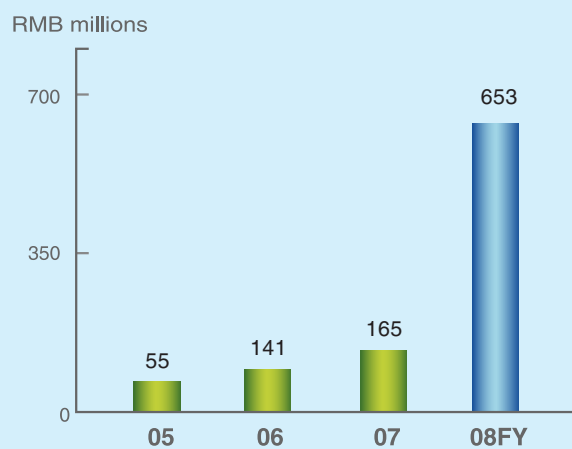
+ Gearing ratio is calculated as net debt divided by equity attributable to equity shareholders of the Company. Net debt is calculated as total bank and other loans less cash and cash equivalent and restricted bank deposits secured against bank loans.

The calculation of basic earnings per share and equity attributable to equity shareholders per share for each of the year ended 31 December 2008 and 2007 is based on the 2,000,000,000 shares in issue as at the year end date as if the shares were in issue throughout the entire year.

Turnover



Profit attributable to Equity Shareholders







MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

(I) Review on the Market and the Company's Business

The year 2008 witnessed a complicated and volatile global economic situation. In the second half of the year, the financial crisis exerted more adverse impact on China. The Chinese central government timely adjusted the orientation, focus, dynamics and pace of its macro control, and launched various stimulus packages to boost the national economy, thus maintaining a relatively steady economic growth momentum. According to the National Bureau of Statistics of China, China's gross domestic product ("GDP") grew by 9% year-on-year to RMB30,067 billion in 2008.



As the main market of the Company, the economy of Henan Province continued to maintain a healthy and rapid economic development. In 2008, the GDP of Henan Province increased by 12.1% from the previous year to RMB1,840.8 billion, which was 3.1 percentage points higher than China's overall GDP growth and ranked fifth in China in terms of economic capacity.

The real estate market in Henan Province underwent a deep correction in 2008. The GFA of commodity properties sold was 29,710,200 sq.m., representing a decrease of 24.5% from 2007. The revenue from the sales of commodity properties was RMB70.7 billion, representing a year-on-year decrease of 20.2%. During the year under review, the transaction volume of commodity properties shrank while the wait-and-see sentiment prevailed in the market. The real estate industry in Henan Province has entered a correction phase.

The directors (the "Directors" and each a "Director") of the Company are of the view that a deep correction in real estate market is healthy during the development of the real estate industry. In the mid to long-term, economic growth and lifestyle changes will accelerate the pace of urbanisation. In this regard, the real estate market will continue to be one of the most attractive and potential markets in China in the next decade.





(II) Project Development

The Group aims to provide its investors, the society and its staff with a mutual trust and win-win platform. In 2008, the Company enhanced its project management control and endeavoured to provide customers with high quality products and services.

During the year under review, newly commenced GFA and completed GFA of the Company were 1,131,180 sq.m. and 1,069,151 sq.m. respectively. GFA of 824,301 sq.m. was sold with a sale/pre-sale value of RMB3,410.08 million, representing an increase of 38.6% over 2007 and accounting for 5.1% share in commodity properties sales market in Henan Province. These figures clearly show that the Company has further strengthened its leading position in Henan Province.

(1) Development schedule

In 2008, the Company commenced the development of 16 projects or phases with GFA of new projects under development reaching 1,131,180 sq.m..

Development of new projects in 2008

Location	GFA of new projects under development (sq.m.)
Zhengzhou	311,534
Other cities in Henan Province	819,646
Total	1,131,180

As at 31 December 2008, the Group had 12 projects or phases under development with total GFA of 1,013,856 sq.m..

In 2008, the Group had 16 completed projects or phases. The total completed GFA was 1,069,151 sq.m., with total saleable GFA of 998,736 sq.m., and the total GFA pre-sold/sold reached 696,702 sq.m. or 69.8%.

Completed projects in 2008

Project	Phase	Total GFA completed (sq.m.)	Saleable GFA (sq.m.)	Pre-sold/ sold GFA (sq.m.)
Forest Peninsula (Zhengzhou)	Phase II	68,648	62,751	62,328
U-Town (Zhengzhou)	Phase IV	75,149	56,423	41,055
Landmark (Zhengzhou)	Commercial	95,873	81,394	65,375
Landmark (Zhengzhou)	Soho	107,260	88,015	54,550
Forest Peninsula (Luoyang)	Phase III	14,636	13,649	11,543
Forest Peninsula (Zhumadian)	Phase III	40,468	40,414	40,214
Forest Peninsula (Zhumadian)	Phase IV	48,580	48,395	28,980
Forest Peninsula (Luohe)	Phase II	57,185	53,613	40,353
Forest Peninsula (Xinyang)	Phase I	22,837	22,275	14,557
Jianye City (Puyang)	Phase I & II	75,061	73,114	62,080
Jianye City (Puyang)	Phase III	38,902	38,902	11,522
Landmark (Jiyuan)		26,807	26,733	16,250
Forest Peninsula (Jiyuan)	Phase III	30,163	28,418	28,418
Forest Peninsula (Jiaozuo)	Phase II	109,085	109,085	46,642
Forest Peninsula (Pingdingshan)	Phase II	32,356	32,356	26,273
Jianye Dahong City Garden (Kaifeng)		226,141	223,199	146,562
Total		1,069,151	998,736	696,702

(2) Sales schedule

In 2008, the Company's business experienced a healthy and rapid growth.

The total GFA sold/pre-sold by the Group amounted to 824,301 sq.m. in 2008, with a total sale/pre-sale value of RMB3,410.08 million.

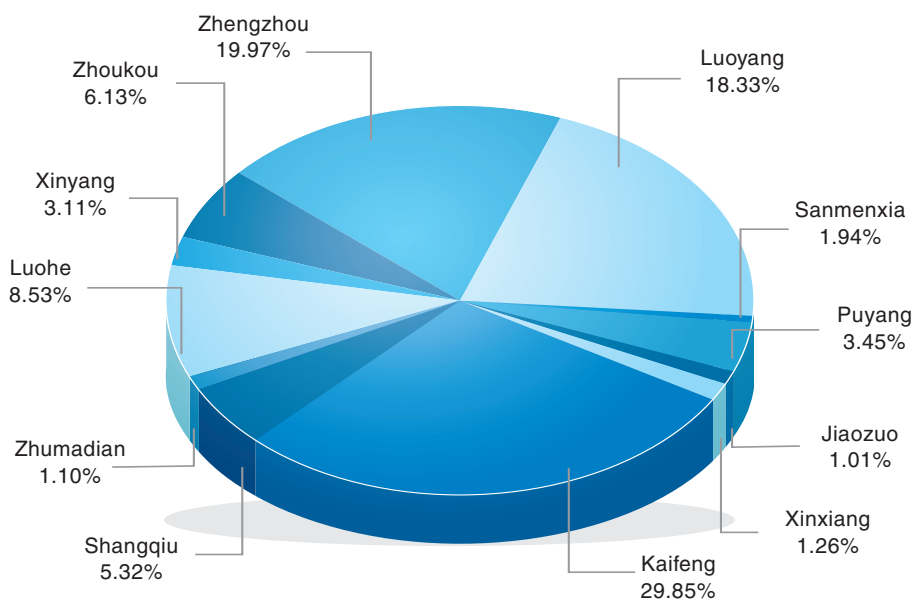
Sale/pre-sale for the year ended 31 December 2008

Location	Approximate saleable areas sold (sq.m.)	Approximate total amount (RMB'000)
Zhengzhou	331,345	1,991,914
Other cities in Henan Province	492,956	1,418,164
Total	824,301	3,410,078

(3) Land reserves

In the second half of 2008, the Company timely adjusted land reserves policy in response to the changes in the domestic property market. The percentage of land reserves acquired by way of equity acquisition increased. As at 31 December 2008, the Company had land reserves with the total GFA of 8,154,000 sq.m.. The Group obtained the land use right certificates for 6,380,000 sq.m. of such land.

Distribution of land reserves by city (as at 31 December 2008)



(4) Equity acquisitions

On 30 June 2008, Artstar Investments Limited, in which the Company indirectly holds 65% equity interest, completed an acquisition of the entire equity interest in Country Star Holdings Limited (“Country Star”), as a result of which the Company indirectly holds 65% equity interest in Luoyang Zhongya Real Estate Development Company Limited (“Luoyang Zhongya”), a subsidiary of Country Star, which owns an aggregate planned GFA of approximately 966,945 sq.m..

Shangqiu Jianye Huarun Zhiye Company Limited (“CCRE Huarun”), is a joint venture company established by Central China Real Estate Group (China) Company Limited (“CCRE China”), and Shangqiu Yinshang Holdings Company Limited (“Yinshang Holdings”) on 21 November 2008. On 25 November 2008, CCRE China further acquired 35% equity interest in CCRE Huarun from Yinshang Holdings, upon completion of which the Company will indirectly hold 65% equity interest in CCRE Huarun which will own the Shangqiu Shenhua Dadao project with a site area of approximately 222,666 sq.m., whose land use right will be transferred to CCRE Huarun from Yinshang Holdings upon completion of relevant PRC legal and registration procedures. The said land use rights had not been transferred to CCRE Huarun as at 31 December 2008. Accordingly, CCRE China was considered to have 100% equity interest in CCRE Huarun, representing the capital injected by CCRE China. CCRE China is an indirect wholly-owned subsidiary of the Company.

On 22 December 2008, Luohe Central China Real Estate Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with Luohe Changjian Real Estate Company Limited to acquire a further 24% equity interest, increasing its stake in Luohe Central China Changjian Real Estate Company Limited (“CCRE Changjian”) to 75%.

CCRE Changjian owns an aggregate planned GFA of approximately 596,500 sq.m..

(5) Public tender for land

On 9 July 2008, Central China Forest Peninsula Real Estate Company Limited, an indirect wholly-owned subsidiary of the Company, successfully tendered for two parcels of land with total GFA of 500,000 sq.m. in Zhoukou City for a total consideration of RMB118 million.

(6) Use of net proceeds from the initial public offering (the “IPO”)

The Company’s shares were listed on the Stock Exchange on 6 June 2008, and raised net proceeds of approximately RMB1,121 million (after netting off listing expenses) from the IPO. As at 31 December 2008, the Company had utilised approximately RMB551 million for the development of its existing projects and payment for acquisition of land which was in line with the designated use of the proceeds as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 26 May 2008 (the “Prospectus”).

BUSINESS OUTLOOK

(I) Market Outlook

(1) Macro-economy

In 2009, the external economic uncertainties are expected to increase significantly. The latest economic figures indicate that the demands in international market are still shrinking and the global economy is in recession.

Confronting the continuous slow-down in the economic growth, the Chinese central government launched a RMB4 trillion investment package and will continue to implement proactive fiscal policy and moderately relaxed monetary policies, which will play a positive role in economic turnaround. However, the positive impact of these macroeconomic policies is expected to gradually take effect in 2009 and after.

(2) Real estate market

To boost the national economy, the Chinese central and local governments have launched a series of pro real estate policies aimed at lowering the burden of home buyers and encouraging property spending. According to the latest industry figures, some of the real estate markets have started to show signs of recovery with transaction volume rising sharply.

However, the Group remains cautious in the light of the current macro-economic situation and uncertainties in the real estate market, the Directors consider that the recent increase in the sales volume in some cities' real estate markets does not mark the end of market correction. Further observation is needed to judge when the market will bottom-out. In our opinion, development of zero-defect products and provision of superb services are the most effective way to cope with market fluctuations.

(II) Business planning

In its drive for product innovation and high standard of service quality, the Company launched the "Carving Mission" to overcome adversities at the end of 2008. The mission includes mainly:

1. adopting a brand new "Central China standards" as a uniform framework for delivering zero-defect projects; and
2. improving services by providing unified service standards, distinguished profile, customised modes, standardised procedures and diversified community activities.

In 2009, the Company aims to strengthen its introspection and urgency consciousness, and summon all personnel to take initiatives to continuously improve its products and services to further consolidate the Group's leading position in the market as well as expanding market share.

It is expected that the Group will commence development of 23 projects/phases with GFA of 977,729 sq.m. in 2009.

Geographical breakdown of newly commenced projects for 2009

Location	Total GFA (sq.m.)	Proportion (%)
Zhengzhou	235,521	24%
Other cities in Henan Province	742,208	76%
Total	977,729	100%

Completion and delivery plan

It is expected that the development of 18 projects/phases will be completed in 2009, with an aggregate completed GFA of 1,002,521 sq.m. At present, the schedules of projects are carried out in an orderly manner, particulars of which are as follows:

Expected completion of developments in 2009

No.	Project	Phase	Expected GFA completed in 2009 (sq.m.)	Expected saleable area completed in 2009 (sq.m.)	Expected completion time in 2009
1	Champagne Garden (Zhengzhou)		85,329	73,719	March, December
2	Forest Peninsula (Shangjie)	Phase I	50,237	50,133	March
3	Forest Peninsula (Xinyang)	Phase II	66,505	64,219	March
4	Jianye Sweet-Scented Osmanthus Garden (Shangqiu)	Phase III	40,132	40,132	March
5	Forest Peninsula (Sanmenxia)		117,375	105,713	March, June
6	Forest Peninsula (Zhengzhou)	Phase IV	37,941	37,941	March
7	Forest Peninsula (Jiaozuo)	Phase III	9,445	2,397	June

No.	Project	Phase	Expected GFA completed in 2009 (sq.m.)	Expected saleable area completed in 2009 (sq.m.)	Expected completion time in 2009
8	Forest Peninsula (Xinxiang)	Phase I	19,019	19,019	September
9	Forest Peninsula (Zhumadian)	Phase V	38,686	38,686	October
10	Gentlest Lake (Luoyang)	Phase II	82,404	82,334	December
11	One City (Luoyang)		46,100	46,100	December
12	Huayang Square (Luoyang) Project	Phase I	132,602	132,602	December
13	One City (Zhengzhou)		42,172	42,172	December
14	Forest Peninsula (Luohe)	Phase III	47,335	47,335	December
15	Forest Peninsula (Zhoukou)	Phase I	30,000	30,000	December
16	Yanming Lake (Zhengzhou)	Phase I	12,000	12,000	December
17	Forest Peninsula (Kaifeng)	Phase I	66,468	66,468	December
18	Forest Peninsula (Kaifeng)	Phase II	78,771	71,567	December
Total			<u>1,002,521</u>	<u>962,537</u>	

Major projects under development/for future development

No	Project	Location	Type	Expected year of completion	Attributable Interest	Site area (sq.m)	GFA (sq.m)
1	Landmark (Zhengzhou)	Intersection of Zhengbian Road and Zhongzhou Avenue, Zhengzhou, Henan Province	Residential, Retail, Furnished Apartment, Office, Hotel	2010	100%	42,642	266,997
2	One City (Zhengzhou)	East of Nanyang Road and West of Fengle Road, Zhengzhou, Henan Province	Residential, Retail	2009	100%	42,450	42,172
3	Phases II, III and IV of Gentlest Lake (Luoyang)	North of Nanyuan Yi Road, Luonan New District, Luoyang, Henan Province	Residential, Retail	2012	100%	119,158	413,804
4	Phases I-V of Luohe Songshan Road Project	West of Songshan Road and East of Qishan Road, Luohe, Henan Province	Residential, Retail	2013	75%	224,516	596,500
5	Zhongmou St. Andrews Project	Yanming Lake, Zhongmou County, Henan Province	Residential, Retail	2013	60%	836,000	850,000

FINANCIAL REVIEW

During the year, the property development business of the Company maintained sustainable and rapid growth which translated into significant movements in the financial information as follows:

Turnover: In 2008, the Group's turnover was RMB3,227 million (including RMB3,001 million from sale of commodity properties), representing an increase of RMB1,405 million, or approximately 77.1% as compared to RMB1,822 million in 2007, mainly due to

- (1) a 46.0% increase in total GFA sold, from 495,069 sq.m. in 2007 to 722,930 sq.m. in 2008;
- (2) a 23.6% increase in average selling price from RMB3,359 per sq.m. in 2007 to RMB4,151 per sq.m. in 2008.

Cost of sales: The Group's cost of sales increased by RMB681 million, or 52.1%, from RMB1,308 million in 2007 to RMB1,989 million in 2008. This increase was primarily due to the increase in total GFA of properties sold. Cost of sales mainly includes land cost, construction cost and capitalised interest. The Group will continue to carefully control land and construction costs to ensure sustainable growth in gross profit margins.

Gross profit margin: Gross profit margin increased significantly from 28.2% in 2007 to 38.4% in 2008, principally attributable to the increase in the proportion of commercial properties sold (from 8% in 2007 to 28% in 2008), which enjoyed higher profit margin.

Other revenue: Other revenue from operations increased by RMB8 million from RMB23 million in 2007 to RMB31 million in 2008, mainly attributable to higher interest income from bank deposits arising from higher bank balances.

Other net income: Other net income increased from RMB1 million in 2007 to RMB19 million in 2008, primarily as a result of a RMB20 million exchange gain arising from bank loans denominated in foreign currency.

Selling and marketing expenses: Selling and marketing expenses increased from RMB87 million in 2007 to RMB97 million in 2008, an increase of RMB10 million. Compared with sales revenue, the marketing expenses decreased significantly, mainly due to strict control on marketing expenses as a result of current market condition.

General and administrative expenses: General and administrative expenses increased from RMB95 million in 2007 to RMB153 million in 2008, an increase of RMB58 million or 61.1%, due mainly to the increase in salary of staff and training cost as a result of the expansion of operations.

Other operating expenses: Other operating expenses increased from RMB12 million in 2007 to RMB20 million in 2008, due mainly to RMB2 million increase in donation and RMB6 million increase in compensation paid for cancellation of a rental agreement in order to subsequently sell the relevant property.

Share of loss of a jointly controlled entity: The Company's share of loss of a jointly controlled entity declined by 100% as Henan Zhongyuan Central China Real Estate Development Company Limited, in which the Company held a 50% equity interest in 2007, became a wholly owned subsidiary of the Group in December 2007.

Share of loss of an associate: In 2008 and 2007, the Group accounted for its share of loss amounting to RMB3 million and RMB2 million respectively on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited, representing operating expenses incurred by that company in its early stages before revenue was generated.

Finance costs: Finance costs increased by RMB4 million, from RMB49 million in 2007 to RMB53 million in 2008, due mainly to a decrease in the capitalisation of our borrowing costs, offset partially by a RMB11 million decrease in gross borrowing costs as a result of lower interest payments following a decrease in interest rates. Our total borrowing costs capitalised in 2008 were RMB63 million, down from RMB78 million in 2007.

Change in fair value of investment properties: The fair value of the Group's investment properties decreased by RMB1 million in 2008, while it increased RMB14 million in 2007, reflecting current market conditions. Market value of the Group's investment properties remained basically stable.

Income tax: Income tax includes CIT, LAT and withholding tax on dividend declared by the PRC foreign investment enterprise. The Group's income tax increased by RMB169 million, or 125.2%, from RMB135 million in 2007 to RMB304 million in 2008, while the effective tax rate decreased from 44.2% in 2007 to 31.7% in 2008. The income tax rose as a result of the increase in revenue as more GFA was sold in 2008 as compared to 2007. The effective tax rate declined because the Company's profitable subsidiaries used the authorised taxation method (which use revenue rather than assessable profit to calculate a company's tax). As our gross profit margin increased in 2008, the effective tax rate declined under the authorised taxation method. The decrease in corporate income tax rate from 33% to 25% in 2008 also resulted in the decrease in the effective tax rate.

Profit for the year: The profit attributable to the equity shareholders of the Company increased by 296% to RMB653 million as compared to RMB165 million in 2007, mainly attributable to more GFA sold, higher average selling price and higher gross profit margin for 2008.

Financial resources and utilisation: As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB928 million (31 December 2007: RMB400 million). During the year, a dividend of RMB152 million was declared by subsidiaries of the Company to their then shareholders prior to the Reorganisation (as defined below) and IPO of the Company which raised proceeds of approximately RMB1,121 million, net of listing expenses.

Structure of Borrowings and Deposits

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a high cash-on-hand ratio and also a reasonable level of gearing. As at 31 December 2008, the Group's bank and other loans were RMB933 million and RMB161 million respectively and the repayment schedule was as follows:

Repayment schedule	2008 (RMB'000)	2007 (RMB'000)
Bank loans		
Within one year	488,790	1,001,273
More than one year, but not exceeding two years	424,417	248,000
More than two years, but not exceeding five years	20,000	—
	<u>933,207</u>	<u>1,249,273</u>
Other loans		
Within one year	123,950	—
More than one year, but not exceeding two years	36,790	109,130
More than two years, but not exceeding five years	—	27,300
	<u>160,740</u>	<u>136,430</u>
Total borrowings	1,093,947	1,385,703
Deduct:		
Cash and cash equivalents	(927,721)	(399,602)
Restricted bank deposits secured against bank loans	(100,000)	(190,000)
Net borrowings	66,226	796,101
Shareholders' equity	2,940,132	1,330,287
Net gearing ratio (%)	2.3%	59.8%

Pledge of assets: As at 31 December 2008, the Group had pledged certain properties held for future development and under development for sale and bank deposits with an aggregate carrying amount of approximately RMB839 million to secure general bank credit facilities granted to the Group.

Financial guarantees: As at 31 December 2008, the Group provided guarantees of approximately RMB1,690 million to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

Capital commitment: As at 31 December 2008, the Group has contractual commitments in respect of property development activities and investment in subsidiaries amounting to RMB1,695 million and the Group had authorised, but not yet contracted for, a further RMB7,956 million in expenditure in respect of property development.

Foreign Exchange Risk: As the sales, purchase and bank borrowings of the Group in 2008 were made mainly in Renminbi, the foreign exchange risk exposure of the Group was relatively insignificant. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2008.

Interest rate risks: The interest rates for a portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Human resources and remuneration policy: As at 31 December 2008, the Group employed 1,093 staff (31 December 2007: 918 staff). During 2008, the staff cost of the Group was approximately RMB101 million (2007: RMB64 million), representing an increase of 57.8%.

Staff cost includes basic salary, share-based payment and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Employees are engaged according to employment contracts. Annual performance appraisals are conducted for its employees, the results of which are applied in annual salary review and promotion assessment. Employees are granted annual bonus according to certain performance conditions and appraisal results. Commission is paid only to the Group's sales staff. The Group reviews the staff remuneration package for its staff annually. Besides, the Group also benchmarks its remuneration packages against similar positions of its peers in order to maintain competitiveness in the human resources market.

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain high standards of corporate governance. It is the belief of the Board that effective corporate governance and disclosure practices are not only crucial in enhancing the Company's accountability and transparency and thus investor confidence but also important to the Group's long-term success. Since the shares of the Company were listed on the Stock Exchange on 6 June 2008 (the "Listing Date"), the Group has been in full compliance with the code provisions in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. The Group is committed to continuously improve its corporate governance and disclosure practices and ensure its businesses are conducted in accordance with all applicable laws, rules and regulations.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code during the period from the Listing Date to 31 December 2008.

BOARD OF DIRECTORS

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the Chairman of the Board, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive directors and management of the Group.

NOMINATION OF DIRECTORS

The Board adopted certain criteria and procedures in the nomination of new Directors. The major criteria include the candidates' professional background, especially their experience in the Group's industry, recommendation from the management team and other knowledgeable individuals. The Directors will shortlist the candidates and submit to the Board for discussion and final approval.

COMPOSITION

The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office since the Listing Date and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum (*Chairman*)
 Mr. Wang Tianye (*Chief Executive Officer*)
 Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan (*Vice-chairman*)
 Mr. Leow Juan Thong Jason
 Ms. Wallis Wu (*alias Li Hua*)

Independent Non-executive Directors

Mr. Cheung Shek Lun
 Mr. Fang Finglei
 Mr. Wang Shi

Ms. Wallis Wu is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the current Directors of the Company are set out on pages 31 to 34 of this report.

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director of the Board. The Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years. Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. A retiring Director shall be eligible for re-election and shall continue to act as Director throughout the meeting at which he or she retires.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advice. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the shareholders of the Company (the “Shareholders”) and the Group. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group’s business and will be provided with further documents and information upon request to enable them to make informed decisions.

BOARD MEETINGS

The Board will hold meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. During the period between the Listing Date and 31 December 2008, the Board held 1 regular and 1 ad hoc meeting.

The number of Board meetings attended by each Director from the Listing Date to 31 December 2008 is set out in the following table:

Directors	Attendance/No. of meetings held
Mr. Wu Po Sum	2/2
Mr. Wang Tianye	2/2
Ms. Yan Yingchun	2/2
Mr. Lim Ming Yan	2/2
Mr. Leow Juan Thong Jason	2/2
Ms. Wallis Wu	1/2
Mr. Cheung Shek Lun	2/2
Mr. Fang Fenglei	1/2
Mr. Wang Shi	1/2

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company’s expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group’s businesses.

Should a Directors have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such issues.

The draft minutes of the Board meetings are prepared by the company secretary and circulated to all Directors for comment within a reasonable time. The approved minutes of the Board meetings were kept by the company secretary and are available for inspection by all Directors upon request.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman (the “Chairman”) of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wu Po Sum and Mr. Wang Tianye respectively with clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Wang Tianye, being the Chief Executive Officer, is responsible for the daily operations of the Group, implementation of business policies, objectives and plans as formulated and adopted by the Board and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility to present a balanced, clear and understandable assessment of the Group’s performance, position and prospects in the consolidated financial statements of the annual and interim reports. Where the Directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company’s ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in the annual report.

In preparing the financial statements for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of four months and three months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

INTERNAL CONTROL

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and Shareholders' interests, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organizational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The Board conducted a review and assessment of the effectiveness of the Group's internal control system and procedures for the year ended 31 December 2008 by way of discussions with the management of the Group, members of the audit committee (the "Audit Committee") and external auditors. The Board believes that the existing internal control system is adequate and effective. The Board's annual review for the year ending 31 December 2009 will further cover the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget pursuant to the new code provision C2.2 in the Code which came into effect on 1 January 2009.

BOARD COMMITTEES

The Board has established two board committees, namely the Audit Committee and the remuneration committee (the "Remuneration Committee") to oversee the relevant aspects of the Company's affairs. The two committees are provided with sufficient resources to discharge their duties.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Fang Fenglei and Mr. Leow Juan Thong Jason. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external auditors and to consider the remuneration and terms of such appointments;

- To review and monitor the external auditors' independence and effectiveness of the audit process in accordance with applicable standards;
- To review the Group's financial controls and internal control and risk management systems;
- To review the Group's financial and accounting policies and practices;
- To ensure that the management has fulfilled its duty to maintain an effective internal control system;
- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and
- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee shall meet not less than twice a year. Between the Listing Date and 31 December 2008, the Audit Committee held one meeting which was attended by all committee members except Mr. Fang Fenglei. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and the interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management systems. The Audit Committee reported to the Board that there was no material uncertainty that cast doubt on the Group's going concern ability.

For the year ended 31 December 2008, the external auditors' remuneration in respect of audit services provided to the Group amounted to approximately RMB3.4 million.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Code. The Remuneration Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Remuneration Committee), and two independent non-executive Directors, Mr. Cheung Shek Lun and Mr. Fang Fenglei.

The primarily duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of each executive Directors and member of senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme adopted by the Company pursuant to the written resolutions passed by the Shareholders on 14 May 2008.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. All the Directors' remuneration will be reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee shall meet not less than once a year. Between the Listing Date and 31 December 2008, the Remuneration Committee held one meeting which was attended by all committee members except Mr. Fang Fenglei. The Remuneration Committee considers that it is not necessary to review the remuneration policy of the directors and senior management in the first year of listing.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website at <http://www.centralchina.com>.

The Company's annual general meetings allow the directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. External auditor is also present at the annual general meetings to address the Shareholders' queries. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. Notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures and other information. The detailed procedures for conducting a poll are explained by the Chairman presiding of the annual general meetings at the beginning of the meetings. Voting results are posted on the websites of the Company and of the Stock Exchange.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Wu Po Sum (胡葆森) (formerly known as Hua Jianming (滑建明)), aged 58, is the Chairman of the Board and a founder of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies and making decisions on investment projects and development directions of the Group. Mr. Wu graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wallis Wu, a non-executive Director of the Company.

Mr. Wu has over 16 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch (中國紡織品進出口公司河南分公司) in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited (中原國際經濟貿易公司) (“CCIET”). From 1986 to 1988, he worked as the president and the general manager in Guoguang Industrial Company Limited (國光實業有限公司), a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited (中原國際(集團)有限公司) and Central China Overseas Development Company Limited (中原海外發展總公司), respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the 「建業」 (jian ye) brand name.

Mr. Wu devotes himself not only to the development of the Group’s business, but also to public services and promoting the PRC real estate industry, details of which are set out in the section headed “Directors, senior management and employees” on page 225 of the Prospectus.

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed “Directors’ and chief executives’ interests in shares, underlying shares or debentures” under Directors’ report in this annual report.

Wang Tianye (王天也), aged 50, is the chief executive officer of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wang is responsible for the formulation of development strategies and the overall business management of the Group. Mr. Wang obtained a Diploma in International Finance from People’s University of China in 1985 and a Master of Applied Finance degree from Macquarie University in Australia in 1996, and completed the Global CEO Program for China in China Europe International Business School in June 2007. Mr. Wang joined the Group in November 2004, and has served as a director and the general manager of Construction Housing Group Company Limited (建業住宅集團有限公司) (the former holding company of the Group). Mr. Wang held an office in Bank of China from 1980 to 1996. Mr. Wang has over 20 years of experience in finance and investment and around 10 years of experience in the real estate industry. He worked as a deputy general manager in Bank of China Sydney Branch from 1993 to 1996, and was a senior associate in the Australian Institute of Banking and Finance. From 1998 to 2004, he was the general manager of an investment company established by Guangdong Development Bank in Hong Kong.

Mr. Wang was an independent non-executive director in three companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), namely, National Investments Fund Limited (stock code: 1227, September 2002-July 2004), Temujin International Investments Limited (stock code: 204, September 2003-January 2007) and S&D International Development Group Limited (stock code: 8148, November 2003-March 2007).

Mr. Wang has an interest in the shares of the Company, details of which are set out in the section headed “Directors’ and chief executives’ interests in shares, underlying shares or debentures” under Directors’ report in this annual report.

Yan Yingchun (閻穎春), aged 49, is the head of the Board’s office, and she is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. Ms. Yan obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000 and has over 20 years of experience in financial management. Before joining the Group in February 1992, Ms. Yan worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited (鄭州市五金交電公司) as the deputy manager from 1985 to 1988. From 1988 to 1991, she served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited (中原海外發展總公司). Ms. Yan has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of CCRE China since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed “Directors’ and chief executives’ interests in shares, underlying shares or debentures” under Director’s report in this annual report.

NON-EXECUTIVE DIRECTORS

Lim Ming Yan (林明彥), aged 46, is the vice-chairman of the Board and a non-executive Director of the Company, and he is also a director of a number of subsidiaries of the Company. Mr. Lim obtained a Bachelor of Science degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985. Mr. Lim has over 10 years of experience in real estate development and investment. Mr. Lim is the chief executive officer of CapitaLand China Holdings Pte Ltd. (凱德置地中國控股私人有限公司*) (“CapitaLand China”) and CapitaLand Financial Limited (China Development), and is responsible for real estate development and related financial services of CapitaLand Limited (“CapitaLand”) in the PRC. Prior to this, Mr Lim was the Chief Corporate and Investment Officer of Somerset Group (盛捷集團) which merged with The Ascott in the year 2000 to form The Ascott Group. Mr. Lim joined Pidemco Land (百騰置地有限公司) in 1996 as the Vice President (Singapore Investments) where he was responsible for the company’s investments in commercial and industrial projects. In 2000, Pidemco Land and DBS Land merged to form CapitaLand.

Due to his significant contribution to the city of Shanghai, Mr. Lim was twice conferred the “Magnolia Award” by the Shanghai Municipal Government in 2003 and 2005. He is also the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the Outstanding Chief Executive (Overseas) of the Year 2006 of the Singapore Business Awards. Mr. Lim has been a non-executive director in Lai Fung Holdings Limited, a company listed on the Main Board, since 21 June 2006. Mr. Lim was appointed as a non-executive director of the Company in November 2007.

Mr. Lim has an interest in the shares of the Company, details of which are set out in the section headed “Directors’ and chief executives’ interests in shares, underlying shares or debentures” under Directors’ report in this annual report.

Leow Juan Thong Jason (廖葺桐), aged 42, is a non-executive Director, and he is also a director of a number of subsidiaries of the Company. Mr. Leow is currently the deputy chief executive officer of CapitaLand China. Mr. Leow became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 14 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow was a financial analyst at ST Aerospace Ltd and spent over three years at DBS Finance Ltd from 1988 to 1992. He worked in The Ascott Group from 1994 to September 2001, participating in investment and development. Mr. Leow was appointed as a non-executive director of the Company in November 2007.

Mr. Leow has an interest in the shares of the Company, details of which are set out in the section headed “Directors’ and chief executives’ interests in shares, underlying shares or debentures” under Directors’ report in this annual report.

Wallis Wu, alias Li Hua, (李禛), aged 27, is a non-executive director of the Company, and she is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd. in Sydney Australia in 2005. Ms Wu was appointed as a non-executive Director in November 2007. Ms. Wu is the daughter of Mr. Wu Po Sum, the chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun (張石麟), aged 48, is an independent non-executive director of the Company. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. He worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president - accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007 and vice-chairman of InsiteAsset Management Group Ltd. since September 2008. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Chartered Institute of Secretaries and Administrators UK and a member of the Hong Kong Institute of Company Secretaries. Mr. Cheung was appointed as an independent non-executive director of the Company in January 2008.

Fang Fenglei (方風雷), aged 57, is an independent non-executive director of the Company. Mr. Fang obtained a bachelor degree in Arts in Chinese Linguistic Literature from Sun Yat-Sen University in 1982, and attended an Advanced Management Program in the Harvard Business School in 2001. He previously worked in the Ministry of Foreign Trade and Economics and the Bureau of Foreign Trade in Henan Province (河南省對外經濟貿易委員會). He was the assistant general manager of Central China International Group (中國中原國際集團公司) and the vice chairman of China International Capital Corporation Limited (中國國際金融有限公司). He also served as the vice chairman of Silvertie Holding Co. Ltd. (銀泰控股有限公司) and the chief executive officer of Bank of China International Holdings Limited (中銀國際控股有限公司) and the chief executive officer of Industrial and Commercial East Asia Finance Holdings Limited (工商東亞金融控股有限公司). Currently, he is the chairman of Beijing Gao Hua Securities Company Limited and Goldman Sachs Gao Hua Securities Company Limited. Mr. Fang was appointed as an independent non-executive director of the Company in January 2008.

Wang Shi (王石), aged 58, is an independent non-executive director of the Company. Mr. Wang obtained a bachelor degree in Water Supply Studies from Lanzhou Transportation University (蘭州交通大學) in 1977. Mr. Wang has almost 20 years of experience in real estate development. He worked in the Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang was appointed as an independent non-executive director of Sohu.com Inc., a company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) since May 2005 and has also served as an independent non-executive director of China Restheces Land Limited, a company listed on the Stock Exchange, since April 1997. Mr. Wang was appointed as an independent non-executive director of the Company in January 2008.

SENIOR MANAGEMENT

Min Huidong (閔慧東), alias Min Min (閔閔), aged 45, is the chief operation officer of the Group and CCRE China, and she is also a director and member of senior management in a number of subsidiaries of the Company. Ms. Min is responsible for the day-to-day management of the Group. Ms. Min completed the Global CEO Program for China in China Europe International Business School in June 2006. Ms. Min has over 10 years of experience in the real estate industry. Ms. Min has been the human resources manager and the assistant to the president of CCRE China, the general manager of enterprise development research center, the general manager of Nanyang Central China Real Estate Company Limited, the general manager of western Henan region of CCRE China and the vice-president of CCRE China since joining the Group in April 1997. Before joining the Group, from 1992 to 1994, Ms. Min worked as an editor of the college newspaper of Hebei Institute of Coal and Architecture and Civil Engineering (河北煤炭建築工程學院院報). In 1994, she joined the public relations department of Beijing Honggao Group Company Limited (北京鴻高集團). From 1995 to 1996, Ms. Min served as a deputy general manager in Guangzhou Yihua (Group) Media Company Limited (廣州怡華集團傳媒公司). In 1996, she joined Zhengzhou International Hotel Yashi Company (鄭州國際飯店雅士公司) and served as a deputy general manager. She was recognized as one of the “Top Ten Figures of the Time in the Nanyang Real Estate Industry” in 2003 jointly awarded by Nanyang Daily, Nanyang News Net, Nanyang Bureau of Urban Planning and Nanyang Bureau of Housing Management. In 2006, she was awarded as one of the “Annual Pioneers in Central China” at the 2006 CCTV Annual Employers Survey & 2006 Henan Pioneers Top List organized by CCTV. Currently, Ms. Min is the vice-president of the Chamber of Housing Industry of Henan Province, a member of the 11th Committee of the Youth Federation of Zhengzhou City, and a deputy director of the Real Estate Development Professional Committee of the Housing and Real Estate Industry Association of Zhengzhou City, Henan Province.

Tang Man Joe (鄧文祖), aged 36, is the financial controller, qualified accountant and the company secretary of the Company. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Tang obtained a bachelor degree in Business Administration from the University of Wisconsin-Madison. Mr. Tang has over 10 years of experience in finance and accounting. Prior to joining the Group in June 2007, he worked in Deloitte Touche Tohmatsu from August 1997 to July 2002 and in South China Finance and Management Limited from July 2002 to November 2004. He was also the chief financial officer and company secretary of China Hongxing Sports Limited, a company listed on the Singapore Exchange Securities Trading Limited, from December 2004 to May 2007.

* For identification purposes only

DIRECTORS' REPORT

The Directors present their first report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2008.

REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation (the "Reorganisation") as disclosed in the Prospectus, to rationalise structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 14 May 2008. The basis of preparation of the audited financial statements are set out in Note 2 to the financial statements.

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development. The nature of the principal activity has not changed during the year.

SEGMENT INFORMATION

Over 90% of the Group's consolidated sales and contribution to the results are derived from the PRC and mainly from the business of property development for the year ended 31 December 2008 and are set out in Note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and its consolidated balance sheet as at 31 December 2008, together with the balance sheet of the Company as at 31 December 2008, are set out in the financial statements on pages 55 to 142.

The Board recommended a final dividend of HK\$11 cents per ordinary share for the year ended 31 December 2008.

FOUR YEAR FINANCIAL SUMMARY

A summary of the consolidated financial results and consolidated assets, liabilities and equity of the Group, is set out on pages 143 to 144. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in note 12 to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net decrease in fair value of RMB1,400,000 which has been charged directly to the consolidated income statement.

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, purchases attributable to the Group's largest supplier, excluding purchases of land, amounted to approximately 11.2% of the Group's total purchases. For the year ended 31 December 2008, the percentage of turnover attributable to the Group's largest customer amounted to approximately 8.7% of the Group's total turnover.

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

Save as disclosed in note 32(a) to the consolidated financial statements, none of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company in office at the date of this report are:

EXECUTIVE DIRECTORS

Mr. Wu Po Sum (*Chairman*)
Mr. Wang Tianye (*Chief Executive Officer*)
Ms. Yan Yingchun

NON-EXECUTIVE DIRECTORS

Mr. Lim Ming Yan (*Vice Chairman*)
Mr. Leow Juan Thong Jason
Ms Wallis Wu (*alias Li Hua*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Shek Lun
Mr. Fang Finglei
Mr. Wang Shi

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum, Mr. Wang Tianye and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason and Ms. Wallis Wu has entered into a service contract with the Company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Cheung Shek Lun, Mr. Fang Finglei and Mr. Wang Shi has signed a letter of appointment dated 16 May 2008 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2008.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 32 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party existed at the end of the year or at any time during the year under review.

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

As at 31 December 2008, save as disclosed below, none of the Directors or chief executives of the Company had registered any interest or short position in the shares (the "Shares"), underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital
Mr. Wu Po Sum	Interest in a controlled corporation	944,246,820 (Note 1)	47.21%
	Beneficial owner	6,350,000 (Note 3)	0.32%
Mr. Wang Tianye	Interest in a controlled corporation	13,647,555 (Note 2)	0.68%
	Beneficial owner	2,500,000 (Note 3)	0.13%
Mr. Lim Ming Yan	Beneficial owner	2,500,000 (Note 3)	0.13%
Mr. Leow Juan Thong Jason	Beneficial owner	1,500,000 (Note 3)	0.08%
Ms. Yan Yingchun	Beneficial owner	1,500,000 (Note 3)	0.08%

Notes:

1. The 944,246,820 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited (恩輝投資有限公司) ("Joy Bright"). Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 944,246,820 Shares by virtue of the SFO.
2. The 13,647,555 Shares were registered in the name and were beneficially owned by Super Joy International Limited (卓愉國際有限公司) ("Super Joy"). Mr. Wang Tianye has a controlling interest in Super Joy and is therefore deemed to be interested in the 13,647,555 Shares by virtue of the SFO.
3. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below), the details of which are disclosed on pages 44 to 45 of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2008, save as disclosed below, none of any persons (except for the directors or chief executives of the Company) had registered any interest or short position in the shares, underlying shares representing 5% or more of the nominal value of Shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital (Note 1)
Joy Bright (Note 2)	Beneficial owner	944,246,820	47.2%
Mr. Wu Po Sum (Note 2)	Interest in a controlled corporation	944,246,820	47.2%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)") (Note 3)	Beneficial owner	542,105,625	27.1%

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital (Note 1)
CapitaLand China Holdings Pte Ltd ("CapitaLand China") (Note 3)	Interest in a controlled corporation	542,105,625	27.1%
CapitaLand Residential Limited ("CapitaLand Residential") (Note 3)	Interest in a controlled corporation	542,105,625	27.1%
CapitaLand Limited ("CapitaLand") (Note 3)	Interest in a controlled corporation	542,105,625	27.1%
Temasek Holdings (Private) Limited (Note 3)	Interest in a controlled corporation	542,105,625	27.1%

Notes:

1. The percentage shareholdings are based on a total of 2,000,000,000 Shares in issue.
2. Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and is deemed to be interested in the 944,246,820 Shares held by Joy Bright for the purposes of the SFO.
3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings (Private) Limited has an interest in approximately 41.3% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in all the Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

MR. WU PO SUM & JOY BRIGHT INVESTMENTS LIMITED (“JOY BRIGHT”)

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling shareholder of the Company) and Joy Bright (the controlling shareholder of the Company which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the “Non-competition Undertaking A”) in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or it will not and will procure his or its associates not to engage, directly or indirectly, whether as a shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;
2. in the event that he/it or any of his/its associates is given/identifies any opportunities to engage in a business that is in competition with that of the Group, he/it will and will procure that his/its associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/it in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/it will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/it or his/its associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 3 March 2009 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) during the period from the date of the Non-competition Undertaking A to 31 December 2008 (the “Relevant Period”), neither of Mr. Wu Po Sum and Joy Bright was given or identified any opportunities to engage in a business that is in competition with that of the Group.

CAPITALAND LF (CAYMAN) HOLDINGS CO., LTD (“CAPITALAND (CAYMAN)”) & CAPITALAND CHINA HOLDINGS PTE LTD (“CAPITALAND CHINA”)

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial shareholder of the Company) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the “Non-competition Undertaking B”) in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan (河南), Hubei (湖北), Hunan (湖南), Shanxi (山西), Anhui (安徽) and Shaanxi (陝西) (the “Provinces”), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organization, business firm, joint venture, trust, unincorporated organization or any other entity or organization, or any governmental authority (the “Person(s)”), carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);
2. in the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand China agrees to notify the Company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand China the Company’s intention to participate in the relevant project, CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 6 March 2009 provided by CapitaLand China and CapitaLand (Cayman) respectively, each of them confirms that (i) all the relevant terms of the Non-competition Undertaking B have been fully complied with in all material respects; and (ii) during the Relevant Period, CapitaLand China did not identify nor was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group. (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand China)

SHARE OPTION SCHEMES

Two share option schemes were adopted by the Company on 14 May 2008 namely, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme").

A. PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal interest in the Company and to motivate the participants to optimise their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The Board had granted options (the "Pre-IPO Share Options") under the Pre-IPO Share Option Scheme to certain Directors, employees and consultants of the Group to subscribe for an aggregate of 32,000,000 Shares of HK\$0.1 each of the Company, representing approximately 1.575% of the enlarged total issued share capital of the Company as of 31 December 2008 assuming the full exercise of the Pre-IPO Share Options.

A consideration of HK\$1.00 (or its equivalent in RMB or any other currency acceptable to our Company) was paid by each of the grantees for the grant of the Pre-IPO Share Options. The subscription price of the Shares upon exercise of the Pre-IPO Share Options shall be HK\$2.75. In relation to each grantee of the Pre-IPO Share Options, no Pre-IPO Share Option is exercisable within the first year from the Listing Date, not more than 20% of his or her entitlements pursuant to the Pre-IPO Share Options is exercisable within the second year from the Listing Date and not more than 40% is exercisable in each of the third and fourth year from the Listing Date.

The Pre-IPO Share Option Scheme was terminated on the date immediately preceding the date of the Prospectus, that is, 25 May 2008. The Pre-IPO Options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

Movement of the Pre-IPO Share Options during the period from 1 January 2008 to 31 December 2008 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	Number of Shares under the Pre-IPO Share Option Scheme				Outstanding as at 31 December 2008
			As at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Directors</i>							
Mr. Wu Po Sum	14 May 2008	HK\$2.75	—	6,350,000	—	—	6,350,000
Mr. Wang Tianye	14 May 2008	HK\$2.75	—	2,500,000	—	—	2,500,000
Mr. Lim Ming Yan	14 May 2008	HK\$2.75	—	2,500,000	—	—	2,500,000
Mr. Leow Juan							
Thong Jason	14 May 2008	HK\$2.75	—	1,500,000	—	—	1,500,000
Ms. Yan Yingchun	14 May 2008	HK\$2.75	—	1,500,000	—	—	1,500,000
			—	14,350,000	—	—	14,350,000
Senior Management, other employees and consultants of the Group	14 May 2008	HK\$2.75	—	17,650,000	—	600,000	17,050,000
			—	32,000,000	—	600,000	31,400,000

B. SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme of the Company, up to a maximum of 10% of the Shares in issue as of the Listing Date, unless the Company obtains a fresh approval from the Shareholders to refresh the said limit or the Shareholders specifically approve the grant. The total number of Shares issued or to be issued upon exercise of the options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK\$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of options to a participant who is a Director, chief executives, or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the options.

The exercise periods of the options may be specified by the Company at the time of the grant, and the options shall expire no later than 10 years from the relevant date of the grant.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

During the year ended 31 December 2008, no option was granted, cancelled or lapsed under the Share Option Scheme.

The Share Option Scheme will expire on 13 May 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2008, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands.

CONNECTED TRANSACTIONS

(A) Pursuant to Chapter 14A of the Listing Rules, each of the following transactions constituted a one-off connected transaction exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements and required disclosure in the annual report of the Company.

1. Acquisition of 40% equity interest in Kaifeng Central China Forest Peninsula Real Estate Company Limited* (開封建業森林半島置業有限公司) (“CCRE Forest Peninsula”)

On 18 September 2008, Kaifeng Central China Dahong Real Estate Company Limited* (開封建業大宏住宅建設有限責任公司) (“CCRE Dahong”), a 60% indirect owned subsidiary of the Company, entered into an equity acquisition agreement with Kaifeng Dahong Real Estate Development Company Limited* (開封市大宏房地產開發有限公司) (“Kaifeng Dahong”), pursuant to which, amongst others, Kaifeng Dahong agreed to transfer its 40% equity interest in CCRE Forest Peninsula to CCRE Dahong at a consideration of RMB4 million (equivalent to approximately HK\$4,558,924). This transaction was completed on 28 September 2008.

Kaifeng Dahong was a connected person of the Company as it was a substantial shareholder (at the subsidiary level) of the Company.

Further details of this transaction were set out in the announcement issued by the Company on 18 September 2008.

2. Acquisition of 60% equity interest in CCRE Forest Peninsula

On 18 September 2008, Central China Real Estate Group (China) Company Limited* (建業住宅集團(中國)有限公司) (“CCRE China”), an indirect a wholly owned subsidiary of the Company, entered into an equity acquisition agreement with CCRE Dahong, pursuant to which, amongst others, CCRE China agreed to transfer its 60% equity interest in CCRE Forest Peninsula to CCRE Dahong at a consideration of RMB6 million (equivalent to approximately HK\$6,838,386). This transaction was completed on 28 September 2008.

CCRE Dahong was a connected person of the Company as it was an associate of Kaifeng Dahong which was a connected person of the Company.

Further details of this transaction were set out in the announcement issued by the Company on 18 September 2008.

3. Acquisition (the “Changjian Acquisition”) of 24% equity interest in Luohe Central China Changjian Real Estate Company Limited* (漯河建業昌建置業有限公司) (“CCRE Changjian”)

On 22 December 2008, Luohe Central China Real Estate Company Limited* (漯河建業住宅建設有限公司) (“CCRE Luohe”), an indirect wholly owned subsidiary of the Company, entered into a share purchase agreement (the “SPA”) with Luohe Changjian Real Estate Company Limited* (漯河昌建地產有限公司) (“Luohe Changjian”), pursuant to which, amongst others, Luohe Changjian agreed to transfer its 24% equity interest in CCRE Changjian to CCRE Luohe at a consideration of RMB21.0 million (equivalent to approximately HK\$23.8 million) (the “Changjian Acquisition”).

The consideration of this transaction was settled in accordance with the following steps:

- (i) upon the execution of the SPA, the initial installment of the consideration of this transaction was settled by conversion of approximately RMB15.1 million deposit paid by CCRE Luohe to Luohe Changjian prior to the signing of the SPA; and
- (ii) the remaining balance of the consideration in the amount of approximately RMB5.9 million was fully settled on 30 December 2008.

As security for its performance under the SPA, Luohe Changjian agreed to pledge (the “Pledge”) to CCRE Luohe (i) 17.255% equity interest in CCRE Changjian upon the execution of the SPA and (ii) 6.745% equity interest in CCRE Changjian on the date of CCRE Luohe’s payment of the remaining RMB5.9 million to Luohe Changjian. The Pledge shall be released on the date on which all the filings and registrations with the relevant PRC authorities in relation to the Changjian Acquisition are completed.

Luohe Changjian was regarded as a connected person of the Company as it was a substantial shareholder (at the subsidiary level) of the Company.

Further details of this transaction were set out in the announcement issued by the Company on 24 December 2008.

- (B) Connected Transaction entered into by the Group prior to the Listing

Disposal of certain retail units and car parking spaces in the Landmark (Zhengzhou) project

On 1 May 2008, CCRE China entered into a legally binding framework agreement (the “Framework Agreement”) with Farsighted International Limited (the “Farsighted International”), pursuant to which CCRE China agreed to sell certain retail units of the shopping mall of the Landmark (Zhengzhou) (the “Target Properties”) together with several car parking spaces (the “Car Parking Spaces”) to one or more project companies (the “Purchaser”) to be established by Farsighted International for an aggregate consideration of approximately RMB394.3 million (subject to adjustments pursuant to the terms of the Framework Agreement) (the “Consideration”). The Purchaser was established in the PRC on 25 July 2008 by Farsighted International.

As at 31 December 2008, in accordance with the terms set forth in the Framework Agreement, CCRE China has:

1. entered into the formal pre-sale contract in respect of the sale and purchase of the Target Properties with the Purchaser;
2. entered into the sale contract in respect of the sale and purchase of the Car Parking Spaces with the Purchaser;
3. received the consideration of RMB207 million from the Purchaser;
4. recognised sales of the Target Properties and the Car Parking Spaces amounted to RMB296 million (representing the 75% of the total consideration).

Farsighted International was a connected person of the Company as it was an associate of CapitaLand Limited, which was a connected person of the Company. Therefore, the Purchaser, a wholly-owned subsidiary of Farsighted International, was also a connected person of the Company.

Further details of this transaction were set out in the section headed "Connected Transactions" of the Prospectus.

* *For identification purposes only*

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the scheme amounting to approximately RMB5 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

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

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2008 are set out in notes 22 and 23 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDIT COMMITTEE

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

POST BALANCE SHEET EVENT

Details of a non-adjusting post-balance sheet event are set out in note 35 to the consolidated financial statements.

DONATIONS

Charitable donations and other donations made by the Group during the year amounting to RMB3.3 million.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forth coming annual general meeting.

On behalf of the Board

Wu Po Sum

Chairman

27 March 2009



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum (*Chairman*)

Mr. Wang Tianye (*Chief Executive Officer*)

Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan (*Vice-Chairman*)

Mr. Leow Juan Thong Jason

Ms. Wallis Wu (*alias Li Hua*)

Independent Non-executive Directors

Mr. Cheung Shek Lun

Mr. Fang Finglei

Mr. Wang Shi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Tang Man Joe

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 88, Jianye City Garden, Jianye Road

Zhengzhou City, Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1008, Concordia Plaza, 1 Science Museum Road

Tsimshatsui East, Kowloon, Hong Kong

WEBSITE OF THE COMPANY

www.centralchina.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISER (AS TO HONG KONG LAW)

Li & Partners

AUDITORS

KPMG
Certified Public Accountants

COMPLIANCE ADVISER

Guotai Junan Capital Limited

INVESTOR AND MEDIA RELATIONS ADVISOR

Wonderful Sky Financial Group Limited



**Independent auditor's report to the shareholders of
Central China Real Estate Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") set out on pages 55 to 142, which comprise the consolidated and company balance sheets as at 31 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 are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 financial statements based on our audit. This report is made 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.



**Independent auditor's report to the shareholders of
Central China Real Estate Limited (*Continued*)**
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITY (*CONTINUED*)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2009



CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Turnover	3	3,226,996	1,821,663
Cost of sales		(1,988,764)	(1,308,374)
Gross profit		1,238,232	513,289
Other revenue	4	30,752	22,709
Other net income	4	18,548	854
Selling and marketing expenses		(97,484)	(87,418)
General and administrative expenses		(152,867)	(94,533)
Other operating expenses		(20,271)	(11,729)
Profit from operations		1,016,910	343,172
Share of loss of a jointly controlled entity		—	(262)
Share of loss of an associate	16	(2,983)	(2,315)
Finance costs	5(a)	(53,144)	(48,873)
Profit before change in fair value of investment properties and income tax		960,783	291,722
(Decrease)/increase in fair value of investment properties	13	(1,400)	13,823
Profit before taxation	5	959,383	305,545
Income tax	6(a)	(304,454)	(134,977)
Profit for the year		654,929	170,568
Attributable to:			
Equity shareholders of the Company		653,301	164,988
Minority interests		1,628	5,580
Profit for the year		654,929	170,568
Dividends	10	345,800	76,612
Basic earnings per share (RMB cents)	11	32.67	8.25

The accompanying notes form part of these financial statements.



CONSOLIDATED BALANCE SHEET

at 31 December 2008

(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	12	211,209	155,084
Investment properties	13	245,200	246,600
Investment properties under development	14	9,384	23,683
Interest in an associate	16	22,302	25,285
Other financial assets	17	15,400	15,400
Deferred tax assets	27(b)	3,309	47,677
		<u>506,804</u>	<u>513,729</u>
Current assets			
Properties for sale	18	4,803,837	3,344,470
Trade and other receivables	19	223,103	145,163
Deposits and prepayments	20	343,568	615,754
Prepaid tax	27(a)	27,520	35,203
Restricted bank deposits	21	409,797	504,601
Cash and cash equivalents		927,721	399,602
		<u>6,735,546</u>	<u>5,044,793</u>
Current liabilities			
Bank loans	22	488,790	1,001,273
Other loans	23	123,950	—
Trade and other payables and accruals	24	1,940,923	1,335,943
Receipts in advance	25	947,270	1,244,186
Tax payable	27(a)	106,842	53,135
		<u>3,607,775</u>	<u>3,634,537</u>
Net current assets		<u>3,127,771</u>	<u>1,410,256</u>
Total assets less current liabilities		<u>3,634,575</u>	<u>1,923,985</u>



CONSOLIDATED BALANCE SHEET (CONTINUED)

at 31 December 2008

(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Bank loans	22	444,417	248,000
Other loans	23	36,790	136,430
Deferred tax liabilities	27(b)	63,446	64,754
		<u>544,653</u>	<u>449,184</u>
NET ASSETS		<u>3,089,922</u>	<u>1,474,801</u>
CAPITAL AND RESERVES			
	28		
Share capital		179,637	114
Reserves		<u>2,760,495</u>	<u>1,330,173</u>
Total equity attributable to equity shareholders of the Company		<u>2,940,132</u>	1,330,287
Minority interests		<u>149,790</u>	144,514
TOTAL EQUITY		<u>3,089,922</u>	<u>1,474,801</u>

Approved and authorised for issue by the board of directors on 27 March 2009.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.



BALANCE SHEET

at 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	15	1,433,418	—
Current assets			
Prepayments		65	—
Cash and cash equivalents		36,527	—
		36,592	—
Current liabilities			
Other payables and accruals	24	3,775	—
Net current assets			
		32,817	—
NET ASSETS			
		1,466,235	—
CAPITAL AND RESERVES			
	28		
Share capital		179,637	—
Reserves		1,286,598	—
TOTAL EQUITY			
		1,466,235	—

Approved and authorised for issue by the board of directors on 27 March 2009.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Statutory reserve fund	Other capital reserve	Share-based Exchange reserve	Share-based compensation reserve	Retained profits	Total	Minority interests	Total equity
		(Note 28(a))	(Note 28 (b)(i))	(Note 28 (b)(ii))	(Note 28 (b)(iii))	(Note 28 (b)(iv))	(Note 28 (b)(v))				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	28(a)(i)	106	499,974	41,360	134,911	(1,538)	—	62,145	736,958	73,158	810,116
Profit for the year		—	—	—	—	—	—	164,988	164,988	5,580	170,568
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(8,484)	—	—	(8,484)	—	(8,484)
Appropriation to statutory reserve fund		—	—	73,806	—	—	—	(73,806)	—	—	—
Dividend declared and paid	10	—	—	—	—	—	—	(76,612)	(76,612)	—	(76,612)
Issue of new shares	28(a)(ii)	8	499,992	—	—	—	—	—	500,000	—	500,000
Acquisition of additional interest in a subsidiary		—	—	—	(5,997)	—	—	—	(5,997)	(41,658)	(47,655)
Acquisition of subsidiaries		—	—	—	19,434	—	—	—	19,434	33,334	52,768
Dividend paid to a minority shareholder		—	—	—	—	—	—	—	—	(6,500)	(6,500)
Contributions from minority shareholders		—	—	—	—	—	—	—	—	80,600	80,600
At 31 December 2007	28(a)(ii)	114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2008

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total	Minority interests	Total equity
		(Note 28(a))	(Note 28 (b)(i))	(Note 28 (b)(ii))	(Note 28 (b)(iii))	(Note 28 (b)(iv))	(Note 28 (b)(v))				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	28(a)(ii)	114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801
Profit for the year		—	—	—	—	—	—	653,301	653,301	1,628	654,929
Exchange difference on translation of financial statements of overseas subsidiaries		—	—	—	—	(12,696)	—	—	(12,696)	969	(11,727)
Appropriation to statutory reserve fund		—	—	131,772	—	—	—	(131,772)	—	—	—
Dividend declared and paid	10	—	—	—	—	—	—	(152,000)	(152,000)	—	(152,000)
Equity settled share-based payment		—	—	—	—	—	6,604	—	6,604	—	6,604
Nominal value of share capital of the subsidiary transferred	28(a)(iii)	135,021	(999,966)	—	864,945	—	—	—	—	—	—
Issue of new shares, net of listing expenses	28(a)(iv)	44,502	1,076,820	—	—	—	—	—	1,121,322	—	1,121,322
Acquisition of additional interest in a subsidiary		—	—	—	(6,686)	—	—	—	(6,686)	(14,321)	(21,007)
Capital distribution to a minority shareholder		—	—	—	—	—	—	—	—	(4,000)	(4,000)
Dividend paid to a minority shareholder		—	—	—	—	—	—	—	—	(5,500)	(5,500)
Contributions from minority shareholders		—	—	—	—	—	—	—	—	26,500	26,500
At 31 December 2008	28(a)(v)	<u>179,637</u>	<u>1,076,820</u>	<u>246,938</u>	<u>1,006,607</u>	<u>(22,718)</u>	<u>6,604</u>	<u>446,244</u>	<u>2,940,132</u>	<u>149,790</u>	<u>3,089,922</u>

The accompanying notes form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

(Expressed in Renminbi)

Note	2008 RMB'000	2007 RMB'000
Operating activities		
Profit before taxation	959,383	305,545
Adjustments for:		
— Interest income	(29,628)	(19,000)
— Depreciation and amortisation	9,660	9,080
— Equity settled share-based payment expenses	6,604	—
— Dividend income	(1,124)	(1,297)
— Decrease/(increase) in fair value of investment properties	1,400	(13,823)
— Net gain on disposals of property, plant and equipment	(172)	(17)
— Share of loss of a jointly controlled entity	—	262
— Share of loss of an associate	2,983	2,315
— Finance costs	53,144	48,873
Operating profit before changes in working capital	1,002,250	331,938
Increase in properties for sale	(963,120)	(1,209,016)
Decrease in trade and other receivables	27,430	224,990
Decrease/(increase) in deposits and prepayments	336,896	(149,727)
Increase in trade and other payables and accruals	489,136	247,137
Decrease in restricted bank deposits	4,804	51,872
(Decrease)/increase in receipts in advance	(439,862)	370,869
Cash generated from/(used in) operations	457,534	(131,937)
PRC income tax paid	(198,340)	(141,810)
Net cash generated from/(used in) operating activities	259,194	(273,747)



CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2008

(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment		(45,913)	(29,547)
Proceeds from disposals of property, and equipment		361	296
Prepayment for investment in a subsidiary		(44,297)	—
Acquisition of an associate		—	(27,600)
Proceeds from disposals of unlisted equity securities		—	5,000
Expenditure on investment properties and investment properties under development		(5,102)	(26,210)
Acquisition of additional interest in a subsidiary		(21,007)	(47,655)
Net cash paid upon acquisitions of subsidiaries	33	(298,845)	(82,580)
Dividend received		1,124	1,297
Interest received		29,628	19,000
Net cash used in investing activities		(384,051)	(187,999)
Financing activities			
Proceeds from new bank loans		840,129	977,747
Repayment of bank loans		(1,060,828)	(603,594)
Interest paid		(119,863)	(134,304)
Repayment of other loans		(15,690)	(227,263)
Proceeds from new other loans		40,000	40,000
Issue of new shares		1,121,322	500,000
Dividend paid		(152,000)	(76,612)
Dividend paid to a minority shareholder		(5,500)	(6,500)
Capital injected by minority shareholders		26,500	80,600
Capital distribution to a minority shareholder		(4,000)	—
Net cash generated from financing activities		670,070	550,074
Net increase in cash and cash equivalents		545,213	88,328
Cash and cash equivalents at 1 January		399,602	319,758
Effect of foreign exchange rate changes		(17,094)	(8,484)
Cash and cash equivalents at 31 December		927,721	399,602

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION AND GROUP REORGANISATION

Central China Real Estate Limited (“the Company”) was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 1008, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (“the Group”) are principally engaged in property development in Henan in the People’s Republic of China (“the PRC”).

Pursuant to a reorganisation of the Group completed on 14 May 2008 (“the Reorganisation”) to rationalise the Group’s structure in preparation for the public listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on 6 June 2008. Details of the Reorganisation are set out in the prospectus of the Company dated 26 May 2008 (“Prospectus”) for the purpose of the listing of the Company’s shares on the Stock Exchange (“the Listing”).

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years ended 31 December 2007 and 2008 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group’s or the Company’s operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

(b) *Basis of preparation*

The consolidated financial statements for the year ended 31 December 2008 comprise the Group and its interest in an associate.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, and are prepared on the historical cost basis, except for investment properties (see note 2(g)) which are stated at their fair value as explained in the accounting policies set forth below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(b) *Basis of preparation (Continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 34.

(c) *Subsidiaries and minority interests*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(c) *Subsidiaries and minority interests (Continued)*

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from the holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(n) or 2(o) depending on nature of the liability.

On the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) *Business combination for entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the holders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling holder's consolidated financial statements.

The consolidated financial statements include the results of each of the combining entities or business from the earliest date presented, or since the date when combining entities or business first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

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

Upon transfer of interest in an entity to another entity that are under the control of the equity shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

When the Group acquires additional interests in its subsidiaries from minority shareholders, the difference between the considerations and carrying values of minority interests in the Group's consolidated financial statements are dealt with in equity.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(e) *Associates and jointly controlled entities*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate and a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or jointly controlled entity's net assets. The consolidated income statements include the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss relating to the investments in associates and jointly controlled entities recognised for the year (see note 2(j)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(f) *Other investments in equity securities*

The Group's policies for investments in equity securities, other than investments in associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently accounted for in the consolidated balance sheets at cost less impairment losses (see note 2(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost less impairment loss (see note 2(j)) until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

- Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and
- Other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(h) *Property, plant and equipment (Continued)*

(i) *Property, plant and equipment (Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised in profit or loss as an expense as incurred.

(ii) *Construction in progress*

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, if later.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or properties for sale (see note 2(k)).



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(j) *Impairment of assets*

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities, see note 2(j)(ii)) and current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in any equity instrument below its cost.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(j) *Impairment of assets (Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired.

- property, plant and equipment;
- investment properties under development;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries, associates and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(j) *Impairment of assets (Continued)*

(ii) Impairment of other assets (*Continued*)

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior year. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a similar loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) *Properties for sale*

Properties for sale are classified as current assets and carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(k) *Properties for sale (Continued)*

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bring the properties to their present location and condition.

(l) *Construction contracts*

The accounting policy for contract revenue is set forth in note 2(t)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and other receivables”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Receipts in advance”.

(m) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(n) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables using the effective interest method.

(o) *Trade and other payables*

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) *Employee benefits*

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale not yet recognised as an expense.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(q) *Employee benefits (Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(r) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(r) *Income tax (Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(s) *Financial guarantees issued, provisions and contingent liabilities*

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(s) *Financial guarantees issued, provisions and contingent liabilities (Continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group and the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the completion of the properties, whichever the later, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause, is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under receipts in advance.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(t) *Revenue recognition (Continued)*

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the respective lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Government grants

Government grants are recognised in the consolidated balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expense incurred in a previous year is recognised as income of the year in which it becomes receivable.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(u) *Translation of foreign currencies*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in RMB for easy reference to investors.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised on profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) *Borrowing costs*

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(w) *Related parties*

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or providing projects or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

2 SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

(x) *Segment reporting (Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. No segment information is presented in respect of the Group's geographical segments as the Group's principal activities are largely carried out in the PRC.

Business segments

The Group comprises the following main business segments:

- Property development: the development and sales of residential and commercial properties
- Property leasing: the leasing of commercial properties, schools and kindergartens
- Construction contract: the construction of properties for external customers



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

Business segments (Continued)

2008

	Property development RMB'000	Property leasing RMB'000	Construction contract RMB'000	Total RMB'000
Turnover	<u>3,000,993</u>	<u>19,393</u>	<u>206,610</u>	<u>3,226,996</u>
Segment result	1,232,430	19,078	(13,276)	1,238,232
Unallocated income and expenses				(221,322)
Profit from operations				1,016,910
Share of loss of an associate				(2,983)
Finance costs				(53,144)
Profit before change in fair value of investment properties and income tax				960,783
Decrease in fair value of investment properties	—	(1,400)	—	(1,400)
Profit before taxation				959,383
Income tax				(304,454)
Profit for the year				<u>654,929</u>
Segment assets	5,637,963	254,584	55,056	5,947,603
Interest in an associate				22,302
Unallocated assets				1,272,445
Total assets				<u>7,242,350</u>
Segment liabilities	2,362,529	469	—	2,362,998
Unallocated liabilities				1,789,430
Total liabilities				<u>4,152,428</u>
Depreciation and amortisation	<u>9,660</u>	<u>—</u>	<u>—</u>	<u>9,660</u>
Capital expenditure	<u>45,913</u>	<u>5,102</u>	<u>—</u>	<u>51,015</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

Business segments (Continued)

2007

	Property development RMB'000	Property leasing RMB'000	Construction contract RMB'000	Total RMB'000
Turnover	<u>1,662,966</u>	<u>17,664</u>	<u>141,033</u>	<u>1,821,663</u>
Segment result	490,516	17,349	5,424	513,289
Unallocated income and expenses				<u>(170,117)</u>
Profit from operations				343,172
Share of loss of a jointly controlled entity	(262)	—	—	(262)
Share of loss of an associate				(2,315)
Finance costs				<u>(48,873)</u>
Profit before change in fair value of investment properties and income tax				291,722
Increase in fair value of investment properties	—	13,823	—	<u>13,823</u>
Profit before taxation				305,545
Income tax				<u>(134,977)</u>
Profit for the year				<u>170,568</u>
Segment assets	4,167,746	277,253	8,501	4,453,500
Interest in an associate				25,285
Unallocated assets				<u>1,079,737</u>
Total assets				<u>5,558,522</u>
Segment liabilities	2,138,274	315	—	2,138,589
Unallocated liabilities				<u>1,945,132</u>
Total liabilities				<u>4,083,721</u>
Depreciation and amortisation	<u>9,080</u>	<u>—</u>	<u>—</u>	<u>9,080</u>
Capital expenditure	<u>29,547</u>	<u>26,210</u>	<u>—</u>	<u>55,757</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 OTHER REVENUE AND NET INCOME

	2008 RMB'000	2007 RMB'000
Other revenue		
Interest income	29,628	19,000
Government subsidies (Note)	—	2,412
Dividend income from unlisted equity securities	1,124	1,297
	<u>30,752</u>	<u>22,709</u>
Other net income		
Net gain on disposals of property, plant and equipment	172	17
Net exchange gain/(loss)	20,041	(1,695)
Compensation from customers	—	2,532
Compensation to contractors	(1,665)	—
	<u>18,548</u>	<u>854</u>

Note: Government subsidies in 2007 were in the form of tax refunds to certain subsidiaries of the Group from local governments for encouragement of developments in such districts.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2008 RMB'000	2007 RMB'000
(a) Finance costs:		
Interest on bank loans	77,233	66,445
Interest on other loans	16,897	37,773
Interest on advances from customers (Note 25)	15,901	18,758
Other ancillary borrowing costs	6,060	3,897
	<u>116,091</u>	<u>126,873</u>
Less: Borrowing costs capitalised*	<u>(62,947)</u>	<u>(78,000)</u>
	<u>53,144</u>	<u>48,873</u>

* Borrowing costs have been capitalised at rates ranging from 4.86% - 15.70% (2007: 5.31% - 15.70%) per annum.

	2008 RMB'000	2007 RMB'000
(b) Staff costs:		
Salaries, wages and other staff costs	100,724	64,022
Including:		
Retirement scheme contributions	4,928	3,018
Equity settled share-based payment expenses (Note 26)	<u>6,604</u>	<u>—</u>

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation is arrived at after charging/(crediting): (Continued)

The Group also maintains a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employee’s contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2008	2007
	RMB'000	RMB'000
(c) Other items:		
Depreciation and amortisation	9,660	9,080
Impairment loss on other receivables (<i>Note 19(b)</i>)	4,182	—
Auditors’ remuneration	3,400	593
Cost of properties sold	1,768,563	1,172,450
Operating lease charges in respect properties	776	832
Rental income	(19,393)	(17,664)
Less: Direct outgoings [#]	315	315
	(19,078)	(17,349)
Contingent rents included in rental income	—	(380)

[#] Direct outgoings represent operating lease charges in respect of sub-leased properties and management fee expenses.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Current tax		
PRC Corporate Income Tax	142,777	107,915
PRC Land Appreciation Tax	96,117	53,132
Withholding tax on dividends declared by the PRC foreign investment enterprise	22,500	—
	261,394	161,047
Deferred tax		
Revaluation of properties	(1,308)	3,456
Tax losses	47,677	(28,103)
Other temporary difference	(3,309)	—
Effect of change in PRC tax rate on opening deferred tax balance	—	(1,423)
	43,060	(26,070)
	304,454	134,977



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (Continued)

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the PRC income tax law that was passed by the Standing Committee of the Tenth National People's Congress on 16 March 2007 ("the New Tax Law"), CIT rate was revised from 33% to 25% with effect from 1 January 2008.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2007: 10% to 14%) of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2007: 33%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2007: 33%) on the estimated assessable profits for the year.

- (iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 3.5% (2007: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.

- (v) Withholding tax

Pursuant to the New Tax Law, a 5% withholding tax is levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC foreign investment enterprises earned from 1 January 2008. During the year, the PRC foreign investment enterprise of the Group has declared dividend in relation to the profits earned in 2008 and withholding tax on the dividend was charged to the consolidated income statement accordingly.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Profit before taxation	<u>959,383</u>	<u>305,545</u>
Tax on profit before tax calculated at 25% (2007: 33%)	239,846	100,830
Difference in tax rates for certain subsidiaries	3,184	6,339
Tax effect of non-taxable revenue	(528)	(759)
Tax effect of non-deductible expenses	11,060	20,709
Tax effect of adopting authorised taxation method	(53,700)	(30,533)
Tax effect of unused tax losses not recognised	10,004	4,214
Withholding tax on dividends distributed by the PRC foreign investment enterprise	22,500	—
Effect of change in the PRC tax rate on opening deferred tax balance	—	(1,423)
Land Appreciation Tax	96,117	53,132
Tax effect of Land Appreciation Tax	<u>(24,029)</u>	<u>(17,532)</u>
Income tax expense	<u>304,454</u>	<u>134,977</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008						
<i>Executive directors</i>						
Wu Po Sum	—	2,902	11	446	1,310	4,669
Wang Tianye	—	2,000	11	1,571	516	4,098
Yan Yingchun	—	627	11	268	310	1,216
<i>Non-executive directors</i>						
Lim Ming Yan	89	—	—	—	516	605
Leow Juan Thong Jason	89	—	—	—	310	399
Wallis Wu (alias Li Hua)	232	—	11	36	—	279
<i>Independent non-executive directors</i>						
Cheung Shek Lun	125	—	—	—	—	125
Fang Fenglei	125	—	—	—	—	125
Wang Shi	125	—	—	—	—	125
Total	785	5,529	44	2,321	2,962	11,641



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DIRECTORS' REMUNERATION (CONTINUED)

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007						
<i>Executive directors</i>						
Wu Po Sum	—	3,119	12	—	—	3,131
Wang Tianye	—	1,996	12	—	—	2,008
Yan Yingchun	—	350	3	—	—	353
<i>Non-executive directors</i>						
Lim Ming Yan	—	96	—	—	—	96
Leow Juan Thong Jason	—	96	—	—	—	96
Wallis Wu (<i>alias Li Hua</i>)	—	249	12	—	—	261
Total	—	5,906	39	—	—	5,945

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in 2(q)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years. No remuneration was paid to independent non-executive directors in 2007 as all the independent non-executive directors were appointed in 2008.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining three (2007: three) individuals are as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Salaries, allowances and benefits in kind	4,804	1,830
Discretionary bonuses	1,489	—
Share-based payments	216	—
Retirement scheme contributions	22	10
	<u>6,531</u>	<u>1,840</u>

The emoluments of these three (2007: three) individuals with the highest emoluments are within the following band:

	2008 <i>Number of individuals</i>	2007 <i>Number of individuals</i>
Nil to RMB1,000,000	—	3
RMB1,000,001 to RMB1,500,000	1	—
RMB1,500,001 to RMB2,000,000	1	—
RMB3,000,001 to RMB3,500,000	1	—

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB209,761,000 (2007: Nil) which has been dealt with in the financial statements of the Company.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DIVIDENDS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Dividends declared and paid prior to the Listing	152,000	76,612
Final dividend proposed after the balance sheet date of HK\$11 cents (equivalent to RMB9.69 cents) (2007: Nil) per ordinary share	<u>193,800</u>	<u>—</u>
	<u><u>345,800</u></u>	<u><u>76,612</u></u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Dividends declared prior to the Listing presented in 2007 and 2008 represent dividends declared by subsidiaries of the Company to their then shareholders prior to the Reorganisation. The dividend rates and number of shares ranking for the dividends declared and paid prior to the Listing are not presented as such information is not meaningful having regard to the purpose of these financial statements.

11 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB653,301,000 (2007: RMB164,988,000) for the year and the 2,000,000,000 shares in issue as at the year end date as if the shares were in issue throughout the entire year.

No diluted earnings per share is presented as the Company's pre-IPO share options as at 31 December 2008 do not give rise to any dilution.

There were no dilutive potential ordinary shares in issue as at 31 December 2007.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2008	19,226	105,647	47,632	10,158	12,293	194,956
Additions	27,512	—	11,729	4,729	1,943	45,913
Additions through acquisitions of subsidiaries	—	—	—	354	306	660
Transfer from investment properties under development (Note 14)	—	19,401	—	—	—	19,401
Disposals	—	—	—	(266)	(525)	(791)
At 31 December 2008	<u>46,738</u>	<u>125,048</u>	<u>59,361</u>	<u>14,975</u>	<u>14,017</u>	<u>260,139</u>
Accumulated depreciation and amortisation:						
At 1 January 2008	2,835	25,648	—	4,894	6,495	39,872
Charge for the year	893	4,981	—	1,934	1,852	9,660
Written back on disposals	—	—	—	(196)	(406)	(602)
At 31 December 2008	<u>3,728</u>	<u>30,629</u>	<u>—</u>	<u>6,632</u>	<u>7,941</u>	<u>48,930</u>
Net book value:						
At 31 December 2008	<u>43,010</u>	<u>94,419</u>	<u>59,361</u>	<u>8,343</u>	<u>6,076</u>	<u>211,209</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group (Continued)

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2007	18,341	61,747	22,272	9,403	11,009	122,772
Additions	885	—	25,360	2,011	1,291	29,547
Additions through acquisitions of subsidiaries	—	—	—	33	91	124
Transfer from investment properties (Note 13)	—	43,900	—	—	—	43,900
Disposals	—	—	—	(1,289)	(98)	(1,387)
At 31 December 2007	19,226	105,647	47,632	10,158	12,293	194,956
Accumulated depreciation and amortisation:						
At 1 January 2007	1,899	20,879	—	4,417	4,705	31,900
Charge for the year	936	4,769	—	1,568	1,807	9,080
Written back on disposals	—	—	—	(1,091)	(17)	(1,108)
At 31 December 2007	2,835	25,648	—	4,894	6,495	39,872
Net book value:						
At 31 December 2007	16,391	79,999	47,632	5,264	5,798	155,084



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
In PRC		
— long leases	35,654	8,950
— medium-term leases	7,356	7,441
	<u>43,010</u>	<u>16,391</u>

13 INVESTMENT PROPERTIES

	The Group	
	2008 RMB'000	2007 RMB'000
At 1 January	246,600	274,150
(Decrease)/increase in fair value	(1,400)	13,823
Additions	—	2,527
Transfer to property, plant and equipment (Note 12)	—	(43,900)
At 31 December	<u>245,200</u>	<u>246,600</u>

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2008 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to net income with allowance for reversionary income potential.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENT PROPERTIES (CONTINUED)

(b) *The analysis of fair value of investment properties is set out as follows:*

	The Group	
	2008 RMB'000	2007 RMB'000
In PRC		
— long leases	156,300	158,100
— medium-term leases	88,900	88,500
	245,200	246,600

(c) *Investment properties leased out under operating leases*

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Within 1 year	1,500	1,440
After 1 year but within 5 years	6,180	6,096
After 5 years	3,516	5,100
	11,196	12,636

(d) *Pledges of investment properties*

At 31 December 2007, certain investment properties of the Group were pledged to banks as securities for the Group's bank loans (see note 22).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	The Group	
	2008 RMB'000	2007 RMB'000
At 1 January	23,683	—
Additions	5,102	23,683
Transfer to property, plant and equipment (Note 12)	<u>(19,401)</u>	<u>—</u>
At 31 December	<u>9,384</u>	<u>23,683</u>

- (a) The analysis of carrying value of investment properties under development is set out as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
In PRC — long leases	<u>9,384</u>	<u>23,683</u>

- (b) The analysis of carrying value of leasehold land included in investment properties under development is set out as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
In PRC — long leases	<u>2,608</u>	<u>5,856</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	135,135	—
Amounts due from subsidiaries	1,298,283	—
	<u>1,433,418</u>	<u>—</u>

Amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment but not expected to be settled within one year.

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited ("Artstar")	The British Virgin Islands and Hong Kong	US\$100	—	65%	Investment holding	Private company
Henan Central China Forest Peninsula Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Kaifeng Central China Forest Peninsula Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	60%	Property development	Limited liability company



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel management	Limited liability company
Central China Properties Development Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB1,000,000	—	100%	Trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited ("CCRE Luoyang") (Note (a))	Henan, the PRC	RMB112,840,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB1,700,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Holding Limited	The British Virgin Islands and Hong Kong	US\$13,289	—	100%	Investment holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK\$1	—	100%	Investment holding	Private company
Construction Premier Service Limited	Hong Kong	HK\$1	—	100%	Inactive	Private company
Country Star Holdings Limited ("Country Star")	Hong Kong	HK\$1	—	65%	Property development	Private company



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited	Henan, the PRC	RMB200,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	96.68%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited (“CCRE St. Andrews”)	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited (“CCRE Zhongyuan”)	Henan, the PRC	RMB50,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited (“Joy Ascend”)	The British Virgin Islands and Hong Kong	US\$14,618	100%	—	Investment holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	75%	Property development	Limited liability company
Luoyang Zhongya Real Estate Development Company Limited ("Luoyang Zhongya")	Henan, the PRC	RMB59,690,720	—	65%	Property development	Wholly owned foreign enterprise
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities	Legal form
			Direct	Indirect		
Wanda & Central China Retail Mall (Luoyang) Company Limited	Henan, the PRC	RMB8,000,000	—	65%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited ("CCRE Xinyang") (Note (b))	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Company Limited ("CCRE Zhumadian") (Note (a))	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (a) 48.01% and 74.56% interests in CCRE Zhumadian and CCRE Luoyang, respectively, are registered in the name of a trust company pursuant to trust arrangements (see note 23).
- (b) CCRE Xinyang is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.
- (c) The English names of the PRC companies referred to above were translated by management only for the propose of these financial statements as no English names have been registered or available.

16 INTEREST IN AN ASSOCIATE

	The Group	
	2008 RMB'000	2007 RMB'000
Share of net assets	<u>22,302</u>	<u>25,285</u>

Details of the Group's interest in the associate are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Percentage of equity attributable to the Group		Principal activity	Legal form
			2008	2007		
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	40%	40%	Provision of golf facilities	Wholly owned foreign enterprise



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTEREST IN AN ASSOCIATE (CONTINUED)

Summary financial information on an associate

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Equity <i>RMB'000</i>	Revenue <i>RMB'000</i>	Loss <i>RMB'000</i>
2008					
100 per cent	<u>67,930</u>	<u>12,176</u>	<u>55,754</u>	<u>—</u>	<u>(7,458)</u>
Group's effective interest	<u>27,172</u>	<u>4,870</u>	<u>22,302</u>	<u>—</u>	<u>(2,983)</u>
2007					
100 per cent	<u>63,278</u>	<u>66</u>	<u>63,212</u>	<u>—</u>	<u>(5,788)</u>
Group's effective interest	<u>25,311</u>	<u>26</u>	<u>25,285</u>	<u>—</u>	<u>(2,315)</u>

17 OTHER FINANCIAL ASSETS

	The Group	
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Unlisted equity securities, at cost		
— in the PRC	<u>15,400</u>	<u>15,400</u>

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2008 and 2007.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 PROPERTIES FOR SALE

	The Group	
	2008 RMB'000	2007 RMB'000
Properties held for future development and under development for sale	3,688,915	2,709,400
Completed properties held for sale	1,114,922	635,070
	<u>4,803,837</u>	<u>3,344,470</u>

(a) *The analysis of carrying value of leasehold land included in properties held for future development, and under development for sale and completed properties held for sale are set out as follows:*

	2008 RMB'000	2007 RMB'000
In PRC		
— long leases	2,692,963	1,581,370
— medium-term leases	18,023	49,156
	<u>2,710,986</u>	<u>1,630,526</u>

(b) *The amount of properties held for future development and under development for sale expected to be recovered after more than one year is analysed as follows:*

	2008 RMB'000	2007 RMB'000
Properties held for future development and under development for sale	<u>2,379,237</u>	<u>1,663,139</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 PROPERTIES FOR SALE (CONTINUED)

- (c) *The analysis of the amount of properties for sale recognised as an expense is as follows:*

	The Group	
	2008 RMB'000	2007 RMB'000
Carrying amount of properties for sale sold	1,754,505	1,172,450
Write down of properties for sale	14,058	—
	<u>1,768,563</u>	<u>1,172,450</u>

- (d) *Certain portion of the Group's properties held for future development and under development for sale were pledged to banks as securities for the Group's bank loans. Details are set out in note 22.*
- (e) *The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:*

	2008 RMB'000	2007 RMB'000
Within 1 year	8,660	9,019
After 1 year to 5 years	35,386	34,271
After 5 years	124,921	133,706
	<u>168,967</u>	<u>176,996</u>

The Directors confirm that the Group intends to sell the properties together with the respective leases.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER RECEIVABLES

	The Group	
	2008 RMB'000	2007 RMB'000
Bills receivable	300	9,409
Trade receivables (Note (a))	5,082	26,530
Other receivables (Note (b))	120,734	100,677
Amount due from a director (Note (c))	—	46
Amounts due from related companies (Note (d))	89,226	—
Gross amount due from a customer for contract work (Note (e))	7,761	8,501
	<u>223,103</u>	<u>145,163</u>

Notes:

- (a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, are as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Current or less than 1 month overdue	813	18,061
1 to 3 months overdue	952	4,337
3 to 6 months overdue	577	815
6 months to 1 year overdue	695	626
More than 1 year overdue	2,045	2,691
	<u>5,082</u>	<u>26,530</u>

The Group's credit policy is set out in note 29(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 31.

- (b) At 31 December 2008, the Group's other receivables of RMB4,182,000 (2007: Nil) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB4,182,000 (2007: Nil) was recognised.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (c) The amount due from a director was unsecured, interest free and had no fixed terms of repayment and repaid during the year. Details of the amount due from a director are as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Mr. Wu Po Sum	—	—
Maximum amount outstanding during the year	<u>—</u>	<u>1,351</u>
Mr. Wang Tianye	—	46
Maximum amount outstanding during the year	<u>46</u>	<u>46</u>

- (d) The amounts due from related companies of the Group included a balance of RMB 88,851,000 (2007: Nil) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 32). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

- (e) Gross amount due from a customer for contract work at 31 December 2008 was set out as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Cost incurred	355,495	135,609
Recognised (loss)/profit	<u>(7,852)</u>	<u>5,424</u>
	347,643	141,033
Less: Progress billings	<u>(339,882)</u>	<u>(132,532)</u>
	<u>7,761</u>	<u>8,501</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 DEPOSITS AND PREPAYMENTS

At 31 December 2008, the balance included deposits and prepayments for leasehold land of RMB209,679,000 (2007: RMB460,208,000).

21 RESTRICTED BANK DEPOSITS

	The Group	
	2008 RMB'000	2007 RMB'000
Guarantee deposits in respect of:		
— mortgage loans related to property sale	97,009	97,596
— bills payable	212,788	217,005
— bank loans (Note 22(b)(i))	100,000	190,000
	409,797	504,601

22 BANK LOANS

(a) At 31 December 2008, the bank loans were repayable as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Within 1 year	488,790	1,001,273
After 1 year but within 2 years	424,417	248,000
After 2 years but within 5 years	20,000	—
	444,417	248,000
	933,207	1,249,273



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 BANK LOANS (CONTINUED)

(b) At 31 December 2008, the bank loans were secured as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Bank loans		
— secured (Note (i))	759,314	1,052,273
— unsecured	173,893	197,000
	<u>933,207</u>	<u>1,249,273</u>

(i) At 31 December 2008, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Investment properties	—	172,600
Properties held for future development and under development for sale	739,310	825,957
Restricted bank deposits (Note 21)	100,000	190,000
	<u>839,310</u>	<u>1,188,557</u>

(ii) At 31 December 2007, a secured bank loan with carrying value of RMB150,282,000 was guaranteed by Mr. Wu Po Shum. The guarantee was released during the year.

(c) The effective interest rates of bank loans of the Group at 31 December 2008 were ranged from 4.86% - 11.00% (2007: 5.59% - 11.00%) per annum.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 OTHER LOANS

(a) At 31 December 2008, other loans were repayable as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Within 1 year	123,950	—
After 1 year but within 2 years	36,790	109,130
After 2 years but within 5 years	—	27,300
	<u>36,790</u>	<u>136,430</u>
	<u>160,740</u>	<u>136,430</u>

(b) At 31 December 2008, the other loans were secured as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Other loans		
— secured (Note (i) and (ii))	120,740	136,430
— unsecured (Note (iii))	40,000	—
	<u>160,740</u>	<u>136,430</u>



NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

23 OTHER LOANS *(CONTINUED)*

(b) At 31 December 2008, the other loans were secured as follows: (Continued)

- (i) Included in secured other loans is a total amount of RMB80,740,000 (2007: RMB96,430,000) in relation to the trust arrangements with a trust company. Under these trust arrangements, the trust company injected paid-in capital to certain subsidiaries and the legal titles of these shares were transferred to the trust company. The Group committed to repurchase while the trust company has the obligations to sell such shares within pre-set periods. The trust company does not entitle to any profit distributions from these subsidiaries but receives fixed interest income periodically or at the end of the trust period. Such paid-in capital is classified as other loans in the financial statements.

At 31 December 2008, 48.01% and 74.56% (2007: 48.01% and 74.56%) interests in CCRE Zhumadian and CCRE Luoyang respectively, were registered under the name of the trust company.

- (ii) The remaining secured other loans at 31 December 2007 and 2008 were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB167,325,000 (2007: RMB175,631,000) at 31 December 2008.
- (iii) The unsecured other loan at 31 December 2008 represented an entrusted loan provided by an independent third party to the Group through an external bank.
- (iv) The effective interest rates of other loans of the Group at 31 December 2008 were ranged from 6.30% - 15.70% (2007: 6.30% - 15.70%) per annum.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	180,433	213,994	—	—
Trade payables (Note (a))	675,566	272,208	—	—
Other payables and accruals	702,625	701,577	—	—
Amounts due to related companies (Note (b))	32	336	—	—
Amounts due to minority shareholders (Note (b))	382,267	147,828	—	—
Amounts due to subsidiaries (Note (b))	—	—	3,775	—
	<u>1,940,923</u>	<u>1,335,943</u>	<u>3,775</u>	<u>—</u>

At 31 December 2008, included in trade and other payables and accruals are retention payable of RMB89,997,000 (2007: RMB29,118,000) which are expected to be settled after more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Due within 1 month or on demand	585,569	243,090
Due after 1 year	89,997	29,118
	<u>675,566</u>	<u>272,208</u>

(b) Amounts due to related companies and minority shareholders of the Group and amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed term of repayment.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 RECEIPTS IN ADVANCE

Receipts in advance represented sale proceeds received from buyers in connection with pre-sale of properties. Under certain agreements with buyers of the properties of the Group, the Group agreed to lease-back the respective properties with put options from the buyers for a specific period, typically three years from the date of signing the sale agreements. Within one month after the expiry of the lease-back period, the buyers have the option to sell back the respective properties to the Group at agreed amounts. Accordingly, the related sales would not be recognised in the consolidated income statement until the expiry of the repurchase period. The annual rent for the lease-back properties were 7%-8% of the relevant purchase price paid by the buyers and the related expenses were recorded as finance costs in the consolidated income statement (see note 5(a)).

At 31 December 2008, receipts in advance in relation to these sales amounted to RMB110,176,000 (2007: RMB279,857,000). During the year, upon the expiry of the repurchase period, total sales of RMB159,403,000 (2007: Nil) were recognised.

26 EQUITY SETTLED SHARE-BASED TRANSACTION

On 14 May 2008, the Company conditionally granted certain Pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK\$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the Listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(a) *The number and exercise price of share options are as follows:*

	2008	
	Exercise price	Number of options
Outstanding at 1 January	—	—
Granted during the year	HK\$2.75	32,000,000
Lapsed during the year	HK\$2.75	(600,000)
Outstanding at 31 December	HK\$2.75	<u>31,400,000</u>
Exercisable at 31 December	HK\$2.75	<u>—</u>

The options outstanding at 31 December 2008 had an exercise price of HK\$2.75 and a weighted average remaining contractual life of 2.7 years.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial (Coz, Ross, Rubinstein) model. The contractual life of the share option is used as an input into this model. Expectation of early exercise is incorporated into the binomial (Coz, Ross, Rubinstein) model.

Fair value of share options and assumptions

Fair value at measurement date	HK\$0.8
Share price	HK\$2.75
Exercise price	HK\$2.75
Expected volatility	50%
Option life	1 year from different vesting periods
Expected dividends	4%
Risk-free interest rate	1.7% - 2.3%

The expected volatility is based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax <i>RMB'000</i>	PRC Land appreciation Tax <i>RMB'000</i>	Withholding tax <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2007	(5,778)	4,473	—	(1,305)
Charged to the consolidated income statement (<i>Note 6(a)</i>)	107,915	53,132	—	161,047
Provisional tax paid	(102,747)	(39,063)	—	(141,810)
At 31 December 2007	<u>(610)</u>	<u>18,542</u>	<u>—</u>	<u>17,932</u>
At 1 January 2008	(610)	18,542	—	17,932
Charged to the consolidated income statement (<i>Note 6(a)</i>)	142,777	96,117	22,500	261,394
Acquisition of a subsidiary	—	(1,664)	—	(1,664)
Provisional tax paid	(112,427)	(85,913)	—	(198,340)
At 31 December 2008	<u>29,740</u>	<u>27,082</u>	<u>22,500</u>	<u>79,322</u>
			2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Representing:				
Tax payable			106,842	53,135
Prepaid tax			(27,520)	(35,203)
			<u>79,322</u>	<u>17,932</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (CONTINUED)

(b) The components of deferred tax assets /(liabilities) recognised in the consolidated balance sheet and the movements during the year as follows:

	The Group			
	Revaluation of properties RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	(30,421)	24,554	—	(5,867)
Credited to the consolidated income statement (Note 6(a))	3,919	22,151	—	26,070
Additions through acquisitions of subsidiaries	(38,252)	972	—	(37,280)
At 31 December 2007	<u>(64,754)</u>	<u>47,677</u>	<u>—</u>	<u>(17,077)</u>
At 1 January 2008	(64,754)	47,677	—	(17,077)
Credited/(charged) to the consolidated income statement (Note 6(a))	1,308	(47,677)	3,309	(43,060)
At 31 December 2008	<u>(63,446)</u>	<u>—</u>	<u>3,309</u>	<u>(60,137)</u>
		2008	2007	
		RMB'000	RMB'000	
Representing:				
Deferred tax assets		(63,446)	(64,754)	
Deferred tax liabilities		3,309	47,677	
		<u>(60,137)</u>	<u>(17,077)</u>	



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (*CONTINUED*)

(c) *Deferred tax assets not recognised*

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB67,835,000 (2007: RMB27,810,000) at 31 December 2008, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

28 CAPITAL AND RESERVES

(a) *Share capital*

- (i) The share capital at 1 January 2007 represented the share capital of Joy Ascend, the former holding company of the Group prior to the Listing.
- (ii) On 8 August 2007, CapitaLand LF (Cayman) Holdings Co., Ltd. (“CapitaLand (Cayman)”) subscribed for 1,329 new shares of Joy Ascend at a consideration of RMB500,000,000 of which RMB8,000 was credited to share capital and the remaining balance of RMB499,992,000 was credited to the share premium account of Joy Ascend.

On 15 November 2007, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares with a nominal value of HK\$0.10 each. One nil-paid subscriber share of HK\$0.10 each was issued and allocated to Joy Bright Investments Limited (“Joy Bright”).

The share capital as at 31 December 2007 represented the aggregate of share capital of Joy Ascend and the Company.

- (iii) Pursuant to the Reorganisation on 14 May 2008, the Company allotted and issued, in each case credited as fully paid, a total of 1,499,999,999 ordinary shares as to 944,246,819 ordinary shares to Joy Bright, as to 13,647,555 ordinary shares to Super Joy International Limited and as to 542,105,625 ordinary shares to CapitaLand (Cayman), and credited as fully paid at par the initial one subscriber share already allotted to Joy Bright, in consideration for the acquisition of each of their respective shareholding interests in Joy Ascend.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (Continued)

(iv) On 6 June 2008, the Company issued 500,000,000 shares with par value of HK\$0.10 each at a price of HK\$2.75 per share by way of a global initial public offering to Hong Kong and overseas investors upon the Listing. The Group raised approximately HK\$1,259,862,000 (equivalent to RMB1,121,322,000) in total net of related expenses from the share offer.

(v) The share capital at 31 December 2008 is as follows:

	No. of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each	<u>2,000,000</u>	<u>200,000</u>
		'000
	RMB equivalent	<u>179,637</u>



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

28 CAPITAL AND RESERVES (*CONTINUED*)

(b) *Reserves*

Name nature and purpose of reserves

(i) Share premium

Share premium at 1 January 2007 and 31 December 2007 represented share premium of Joy Ascend while share premium at 31 December 2008 represented share premium of the Company (see notes 28(a)(ii),(iii) and (iv)).

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisitions of additional interests in subsidiaries from minority shareholders and the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares issued by the Group in exchange thereafter.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

28 CAPITAL AND RESERVES (*CONTINUED*)

(b) Reserves (*Continued*)

Name nature and purpose of reserves (*Continued*)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(u).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the Pre-IPO share option scheme as set out in note 26.

(vi) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC GAAP. These profits differ from those reflected in this report, which are determined in accordance with HKFRSs.

The Company was incorporated on 15 November 2007 and did not have any distributable reserves at 31 December 2007. The aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2008 was RMB209,761,000, excluding the share premium as disclosed in note 28(b)(i) above. After the balance sheet date, the directors proposed a final dividend of HK\$11 cents (equivalent to RMB9.69 cents) per ordinary share (2007: Nil), amounting to RMB193,800,000 (2007: Nil). This dividend has not been recognised as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 CAPITAL AND RESERVES (CONTINUED)

(b) Reserves (Continued)

Name nature and purpose of reserves (Continued)

(vii) Reserve of the Company

		Share	Exchange	Share-based	Retained	Total
	Note	premium	reserve	compensation	profits	
		RMB'000	RMB'000	reserve	RMB'000	RMB'000
				RMB'000		
At 15 November 2007 (date of incorporation)/ 31 December 2007		—	—	—	—	—
At 1 January 2008		—	—	—	—	—
Profit for the year		—	—	—	209,761	209,761
Exchange difference on translation of financial statements		—	(6,587)	—	—	(6,587)
Issue of new shares	28(a)(iv)	1,076,820	—	—	—	1,076,820
Equity settled share-based payment	28(b)(v)	—	—	6,604	—	6,604
At 31 December 2008		1,076,820	(6,587)	6,604	209,761	1,286,598

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by equity attributable to the shareholders of the Company. Net debt is calculated as total bank and other loans less cash and cash equivalents and restricted bank deposits secured against bank loans.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 CAPITAL AND RESERVES (CONTINUED)

(c) Capital management (Continued)

The gearing ratio at 31 December 2008 and 2007 was as follows:

	The Group	
	2008 RMB'000	2007 RMB'000
Current liabilities		
— Bank loans	488,790	1,001,273
— Other loans	123,950	—
	612,740	1,001,273
Non-current liabilities		
— Bank loans	444,417	248,000
— Other loans	36,790	136,430
	481,207	384,430
Total debt	1,093,947	1,385,703
Less: Cash and cash equivalents	(927,721)	(399,602)
Restricted bank deposits secured against bank loans	(100,000)	(190,000)
Net debt	66,226	796,101
Total equity attributable to equity shareholders of the Company	2,940,132	1,330,287
Gearing ratio	2.3%	59.8%



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

29 FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) *Interest rate risk*

The Group's interest rate risk arises primarily from bank loans and other loans disclosed in notes 22 and 23 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately RMB6,044,000 (2007: RMB10,153,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2007.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

29 FINANCIAL INSTRUMENTS (*CONTINUED*)

(b) *Credit risk*

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate. If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	2008				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	933,207	1,001,546	541,388	439,708	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	<u>3,141,712</u>	<u>3,220,022</u>	<u>2,632,169</u>	<u>515,187</u>	<u>72,666</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (Continued)

	2007				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	1,249,273	1,307,841	1,056,659	251,182	—
Other loans	136,430	181,728	2,520	145,689	33,519
Trade and other payables and accruals	1,335,943	1,335,943	1,306,825	11,804	17,314
Tax payable	53,135	53,135	53,135	—	—
	<u>2,774,781</u>	<u>2,878,647</u>	<u>2,419,139</u>	<u>408,675</u>	<u>50,833</u>

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at 31 December 2008 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2008		2007	
	United States Dollars '000	Hong Kong Dollars '000	United States Dollars '000	Hong Kong Dollars '000
Cash and cash equivalents	147	72	154	41,189
Bank loans	—	—	(13,000)	(60,000)
Overall net exposure	<u>147</u>	<u>72</u>	<u>(12,846)</u>	<u>(18,811)</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) *Foreign exchange risk (Continued)*

A reasonably possible change of 5% (2007: 5%) in the foreign exchange rate of Hong Kong Dollars and United States Dollars against RMB would not have a material impact on the Group's profit and total equity.

(e) *Fair value*

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses. The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts.

30 COMMITMENTS

(a) *Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:*

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Authorised but not contracted for	7,955,669	4,930,150
Contracted but not provided for	1,695,217	628,666
	<u>9,650,886</u>	<u>5,558,816</u>

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 COMMITMENTS (CONTINUED)

(b) Commitments for operating leases

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within 1 year	772	1,185
After 1 year but within 5 years	1,618	1,607
After 5 years	662	662
	<u>3,052</u>	<u>3,454</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 31 December 2008 is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>1,690,351</u>	<u>1,476,321</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 CONTINGENT LIABILITIES (CONTINUED)

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default on their mortgage payments.

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, major related party transactions entered by the Group are as follows:

	<i>Note</i>	2008 RMB'000	2007 <i>RMB'000</i>
Sales of properties	(a)	296,173	—
Rental expenses	(b)	461	523
Football sponsorship expenses	(c)	—	12,000

(a) During the year, the Group sold commercial properties at a consideration of RMB296,173,000 (2007: Nil) to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at 31 December 2008 amounted to RMB88,851,000 (note 19). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr. Wu Po Sum has significant interest.

(c) The amount in 2007 represented a sponsor fee paid to a former related company in which Mr. Wu Po Sum was a director. The company was no longer a related party of the Group after the resignation as a director by Mr. Wu Po Sum in December 2007.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition during the year ended 31 December 2008

On 11 May 2007 and 24 February 2008, the Group entered into a cooperation development and equity interest transfer agreement (“the Cooperation Agreement”), and a supplemental agreement to the Cooperation Agreement pursuant to which Artstar, in which the Group has a 65% interest, agreed to acquire a 100% equity interest in Luoyang Zhongya, which holds a property development project in Luoyang, through acquisition of Country Star at a consideration of RMB350 million. Upon completion of the transaction on 30 June 2008, the Group has an indirect 65% equity interest in Luoyang Zhongya and Country Star.

The acquisition had the following effect on the Group’s asset and liabilities:

	Carrying amount <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Recognised values on acquisitions <i>RMB'000</i>
Property, plant and equipment	660	—	660
Trade and other receivables	20,413	—	20,413
Deposits and prepayment	105,370	—	105,370
Prepaid tax	1,664	—	1,664
Properties for sale	133,943	299,357	433,300
Cash and cash equivalents	51,155	—	51,155
Receipts in advance	(142,946)	—	(142,946)
Trade and other payables and accruals	(119,616)	—	(119,616)
Net identifiable assets and liabilities	<u>50,643</u>	<u>299,357</u>	<u>350,000</u>
Consideration paid			350,000
Cash and cash equivalents acquired			<u>(51,155)</u>
Net cash outflow			<u><u>298,845</u></u>

Since the date of the acquisition, Luoyang Zhongya and Country Star did not have significant impact on the Group’s net profit.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

33 ACQUISITIONS OF SUBSIDIARIES (*CONTINUED*)

(b) *Acquisitions during the year ended 31 December 2007*

On 11 May 2007, the Group acquired 65% equity interest in Artstar, an investment holding company, from Mr. Wu Po Sum and Mr. Wang Tianye at a consideration of US\$65.

On 10 October 2007, the Group acquired 60% equity interest in CCRE St. Andrews, a real estate development company, from an independent third party at a consideration of RMB50,000,000.

On 7 December 2007, the Group acquired the remaining 50% equity interest in CCRE Zhongyuan, a former jointly controlled entity, from an independent third party at a consideration of RMB43,450,000 satisfied by cash. After the acquisition, CCRE Zhongyuan became a wholly owned subsidiary of the Group.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Acquisitions during the year ended 31 December 2007 (Continued)

The acquisitions had the following effect on the Group's assets and liabilities during the year ended 31 December 2007:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisitions RMB'000
Property, plant and equipment	124	—	124
Deferred tax assets	972	—	972
Trade and other receivables	20,876	—	20,876
Deposits and prepayments	13,392	101,184	114,576
Property for sales	15,473	51,825	67,298
Cash and cash equivalents	10,870	—	10,870
Trade and other payables and accruals	(6,230)	—	(6,230)
Deferred tax liabilities	—	(38,252)	(38,252)
Interest in a jointly controlled entity	(24,015)	(19,435)	(43,450)
Minority interests	(2,978)	(30,356)	(33,334)
Net identifiable assets and liabilities	<u>28,484</u>	<u>64,966</u>	<u>93,450</u>
Consideration paid			93,450
Cash acquired			<u>(10,870)</u>
Net cash outflow			<u>82,580</u>



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

34 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the financial statements are evaluated and 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 may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) *Impairment provision for investment properties under development and construction in progress*

As explained in notes 2(g) and 2(h)(ii), the Group makes impairment provision for the above properties taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(b) *Provision for completed properties held for sale and properties held for future development and under development for sale*

As explained in note 2(k), the Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

34 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (*CONTINUED*)

(c) *Impairment for trade and other receivables*

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) *Recognition of deferred tax assets*

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) *PRC Corporate Income Tax and PRC Land Appreciation Tax*

As explained in note 6, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) *Recognition and allocation of construction cost on properties under development*

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.



NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

34 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (*CONTINUED*)

(f) *Recognition and allocation of construction cost on properties under development (Continued)*

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

35 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

HKFRS 8, "Operating Segments" and HKAS 1 (revised 2007), "Presentation of financial statements", which are effective for annual periods beginning on or after 1 January 2009, are expected to result in amended disclosures in the consolidated financial statements, including restatement of comparative amounts in the first year of adoption.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the consolidated assets, liabilities and minority interests of the Group for the last four financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	Year ended 31 December			
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Turnover	<u>3,226,996</u>	<u>1,821,663</u>	<u>1,261,265</u>	<u>1,096,024</u>
Profit before tax	<u>959,383</u>	305,545	185,646	99,882
Income tax	<u>(304,454)</u>	<u>(134,977)</u>	<u>(52,891)</u>	<u>(50,390)</u>
Profit for the year	<u>654,929</u>	<u>170,568</u>	<u>132,755</u>	<u>49,492</u>
Attributable to:				
Equity holders of the Company	<u>653,301</u>	164,988	141,013	55,183
Minority interests	<u>1,628</u>	<u>5,580</u>	<u>(8,258)</u>	<u>(5,691)</u>
	<u>654,929</u>	<u>170,568</u>	<u>132,755</u>	<u>49,492</u>
Basic earnings per share (<i>RMB cents</i>)	<u>32.67</u>	<u>8.25</u>	<u>7.05</u>	<u>2.76</u>

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	31 December			
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Assets				
Non-current assets	506,804	513,729	434,254	364,902
Current assets	6,735,546	5,044,793	3,404,310	2,117,004
Total assets	<u>7,242,350</u>	<u>5,558,522</u>	<u>3,838,564</u>	<u>2,481,906</u>
Liabilities				
Current liabilities	(3,607,775)	(3,634,537)	(2,515,360)	(1,893,747)
Non-current liabilities	(544,653)	(449,184)	(513,088)	(387,160)
Total liabilities	<u>(4,152,428)</u>	<u>(4,083,721)</u>	<u>(3,028,448)</u>	<u>(2,280,907)</u>
Net assets	<u>3,089,922</u>	<u>1,474,801</u>	<u>810,116</u>	<u>200,999</u>
Equity				
Total equity attributable to equity shareholders of the Company	2,940,132	1,330,287	736,958	147,621
Minority Interests	149,790	144,514	73,158	53,378
Total equity	<u>3,089,922</u>	<u>1,474,801</u>	<u>810,116</u>	<u>200,999</u>

Notes: The summary of the consolidated results of the Group for the years ended 31 December 2005, 2006 and 2007 were extracted from the Company's prospectus dated 26 May 2008 (the "Prospectus"). Such summary was prepared as if the group reorganisation had been completed throughout these financial years.

The summary of the consolidated assets, liabilities and equity as at 31 December 2005, 2006 and 2007 were extracted from the Prospectus. Such summary was prepared on the same basis as above.

No financial information of the Group for the year ended 31 December 2004 has been published.