众安房产
ZHONG AN REAL ESTATE
(Stock code: 672)

Annual Report 2008

ZHONG AN REAL ESTATE LIMITED
眾 安 房 產 有 限 公 司
(incorporated in the Cayman Islands with limited liability)

Contents

Corporate Information

Board of Directors

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Mr. Heng Kwoo Seng

Company Secretary and Qualified Accountant

Mr. Lam Yau Yiu

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

No. 996, Xiaoshao Road
Xiaoshan District
Hangzhou
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong

Unit 2509, 25/F
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Company's Website

www.zafc.com

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of Communications
China Construction Bank Corporation, Hong Kong Branch
Hang Seng Bank Limited

Legal Advisers as to Hong Kong Laws

Chiu & Partners

Auditors

Ernst & Young

Compliance Advisor

Quam Capital Limited

Chairman's Statement

On behalf of the Board of Zhong An Real Estate Limited ("Zhong An" or the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended December 31, 2008.

2008 was an extremely challenging year. The central government's macro-economic measures at the beginning of the year and the global financial tsunami have put the domestic real estate market into sharp adjustment after ten years of rapid development. Facing such a difficult environment, the Group's long-term product investment and development strategy pays off. The Group preserved its strong financial position with a net cash position. In addition, our significant advantage of low-cost land bank has created great flexibility in determining selling prices and sales of high quality products were satisfactory. As such, the Group has recorded satisfactory annual result, which further solidified our foundation for future growth.

During the year under review, the Group's revenue was up 336% to RMB1,437,841,000. The increase in the fair value of investment properties for the year 2008 dropped significantly as compared to 2007. Excluding this factor, core profit recorded a gain of RMB178,080,000, representing an increase of 543% as compared to the previous year. Basic earnings per share were RMB0.13. Profit attributable to shareholders was RMB253,986,000. The Board of Directors recommended the payment of final dividend of RMB2 cents per share (2007: Nil).

During the year, development of our residential projects in Zhejiang Province and Anhui Province was without a hitch and sales performance were satisfactory, which has solidified the foundation of our long-term growth. The Group also continued to maintain a prudent sales strategy. During the year, almost all of the units in New White Horse Apartments, a residential development in the commercial center of Xiaoshan District of Hangzhou, Zhejiang Province, were sold and delivered to the owners. For the White Horse Noble Mansion in Xihu District, Hangzhou City, part of the townhouse and high-rise units were pre-sold in mid-year and were well-received. In Anhui Province, over 95% residential units in Vancouver City, Phase 2 – North Section in Huaibei were pre-sold and delivered to the owners since the launching at the end of 2007. Green Harbour is a low density residential property development project in Hefei, Anhui Province. Phase 1A were launched for pre-sale in batches according to the market situation in 2008 and nearly half of the townhouses were sold. It was completed at the end of December 2008.

Besides development of residential projects, the Group continued to diversify itself in property development and increased the proportion in investment properties so as to develop stable income sources for the Group. Its major integrated commercial development project, the Highlong Plaza in Hangzhou City includes a shopping mall, a hotel, an office building and serviced apartments which have started contributing to the profits and earnings of the Group during the year. Another commercial property, the International Office Center, has commenced construction in August 2008.

The Group continued its prudent strategy to seize the opportunities in acquiring land so as to replenish its land bank and refine its land bank structure. During the year, the Group acquired a piece of land for commercial use in Xianghu of Hangzhou, Zhejiang Province with GFA of 245,000 sq. m.. As of December 31, 2008, the total GFA of the Group's land bank in Hangzhou, Zhejiang and Anhui Province was approximately 3,094,941 sq. m. and 2,230,586 sq. m. respectively, representing 5,325,527 sq. m. in total. It is currently expected that land bank is sufficient for supporting the future development of the Group in the coming five years.

Vancouver City Phase 2 – North Section

Chairman's Statement

In terms of corporate strategies, the Group will continue to refine our strategies prudently. With a solid foundation on property development and a proven track record on commercial properties investment, the Group will strive to gradually increase the proportions of investment properties and property management contributing to the Group's revenue, and will also explore the development of retail business, with a view to balancing and stabilizing the source of income.

Although the central government and certain local governments launched measures to stabilize the housing price and revive the property market, which have seen an increase in transaction volume at the beginning of the year, the market still remains challenging with increased inventory, high developing cost, tightened credit and the lack of consumer confidence. This situation will persist for some time.

However, the Group believes that market demand still exists and the Group will enhance the service quality through product innovation, expansion of marketing channels and development of the service industry, so as to continue to secure its market share. With sufficient cash flow, strong financial position and low cost advantage, we will continue to uphold a prudent and proactive business strategy. We will seek acquisition or cooperation opportunities which focus on commercial and villa projects, expand into the property-related industry chain, enhance property value through our services and strengthen our corporate integration capability.

Lastly, on behalf of the Board of the Company, I wish to express my immense gratitude to customers, investors, suppliers and staff of the Group for their support in the year. Zhong An Real Estate will face the present opportunities and challenges proactively with its staff and continue to exert and solidify its leading position in the property market in the Pan Yangtze River Delta with its competitive edge and strong business foundation.

Shi Kancheng
Chairman

Hangzhou, the PRC, March 31, 2009

Vancouver City Phase 3

Green Harbour Phase 1A

Results

The audited consolidated revenue of the Group for 2008 was RMB1,437,841,000, a significant increase of 336% from that in 2007. The gross profit was RMB496,550,000, an increase of 202% from that in 2007. The profit attributable to equity holders of the Company was approximately RMB253,986,000, a decrease of 35% from that in 2007. Core profits, which adjusted for net fair value gains in investment properties, increased to RMB178,080,000. The basic earnings per share was RMB0.13. On 31 March 2009, the Board recommended the distribution of a final dividend of RMB0.02 per share for the year ended 31 December 2008 (2007: nil).

Industry Review

In 2008, the real estate market in the PRC faced both internal and external problems. In the first half of 2008, the central government's macro-economic control measures on the real estate market not only damaged the confidence of investors, but also resulted in a wait-and-see attitude from the buyers, which cooled down the hot real estate market in a sudden. In the second half of 2008, the negative effects of the global financial tsunami gradually surfaced. Credit crisis appeared in financial systems of many countries as the enterprises were in financial difficulties and consumption and investment were significantly affected, which resulted in economic recession for the US and many countries in Europe. The PRC was also affected as exports continued to drop and domestic consumption was weakened. Economic growth declined to single-digit quickly. Performance of the real estate market is closely related to economic growth. Under the impact of economic slowdown and decreased investment consumption, the strong growth in real estate market no longer existed as market transaction and demand decreased and average prices declined. On the other hand, individual real estate developers which relied on borrowings for development were also in financial difficulties as the banks had tightened up credit.

Business Review

Sales and earnings

The area of property sold and delivered by the Group in 2008 was 244,099 sq. m. (2007: 102,879 sq. m.), an increase of 137.3%. During the year under review, most of the units in New White Horse Apartments presold in prior year were recognised as revenue with a total area of 183,642 sq. m. in 2008, which significantly increased the total area of property sold and delivered.

The average sales price per sq. m. achieved by the Group in 2008 was RMB5,920, an increase of 91% from the average sales price per sq. m. of RMB3,097 in the previous year. The reasons were that the revenue attributable to New White Horse Apartments to total revenue of the Group represented a relatively higher proportion as the average sales price per sq. m. of the residences was RMB7,025, and for the property sales revenue in 2007, the revenue attributable to Vancouver City and Landscape Garden to total revenue of the Group represented a relatively higher proportion with a lower average sales price.

During the year under review, the total sales area for major projects of the Group and the average sales price per sq. m. were as follows:

	Sales area in 2008 sq. m.	**Sales revenue in 2008** RMB million	**Average sales price per sq. m. in 2008** RMB
Hangzhou City, Zhejiang Province			
New White Horse Apartments	183,642	1,290.0	7,025
Others*	5,511	31.7	5,767
Huaibei City, Anhui Province			
Vancouver City, Phase 2 – North Section	47,244	106.8	2,260
Vancouver City, Phase 1 and Phase 2 – South Section	7,702	16.4	2,131
Total	244,099	1,444.9	

* Including: Landscape Garden Phase 1, Landscape Garden Phase 2, Guotai Garden, Zhong'an Garden, Yicheng Building Material Market and Highlong Plaza.

The average cost of property sold per sq. m. of the Group was RMB3,733 in 2008, an increase of 139% from RMB1,560 in the previous year. The main reason was that the cost of property sold of New White Horse Apartments, being RMB4,439, represented a relatively higher proportion in total cost of property sold of the Group.

Progress of development on major projects

Hangzhou City, Zhejiang Province

Highlong Plaza

This is a large-scale integrated commercial development in Xiaoshan district, Hangzhou, which has a total area of 30,933 sq. m, and a total gross floor area ("GFA") of 172,569 sq. m. The project includes a Holiday Inn hotel of five-star standards, an office building, a shopping center, serviced apartments, and underground car parking spaces. The entire project was completed during the year. The leasing rate of the shopping center and the office building was almost 100% and 55% respectively and the occupancy rate of the hotel amounted to 43%.

White Horse Noble Mansion

This is a luxurious residence in Xihu District, Hangzhou City, Zhejiang Province, which has a total GFA of 168,657 sq.m.. The townhouse area was completed as of 31 December 2008. The remaining high-rise and low-rise areas with total GFA available for sale of approximately 109,000 sq. m. are expected to be completed in December 2009.

Landscape Bay

This is located on the south bank of Qiantang River, Xiaoshan District, Zhejiang Province with a GFA of 324,339 sq. m.. The project includes island-style villas, high-rise apartments with river view, shopping center, car park spaces and clubhouse. As of 31 December 2008, pre-construction works of the project were completed.

Huaibei City, Anhui Province

Vancouver City

The pre-sale of Vancouver City, Phase 2 – North Section in Huaibei, Anhui Province, which has a total planned GFA of 73,600 sq.m. was satisfactory.

Hefei City, Anhui Province

Green Harbour

Green Harbour is a low-density residential project in Hefei City, Anhui Province which includes townhouses and low-rise residences. Since the pre-sale of Phase 1A, which has a total GFA of 57,600 sq.m., in December 2007, it was launched in the market in batches according to the market situation during the year under review. As at the end of the year under review, a total of over 25,000 sq. m. of GFA in townhouse units available for sale has been pre-sold.

Sales area pre-sold and status of projects to be completed in 2009

As of 31 December 2008, the Sales area pre-sold by the Group was approximately 43,922 sq. m.. Set out below are the details on the area for pre-sale from the major projects:

	Sales area pre-sold in 2008 sq. m.
Hangzhou City, Zhejiang Province	
White Horse Noble Mansion	18,043
Hefei City, Anhui Province	
Green Harbour, Phase 1A	25,879
Total	43,922

It is expected that the GFA available for sale/leasing from the projects to be completed in 2009 was approximately 155,107 sq. m. Details of which are as follows:

	Expected completion date	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group	Usage
Hangzhou City, Zhejiang Province				
White Horse Noble Mansion				
– Floor units	December 2009	109,107	99.7%	For sale
Hefei City, Anhui Province				
Green Harbour, Phase 1B	December 2009	46,000	84.15%	For sale
– Townhouse units				
Total		155,107		

Land reserve

The land reserve policy of the Group is to maintain a land bank which is sufficient for development by the Group in four to five years. As of 31 December 2008, the total GFA of the Group's land bank in Hangzhou, Zhejiang Province and Anhui Province was approximately 3,094,941 sq. m. and 2,230,586 sq. m., aggregating to approximately 5,325,527 sq. m. in total.

On 15 January 2008, the Group acquired the entire interests in Hangzhou Zheng Jiang Real Estate Development Co., Ltd. at a consideration of RMB361,106,000, of which the principal asset is a piece of land adjacent to Xiang Lake, Xiaoshan District, Zhejiang Province with an area of 89,173 sq. m. and an aggregate GFA of 245,000 sq. m.. It is expected that Xiang Lake District will be developed into the core tourism and leisure development zone of Hangzhou. It is expected that it will include SOHO (i.e. small office and home office) office buildings and commercial properties.

Details of land bank of the Group as of 31 December 2008:

	Type of property	Total GFA (sq. m.)	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group
Hangzhou City, Zhejiang Province				
A piece of land at Landscape Bay, Ning Wei Town	Residential/retail spaces	324,339	248,230	92.6%
A piece of land for Huijun, Xihu District	Residential/retail spaces	168,657	123,717	99.7%
A piece of land at Huifeng Plaza	Residential	69,545	28,991	90%
A piece of land reserved for International Office Centre, Phase A	Residential/offices/hotels	843,400	694,300	100%
A piece of land reserved for, International Office Center, Phase B & C	Residential/offices/hotels/ retail spaces	1,444,000	1,018,400	100%
A piece of land reserved for 名企廣場 (Corporate Square*), Wenyan Town, Xiaoshan District	Residential	245,000	202,000	94.5%

* for identification only.

	Type of property	Total GFA (sq. m.)	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group
Sub-total for land bank in Hangzhou City, Zhejiang Province		**3,094,941**	**2,315,638**	
Huaibei City, Anhui Province				
Vancouver City, Phase 3A-3D	Residential/retail spaces	534,036	491,300	95%
Vancouver City, Phase 4 – 6	Residential/retail spaces/hotels	921,050	890,000	95%
Hefei City, Anhui Province				
Green Harbour, Phase 1B and C	Residential	92,000	84,000	84.15%
Green Harbour, Phase 2	Residential/retail spaces	128,200	87,300	84.15%
Green Harbour, Phase 3 – 6	Residential/retail spaces/hotels	555,300	542,500	84.15%
Sub-total for land bank in Anhui Province		**2,230,586**	**2,095,100**	
Total land bank		**5,325,527**	**4,410,738**	

Use of Proceeds from Global Offering

In November 2007, the Company issued 543,000,000 shares at HK$6.67 per share by way of the global offering. The net proceeds after deducting the relevant expenses were approximately HK$3,439.8 million. During the period from 13 November 2007 to 31 December 2008, the use of net proceeds from the listing as stated in the Company's prospectus dated 31 October 2007 was as follows:

		RMB in million
1.	Utilized for the project of Landscape Bay	46.8
2.	Utilized for the project of Section A of International Office Center	114.4
3.	Utilized for acquisition of land for the project of Green Harbor	8.3
4.	Utilized for financing the acquisition of land site with a planned gross floor area of 224,400 square meter in Hangzhou	363.1
5.	Working capital and other general corporate purposes	410.2
		942.8

As at 31 December 2008, the listing proceeds not yet utilized has been placed in banks as short-term and saving deposits.

Recognition obtained by the Group

The Group was awarded by the government and recognized authorities in 2008 as follows:

	Awarding units	Awards
January 2008	People's Government of Hangzhou City and Hangzhou City Credit Management Association	Zhejiang Zhong'an Property Development Co., Ltd. – AAA Grade Credit Enterprise
March 2008	Chinese Real Estate Industry Association (中國房地產協會), the Development Research Center of the State Counsel of the PRC, the Real Estate Research Institute of the Tsinghua University and the China Index Academy (中國指數研究院)	Zhejiang Zhong'an Property Development Co., Ltd. – China Top 100 Real Estate Developers Award (中國房地產百强企業)
March 2008	International Association for the Protection of Consumer Interests of the PRC	Zhejiang Zhong'an Property Development Co., Ltd. – Excellent Demonstration Unit
April 2008	Xiaoshan District Committee, Hangzhou City, People Government, Shaoshan District, Hangzhou	Zhong An Real Estate Limited – Advanced Enterprise Zhong An Real Estate Limited – Top 100 Enterprise
April 2008	National Mainstream Financial Daily Real Estate Alliance (全國主流商報地產聯盟)	Anhui Zhong'an Real Estate Co., Ltd. (安徽眾安實業有限公司) – China Top 100 Leading Real Estate Developers in Hefei Real Estate Market Green Harbor – Best Ecological Villa
April 2008	Hefei Evening News Agency, Hefei Television, Hefei Cable and Hefei New Real Estate Trading Net	Zhong An Real Estate Limited – Leadership Brand Award
May 2008	Zhejiang Province Red Cross	Zhong An Real Estate Limited – Sichuan Earthquake Area Donation Certificate
August 2008	Housing and Urban-Rural Construction Department of the People's Republic of China	Guotai Garden – AA Grade Recognized Residential Project

	Awarding units	Awards
September 2008	Anhui Province Real Estate Industry Association	Anhui Zhong'an Real Estate Co., Ltd. (安徽眾安實業有限公司) – Advanced Member Unit, Real Estate Development Professional Committee, Anhui Province Real Estate Industry Association
November 2008	Real Estate Industry and Market Research Professional Committee of Chinese Real Estate Industry Association (中國房地產協會) and the China Index Academy (中國指數研究院)	Hangzhou International Office Center – 2008-2009 Chinese City New Landmark Building

Human resources

As at 31 December 2008, the Group employed 1,014 staff (2007: 495 staff). The main reason for the increase was the hotel staff additionally employed for the full operation of Holiday Inn Xiaoshan Hangzhou during the year under review. During 2008, the staff cost of the Group was approximately RMB43,477,000 (2007: approximately RMB22,662,000), representing an increase of approximately 92%.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. To attract talented persons and stabilize the management, subject to the adoption of the share option scheme of the Company proposed to be approved by the shareholders of the Company at the forthcoming annual general meeting, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to the share option scheme. The Group also provided continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

Dividend policy

The Board shall determine the dividend policy of the Company according to the financial condition, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

The final dividend proposed for 2008 is RMB0.02 per share, which was determined having taken into consideration of the uncertain prospects in the real estate industry in 2009 and that the management considered that maintaining sufficient cash flow would be beneficial for the sustainability and cash expenses for possible new projects of the Group. Subject to the shareholder's approval at the forthcoming annual general meeting of the Company, the dividend will be paid to shareholders whose names appear on the register of members on 8 May 2009.

Subsequent events

Other than the matters as disclosed in the published announcements of the Group, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

Prospects

Looking ahead in the future, under the uncertainties from impact of the financial crisis on global economy, the real estate market in the PRC still faces many challenges in 2009. Uncertain prospects of the economy, wait-and-see attitude in the market and lack of confidence from the buyers have inflicted pressures to the real estate market. Although the central government and certain individual local governments have implemented measures to stabilize the housing price and stimulate the development of the real estate market and the transaction volume of real estate at the beginning of 2009 increased, overall market was still dragged by negative factors such as inventory backlog, high development cost and tightened credit and the situation still awaits improvement. Pressure in market demand is expected not to deteriorate in medium and short term. As growth in real estate sales has slowed down and the banks has tightened credit, it is expected that immense financial pressure will be inflicted to real estate enterprises with higher borrowing ratio and thus accelerate market integration, which will provide an advantageous developing environment for real estate enterprises with financial strength.

The Group has developed and acquired land for projects with a prudent attitude since its listing. To meet the needs for market development, the Group will continue to adjust its development strategies and has planned to gradually expand its business investment, proportion in property service and development of commerce and retail and develop and stabilize its source of income based on its strong operation in development of residential projects and successful development in source of income from commercial properties in 2008. Meanwhile, with competitive advantages of sufficient cash flow, strong financial position and low cost of land, the Group continues to adopt prudent and active business strategies, seek acquisition and cooperative projects which focused on commercial projects and villa projects, develop industrial chain related to real estate, enhance corporate integration capacity and continue to improve product combination, so as to strive for better return.

Financial analysis

Gross profit

For the year ended 31 December 2008, the Group recorded audited gross profit of RMB496,550,000, an increase of 202% from RMB164,342,000 in the previous year. The main reason is that the area sold and delivered during the year under review increased by 137.3% from that in the previous year due to the sales of New White Horse Apartments were accounted for in the year, which represented 75% of total area accounted for.

Net profit

The audited profit attributable to the equity holders of the Company was RMB253,986,000, a decrease of 35% from RMB391,306,000 in the previous year. The main reason was that the increase in fair value of investment property in 2008 was RMB104,235,000, a decrease of RMB301,541,000 from that in 2007. However, core profits for the year amounted to RMB178,080,000, an increase of RMB150,384,000 from that in 2007.

Capital structure

As at 31 December 2008, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB1,668,441,000 (2007: RMB3,038,713,000) and the current ratio was 2.5 (2007: 2.0). Those capital resources and the stable financial structure of the Group have provided strong support for the Group in seeking other real estate developing opportunities and accelerating expansion of business in the PRC.

As at 31 December 2008, the bank loans and other borrowings of the Group repayable within one year and after one year were RMB142,117,000 and RMB521,789,000 respectively (31 December 2007: RMB438,197,000 and RMB854,716,000 respectively).

The consolidated interest expenses in 2008 amounted to RMB8,240,000 (2007: RMB37,224,000) in total. Interests with an amount of RMB62,124,000 (2007: RMB57,306,000) were capitalized. Interest cover (including amount of interests capitalized) was 5.3 times (2007: 1.3 times).

As at 31 December 2008, the ratio of total liabilities to total assets of the Group was 36.1% (2007: 48.8%).

As at 31 December 2008, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 16.9% (2007: 33.5%). The ratio of bank loans and other borrowings to total assets was 10.5% (2007: 16.8%). The gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was (6%) (2007: (38%)).

In conclusion, the financial affairs of the Group were significantly improved from that in 2007.

Capital commitments

As at 31 December 2008, the capital commitments of the Group were RMB568,744,000 (2007: RMB437,493,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds (including the proceeds from listing and/or bank loans).

Guarantees and contingent liabilities

As at 31 December 2008, the contingent liabilities of the Group was approximately RMB116,295,000 (2007: RMB523,015,000), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of assets

As at 31 December 2008, investment properties of the Group with net book value of approximately RMB1,134,900,000 (2007: approximately RMB946,367,000), completed properties held for sale of approximately RMB nil (2007: approximately RMB22,689,000), properties under development of approximately RMB153,798,000 (2007: approximately RMB1,117,186,000), property and equipment approximately RMB163,872,000 (2007: nil) and no pledged deposits (2007: approximately RMB196,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2008, pledged deposits of approximately RMB16,343,000 were pledged to banks as guarantees to construction safety and mortgage facilities granted to purchasers of the Group's properties.

Foreign Exchange Risk

In the balance of bank deposits as at 31 December 2008 (including restricted bank balances), Renminbi, US dollars, Euro and HK dollars accounted for 92.7%, 1.0%, 0.3% and 6.0% respectively (2007: accounted for 33.2%, 56.2%, 0% and 10.6% respectively). The Group shall, as soon as practicable, convert the bank balances in US dollars, Euro and HK dollars into Renminbi so as to reduce the foreign exchange risk.

As the sales, purchase and bank borrowings of the Group in 2008 and 2007 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2008 and 2007.

Interest rate risks

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

(A) Corporate Governance Practices

The Company and the Board have adopted the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (save for the relevant amendments thereto which came into effect only from 1 January 2009).

During the year ended 31 December 2008 (the "Year"), the Board has met the code provisions of the Code in so far they are applicable with the exception of the deviation from code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are both performed by Mr. Shi Kancheng).

The Board believes that the role of both chairman and chief executive officer in the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

(B) Directors' Securities Transactions

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

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

(C) Board of Directors

The Directors during the Year were as follows:

Executive Directors

Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
(Re-elected on 5 May 2008)
Mr. Lou Yifei (Re-elected on on 5 May 2008)
Ms. Shen Tiaojuan (Re-elected on 5 May 2008)
Mr. Zhang Jiangang

Independent non-executive Directors

Professor Pei Ker Wei
Professor Wang Shu Guang
Mr. Heng Kwoo Seng (with professional qualifications in accordance with Rule 3.10(2) of the Listing Rules)

A total of 6 Board meetings were held during the Year. The individual attendance of each Director was as follows:

	Number of Attendance
Mr. Shi Kancheng	6
Mr. Lou Yifei	6
Ms. Shen Tiaojuan	6
Mr. Zhang Jiangang	6
Professor Pei Ker Wei	5
Professor Wang Shu Guang	5
Mr. Heng Kwoo Seng	5

The Board operates and exercises its power in accordance with the Articles of Association of the Company. In addition, the Board has also specifically resolved that all transactions/contracts/other matters of the Group that are subject to the disclosure requirement in accordance with the Listing Rules should be approved by the Board in advance.

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

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, there are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board.

(D) Chairman and Chief Executive Officer

During the Year, the roles of the Chairman and the Chief Executive Officer of the Company are both performed by Mr. Shi Kancheng.

(E) Independent Non-executive Directors

Each of our independent non-executive Directors has been appointed for a term of two years commencing on 1 November 2007.

The director's fee specified in each of Mr. Heng Kwoo Seng's, Professor Pei Ker Wei's and Professor Wang Shu Guang's existing service contracts are RMB150,000, RMB100,000 and RMB50,000, respectively.

(F) Remuneration of Directors

The chairman of the remuneration committee of the Company (the "Remuneration Committee") is Professor Pei Ker Wei. The remaining members are Ms. Shen Tiaojuan and Mr. Heng Kwoo Seng.

The role and function of the Remuneration Committee of the Company include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to review and approve the remuneration report of the Group.

The basis of the emolument payable to the Directors is determined with reference to the range of prevailing directors' fee for directors of listed companies in Hong Kong and is subject to the approval of the Remuneration Committee. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, experience and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

One Remuneration Committee meeting was held during the Year. The Remuneration Committee had reviewed the terms of remuneration packages of the Directors and made relevant recommendations on the performance appraisal policies of the Directors and senior management staff of the Company. The individual attendance of each member at the Remuneration Committee Meeting was as follows:

	Number of Attendance
Professor Pei Ker Wei	1
Ms. Shen Tiaojuan	1
Mr. Heng Kwoo Seng	1

(G) Nomination of Directors

The chairman of the nomination committee of the Company (the "Nomination Committee") is Mr. Shi Kancheng. The remaining members are Mr. Lou Yifei and Professor Wang Shu Guang.

The role and function of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors;

(d) to make recommendations to the Board on relevant matters relating to, among others, the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer of the Company.

(e) to give full consideration to, among others, the skills and expertise required from members of the Board and the relevant requirements of the Listing Rules with regard to Directors and etc., in the discharge of the Nomination Committee's duties;

(f) to ensure that on appointment to the Board, non-executive Directors (including independent non-executive Directors) receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(g) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his/her departure;

(h) to consider other matters, as defined or assigned by the Board from time to time; and

(i) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the shareholders of the Company at general meeting under Rule 13.68 of the Listing Rules, to review and provide recommendations to the shareholders of the Company (other than shareholders who are directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote.

One Nomination Committee meeting was held during the Year. The Nomination Committee nominated and the Board recommended Mr. Shi Kancheng, Mr. Lou Yifei and Ms. Sheng Tiaojun to be re-elected at the annual general meeting held on 5 May 2008.

	Number of Attendance
Mr. Shi Kancheng	1
Mr. Lou Yifei	1
Professor Wang Shu Guang	1

The nomination procedures are as follows: candidates for directorship are selected by the Nomination Committee subject to the review and approval of the Board in accordance with the Articles of Association of the Company. The criteria adopted by the Nomination Committee in selecting and approving candidates for directorship are based on whether the candidates are appropriate in terms of experience and the potential contribution to the Group.

(H) Auditors' Remuneration

The audit fee of the Group for the Year was RMB1,900,000 (2007: RMB1,550,000).

During the Year, there were no significant non-audit service assignments being performed by the auditors of the Group.

(I) Audit Committee

The Company has set up an audit committee (the "Audit Committee") and during the Years, the terms of reference adopted complied with the requirement of the Listing Rules (save for the relevant amendments thereto which came into effect only from 1 January 2009).

The chairman of the Audit Committee is Mr. Heng Kwoo Seng. The remaining members are Professor Pei Ker Wei and Professor Wang Shu Guang.

The Audit Committee comprises all of the three independent non-executive Directors of the Company.

The role and function of the Audit Committee include the following:

(a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken. The Audit Committee should also review the non-audit services provided by the external auditor on an annual basis, to ensure that the independence of such external auditor will not be affected;

(e) to monitor integrity, accuracy and fairness of financial statements of an issuer and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. The committee should focus particularly on the following aspects before submission of reports to the Board:

  i. any changes in accounting policies and practices;
  ii. major judgmental areas;
  iii. significant adjustments resulting from audit;
  iv. the going concern assumptions and any qualifications;
  v. compliance with accounting standards; and
  vi. compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;

(f) to review, in draft form, the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report;

(g) members of the Audit Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least once a year, with the Company's auditors and (in the absence of the management) meet at least once a year with the Company's auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

(h) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(i) to review the system of financial control, internal control and risk management and to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system and to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

(j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(k) where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review monitor, the effectiveness of the internal audit function;

(l) to review the Group's financial and accounting policies and practices;

(m) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;

(n) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

(o) to consider the appointment of any person to be an Audit Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, company secretary, auditors and accounting staff or dismissal of any of them;

(p) to consider the major findings of internal investigations and management's response;

(q) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(r) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(s) to report to the Board on the matters set out in the code provisions contained in the Code on Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules; and

(t) to consider other matters, as defined or assigned by the Board from time to time.

A total of 3 Audit Committee meetings were held during the Year. The work performed by the Audit Committee during the Year included the followings:

– reviewed the annual report and results announcement of the Company for the year ended 31 December 2007;
– reviewed the interim report and interim results announcement of the Company for the six months ended 30 June 2008;
– reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
– reviewed the results of external audit and had discussion with external auditors on any significant findings and audit issues;
– reviewed the internal audit report; and
– considered and approved the service contract of the auditors for the Year.

The individual attendance of each member at the Audit Committee meetings was as follows:

	Number of Attendance
Professor Pei Ker Wei	3
Professor Wang Shu Guang	3
Mr. Heng Kwoo Seng	3

(J) Directors' Responsibility in Preparing the Accounts

The Directors acknowledge that they are responsible for the preparation of accounts which give a true and fair view of the Company and the Group.

The statement of the auditors of the Company about their reporting responsibilities on the accounts of the Group is set out in the section headed "Independent Auditors' Report" in this Annual Report.

(K) Annual Review of the Effectiveness of the Internal Control of the Group

The Directors have conducted a review of the effectiveness of the system of internal control of the Group and have resolved that the system of internal control of the Group during the Year was effective. Such review has covered all material controls including financial, operational and compliance controls and risk management functions.

For and on Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 31 March 2009

Zhong An Real Estate – Participation in the Community and Plough Back to the Society

As in the past, Zhong An Real Estate has been paying attention to the culture of caring in the society. The development and operation of its businesses is closely related to social responsibilities. Economic benefits are pursued for at the same time with efforts for achieving maximum social benefits.

Zhong An Real Estate has been devoted to the support of development in education initiatives. During 2008, RMB2,000,000 and RMB1,000,000 were contributed to Xiaoshan District Education Foundation and Shangcheng District Education Foundation in Hangzhou City, Zhejiang Province respectively. In addition, RMB40,000 were contributed to special schools and poor students in the PRC.

Zhong An Real Estate has continued in pursuing the mission of "Ploughing back to the society". Other than the efforts devoted to the development of education initiatives, we also proactively participated in the community welfare activities, and expressed concern for the lives of the disadvantaged groups as its social obligation. During the year, donations of RMB270,000 were given to communities including Louta Town, Dangwan Town and Yipeng Town.

On 12 May 2008, a 7.8 degree earthquake occurred in Wenchuan County, Sichuan Province which shocked the whole country. The earthquake has caused immense pain and suffering to the people in the affected areas. All staff of Zhong An Real Estate were united in holding a group-wide donation on 15 May 2008 to do their parts for the people in the affected areas. Donations of RMB1,150,000 were all given to Zhejiang Province Red Cross for buying emergency supplies such as drinking water, food, blankets, stretchers, etc. for the affected areas.

The above manifests Zhong An Real Estate's efforts in ploughing back to the society and paying attention to the culture of caring in the society.

Directors

Executive Directors

Shi Kancheng (alias Shi Zhongan), aged 46, is Chairman and Chief Executive Officer of Zhong An Real Estate Limited (the "Company") and also holds directorship in certain subsidiaries. Mr. Shi is responsible for the strategic and development planning. He also supervises project planning and the overall business operation. Mr. Shi joined the Group since the establishment of the first member of the Group, Zhejiang Zhong'an Property Development Co., Ltd. (浙江眾安房地產開發有限公司) ("Zhejiang Zhong'an Property Development"). Mr. Shi served as a tax officer in the finance and revenue bureau of Xiaoshan district of Hangzhou (formerly known as Xiaoshan City) and served as the general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Shi has over 15 years' experience in property development and property investment. Mr. Shi graduated from a Master of Business Administration program co-organized by Arizona State University and Shanghai National Accounting College (上海國家會計學院) in June 2007. From 2005 to 2006, Mr. Shi completed a program for executive officers, focusing on globalization and real estates developers, co-organized by Harvard University, Tsinghua University, The University of Hong Kong and the United States Military Academy. In the same year, Mr. Shi completed a program for presidents of real estates companies organized by Zhejiang University (浙江大學). Mr. Shi is not a director of any other listed company. Mr. Shi is the sole director and the sole shareholder of Whole Good Management Limited, which is the controlling shareholder of the Group.

Lou Yifei, aged 59, is an executive Director and the Vice President of the Company. He joined the Group in March 2006. He is primarily responsible for project operations, which include project planning, research and development, cost management, sales management and customer relations. He received an associate degree in architectural engineering from Wuhan Industry University in 1992 and completed a graduate degree in structural engineering at Zhejiang Industry University in 2002. Prior to joining the Group, Mr. Lou was the vice president and manager of the engineering department of Laiyinda Real Estate Co., Ltd. (萊茵達房地產有限公司), a supervisor of Laiyin Property (萊茵置業) and had served various other positions in the same group of companies from 2000 to 2006. Mr. Lou was a deputy general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. from 1994 to 2000. From 1984 to 1994, Mr. Lou worked for the government bureau of Xiaoshan district of Hangzhou, where he was primarily responsible for infrastructure construction management. From 1978 to 1994, he served as construction and engineering manager of Linpu Construction Company. Mr. Lou obtained his engineering qualification in 1999. Mr. Lou has 30 years of experience in the construction operations, and management of property development. Mr. Lou is not a director of any other listed company.

Shen Tiaojuan, aged 46, is an executive Director and the Vice President of the Company and also holds directorship in certain subsidiaries of the Company. She is primarily responsible for the financial operation and financial management of the Group. She has joined the Group in December 1997. Prior to joining the Group, Ms. Shen was the chief accountant and finance manager of Hangzhou Guanghua Chemical Fibres Factory (杭州光華化纖廠) from 1980 to 1993, the chief accountant of Hangzhou Hualing Electrics Co., Ltd. in 1994, and the chief accountant of White Swan Industry Co., Ltd. from 1995 to 1997. Ms. Shen has 27 years of experience in the financial operation of property development. Ms. Shen is not a director of any other listed company.

Zhang Jiangang, aged 39, is an executive Director and the Vice President of the Company. He is primarily in charge of the strategy implementation and the investment management of the Company. He served as the general manager and assistant to the Chairman of Anhui Zhong'an Real Estate Co., Ltd. (安徽眾安實業有限公司) ("Anhui Zhong'an Real Estate"). From 1995 to 2003, Mr. Zhang served as the office manager, assistant to general manager and vice general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Zhang joined the Group in March 2003. Mr. Zhang has 14 years of experience in construction and property development. Mr. Zhang is not a director of any other listed company.

Independent Non-executive Directors

Pei Ker Wei (Ph.D.), aged 51, was appointed an independent non-executive Director in October 2007. Dr. Pei worked as associate professor, deputy professor and professor at Arizona State University, chairman of North America Chinese Accounting Professors Academy, chairman of global commission of American Accounting Academy. He is currently Associate Dean of the W.P. Carey School of Business of Arizona State University and a member of the American Accounting Academy. Dr. Pei is also serving as an independent non-executive director of Want Want China Holdings Limited, a company which shares are listed on the Stock Exchange. Mr. Pei received his MBA degree from South Illinois University in 1981 and Ph.D. from University of North Texas in 1986.

Wang Shu Guang, aged 55, was appointed an independent non-executive Director in October 2007. Professor Wang is Executive Chairman of Zhejiang Provincial Merchant Research Society, a co-researcher at the Institute of Public Management Science of Zhejiang University, co-Vice President of the CCE Center of Zhejiang University, Chairman of Zhejiang Youth Studies Institute (浙江省青年研究會) and Associate Dean of Zhejiang Youth College. Professor Wang is also currently a consultant to various organizations, including the Economic Professional Committee of Zhejiang Province Senior Professors Association (浙江省老教授協會經濟專業委員會), Zhejiang Knowledge Economics Club (浙江知識經濟俱樂部), and Hangzhou Young Entrepreneurs Association. Mr. Wang is not a director of any other listed company.

Heng Kwoo Seng, aged 61, was appointed an independent non-executive Director in October 2007. Mr. Heng is the managing partner of Morison Heng, Certified Public Accountants. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. As at 31 December 2008, Mr. Heng was an independent non-executive director of China Fire Safety Enterprise Group Holdings Limited, SCUD Group Limited, The United Laboratories International Holdings Limited and GCL-Poly Energy Holdings Limited, the above companies are all listed on the Stock Exchange.

Senior Management

Xu Dan, 46, is the Director of General Administrative Office. She mainly assists the Chief Executive on corporate governance and information management of the Group. She joined the Group in January 2003. She has served as the Director of Office, Director of Operating Center, Director of Administration and Management Center of Zhejiang Zhong'an Property Development Co., Ltd. Prior to joining the Group, she was the technician, electronic computing programmer, deputy director and director of Hangzhou Electric Equipment Works from 1981 to 1994 and the director of communications of Kvaerner Power Equipment (Hangzhou) Co., Ltd. from May 1996 to December 2002. Ms. Xu hold degrees in economics and administration and management as well as certificate of engineer qualification. She has 28 years of experiences in corporate and information management and six years of professional experiences in business management of real estate company.

Jin Ni, aged 33, is the general manager of Highlong Commercial Building. She is in charge of customer solicitation for Highlong Commercial Building and customer solicitation and management for leasing properties. She joined the Group in May 1997. She served as a sales lady and vice manager of the Sales Department, an office manager, and the vice general manager of Zhejiang Zhong'an Property Development from 1997 to 2006. She received her bachelor's degree in management from Zhejiang University of Technology (浙江工業大學) in 2003 and an associate degree in accounting from the East College of Zhejiang University (浙江大學東方學院) in 1996. She has 12 years of experience in sales, and operation and management of property companies.

Lu Jianguo, aged 47, is one of the executive general managers of the Group. He is primarily in charge of Human Resource Management of the Company. He joined the Group in May 2001. From 1993 to 2000, Mr. Lu was a manager of Xiaoshan Zhongguan Acoustic Engineering Co., Ltd. (蕭山中冠聲學工程有限公司), a manager of Xiaoshan Erqing Industrial General Corporation (蕭山二輕實業總公司), the head of Xiaoshan Erqing Tower Preparatory Office (蕭山二輕大廈籌建辦公室), and the office manager and a designer at Hangzhou Power Generation Equipment Factory (杭州發電設備廠) from 1978 to 1995. Mr. Lu received an associate degree in electronics from Zhejiang Radio & Television University (浙江廣播電視大學) in 1982. Mr. Lu has 7 years of experience in operation and management of property companies.

Zhang Fengquan, aged 38, is the general manager of Anhui Zhong'an Real Estate. He is responsible for the daily operation of Anhui Zhong'an Real Estate. He joined the Group in December 1997. From 1997 to 2004, he served as a manager at Zhejiang Zhong'an Property Management, a manager of the sales department at Zhejiang Zhong'an Property Development and the project manager for construction at Guotai Garden. Mr. Zhang received an associate bachelor degree in industrial and civil Construction from Sichuan Agricultural University （四川農業大學）in 2006. He is currently a candidate for a bachelor degree in project management from Wuhan University （武漢大學）. Mr. Zhang has 15 years of experience in operation and management of property companies.

Jin Jianrong, aged 40, is the general manager of Zhejiang Zhong'an Property Development and Hangzhou White House Property Development Co. Ltd. (杭州白馬房地產開發有限公司). He is in charge of on-site technical supervision, construction, and cost control of the Group's projects in Zhejiang. Mr. Jin joined the Group in September 2004. Prior to joining the Group, he was the deputy general manager in charge of construction matters of Zhejiang Lvdu Real Estate Development Company (浙江綠都房地產開發公司) from 2003 to 2004, and a construction manager of Zhejiang Wanxiang Real Estate Company (浙江萬向房地產開發公司) from 1997 to 2002. He was responsible for project management of Yinhe Real Estate Development Company (銀河房地產開發公司) from 1995 to 1997, and was a project manager and worker of Xuxian Construction Co., Ltd. (許賢建築公司) from 1987 to 1994. Mr. Jin received a bachelor degree in civil engineering and management from Sichuan University (四川大學) in 2006. He has 21 years of experience in operation and management of property companies.

Shen Junhua, aged 47, is an executive deputy general manager of Henlly Enterprise Management (Hangzhou) Co., Ltd. He is in charge of on-site technical supervision, construction and cost control of the International Office Centre. He joined the Group in April 2005. Prior to joining the Group, Mr. Shen was a quality supervision director of Shimao

Group (世茂集團) from 2003 to 2005, a construction director of Shanghai Shengyang Real Estate Company (上海晟陽房地產公司) from 2001 to 2003, a vice chief engineer of Hongyun Construction Company of Yangguang Group Corporation (陽光公司弘運建築公司) from 2000 to 2001, a deputy manager of the construction department of Jiaoyin Company (交銀公司) from 1993 to 2000, a project manager of Shengang Construction Company (申港建築公司) from 1991 to 1993, and a designer of Shanghai Design Institute of Mechanics and Electricity (上海機電設計院) from 1983 to 1991. Mr. Shen received a bachelor degree in applied mechanics from Tongji University (同濟大學) in 1983. He has 25 years of experience in operation and management of property companies.

Zhu Weihong, aged 42, is an executive deputy general manager of Anhui Zhong'an Real Estate. He is in charge of on-site technical supervision, construction, and cost control of the Group's project in Anhui province. He joined the Group in December 2006. Prior to joining the Group, Mr. Zhu was assistant to the general manager and a deputy general manager of Zhonggu Hangzhou Shi Wai Tao Yuan Real Estate Co., Ltd. (中谷杭州世外桃源房地產開發有限公司) from 2005 to 2006, a deputy general manager of Hangzhou Huaye Real Estate Development Co., Ltd. (杭州華業房地產開發有限公司) from 2004 to 2005, a manager at the construction department, a chief engineer, and the deputy general manager of Hangzhou Yinhe Real Estate Development Company (杭州銀河房地產開發有限公司) from 1996 to 2003, and the manager of the engineering department and a designer at the Engineering Department of Zhongfang Group Huzhou Real Estate Development Company from 1989 to 1995. Mr. Zhu received a bachelor degree in construction and project management from Xi'an Institute of Metallurgy and Construction in 1989. He has 19 years of experience in operation and management of property companies.

Dong Shuixiao, aged 45, is the general manager of Anhui Zhongan Real Estate Development Co., Ltd.("Anhui Zhong'an Property Development"). He is in charge of its operation and management. He joined the Group since 1997. Prior to joining the Group, he was the accountant and deputy finance manager of Xiaoshan Material Bureau from 1985 to 1993 and the manager of Hangzhou Xiaoshan Hongsen Material Co., Ltd. from 1994 to 1996. He served as the deputy general manager (in charge of finance) in Anhui Zhong'an Property Development in January 2003. He was responsible for the on-site technology supervision, construction and cost control of the project in Yisheng in February 2004. In March 2006, he was promoted to be the deputy manager of Zhejiang Zhong'an Property Development, and in charge of financial operation. Mr. Dong received his college diploma in Beijing University of Geoscience. He has over 12 years of experiences in property operation and management.

Company Secretary and Qualified Accountant

Lam Yau Yiu, 45, is the Financial Controller, Qualified Accountant and Company Secretary of the Company. He joined the Group in October 2008. Mr. Lam graduated from the City University of Hong Kong with a bachelor degree in accountancy. He also holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a fellow Certified Public Accountant in Hong Kong. He is also a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group, he worked for a company with property development business in China for more than 2 years. He also acted as the financial manager and financial controller and company secretary for three listed companies in the United States and Hong Kong for a total of about 7 years. He also worked for international accounting firms in Hong Kong for over 3 years. He has about 20 years' experience in external auditing, finance and accounting.

The directors (the "Director") of Zhong An Real Estate Limited (the "Company") herein present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2008.

Principal activities

The Company's principal activity is investment holding. The principal activity of the Group is property development, leasing and hotel operation. The nature of the principal activity has not changed during the year under review.

Segment information

Over 90% of the Group's consolidated sales and contribution to 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 4 to the financial statements.

Results and dividends

The Group's consolidated income statement 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 37 to 43.

On 31 March 2009, the Board recommended the distribution of a final dividend of RMB0.02 per share for the year ended 31 December 2008 (2007: nil).

The register of members of the Company will be closed from 11 May 2009 to 15 May 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 15 May 2009, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 8 May 2009.

Summary of financial information

A summary of results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 114. This summary does not form part of the audited financial statements.

Property and equipment, and investment properties

Details of movements in the property and equipment, and investment properties of the Group and the Company during the year are set out in notes 13 and 14 to the financial statements respectively.

Share capital

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

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and the note 29 to the financial statements.

Distributable reserves

As at 31 December 2008, the Company's retained profits amounted to RMB9,161,000 and the Company's share premium amounted to RMB2,976,821,000. By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands.

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, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major customers and suppliers

The sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's consolidated revenue for the year.

The purchases attributable to the five largest suppliers of the Group accounted for 30.4% of the Group's consolidated purchases for the year.

The largest supplier of the Group accounted for 9.4% of the Group's consolidated purchases for the year.

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 issued share capital) has any interest in any of the Group's five largest suppliers.

Directors

The Directors as at 31 December 2008 and up to the date of this report were as follows:

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Mr. Heng Kwoo Seng

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 and the Company still considers all of the independent non-executive Directors to be independent.

Directors' interests in contracts

No Director had a material interest (either 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 during the year.

Directors' and senior management's biographies

Biographical details of the Directors and senior management of the Group are set out on pages 24 to 27 of the annual report.

Directors' service contracts

Each of Mr. Shi Kancheng, Mr. Zhang Jiangang, Mr. Lou Yifei and Ms. Shen Tiaojuan has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 1 November 2007. The service contracts are exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

No Director (including the Directors proposed to be re-elected at the forthcoming annual general meeting of the Company) 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' remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Director's and Chief Executive's interests and short positions in securities

As at 31 December 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Number of shares held and nature of interest in the Company:

Name of Director	Capacity	Number and class of securities held	Approximate percentage of interest	Long/Short Position
Mr. Shi Kancheng	Interest of controlled corporation (Note)	1,457,000,000 shares of HK$0.1 each in the capital of the Company	75.00%	Long

Note: These shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holdings companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

Contracts of significance

Save as the transactions as disclosed in note 30 to the financial statements, no controlling shareholder of the Company or any of its subsidiaries have any contract of significance with the Company or its subsidiary during the year under review.

Substantial shareholders

As at 31 December 2008, the interests of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Number of shares held	Percentage of the Company's issued share capital	Long/Short Position
Whole Good Management Limited (Note)	1,457,000,000	75.00%	Long

Note: The entire issued share capital of Whole Good Management Limited is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 31 December 2008, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company required to be kept in the register by the Company under Section 336 of the SFO.

Related party and connected transactions

Details of significant related party transactions of the Group are set out in note 30 to the financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2008. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float.

Purchase, sales or redemption of listed securities of the Company

During the year ended 31 December 2008, the Company repurchased a total of 57,328,000 shares in the Company on the Stock Exchange pursuant to the general mandates granted by the shareholders at the annual general meetings of the Company held on 5 May 2008. The summary of those repurchases is as follows:

	Number of	Price per share		
Month/year	**shares purchased**	**Highest**	**Lowest**	**Total paid**
		HK$	HK$	HK$'000
April 2008	18,142,000	3.96	3.18	66,679
May 2008	75,000	3.69	3.63	276
June 2008	1,027,000	3.10	2.96	3,116
July 2008	7,171,000	3.05	2.63	20,473
August 2008	12,008,000	2.83	2.14	27,636
October 2008	18,905,000	1.21	0.99	19,619
	57,328,000			137,799

All shares repurchased were cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the Company and its shareholders as a whole by enhancing the value of the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

Charitable Donations

During the year under review, the Group made charitable donations amounting to approximately RMB4,313,000 (2007: RMB1,007,505).

Subsequent events

Other than the matters as disclosed in the published announcements of the Group, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

Auditors

Ernst & Young retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 31 March 2009

ERNST & YOUNG
安 永

To the shareholders of Zhong An Real Estate Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the accompanying financial statements of Zhong An Real Estate Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 37 to 107, 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 of the Company (the "Directors") are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board 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.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2009

Consolidated Income Statement

	Notes	Year ended 31 December 2008 RMB'000	2007 RMB'000
Revenue	5	**1,437,841**	330,043
Cost of sales		**(941,291)**	(165,701)
Gross profit		**496,550**	164,342
Other income	5	**57,475**	60,661
Selling and distribution costs		**(45,387)**	(26,309)
Administrative expenses		**(101,607)**	(77,709)
Other expenses		**(60,851)**	(4,469)
Increase in fair value of investment properties	14	**104,235**	405,776
Finance costs	6	**(8,240)**	(37,224)
Profit before tax	7	**442,175**	485,068
Income tax	9	**(159,860)**	(51,596)
Profit for the year		**282,315**	433,472
Attributable to:			
Equity holders of the Company	10	**253,986**	391,306
Minority interests		**28,329**	42,166
		282,315	433,472
Dividends			
Proposed final	11	**38,853**	–
Earnings per share attributable to ordinary equity holders of the Company (RMB)	12		
Basic		**13 cents**	26 cents

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

	Notes	Year ended 31 December 2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property and equipment	13	**200,739**	37,151
Investment properties	14	**1,146,500**	958,913
Properties under development	15	**1,034,200**	997,961
Goodwill	16	**15,292**	63,928
Available-for-sale investments	17	**3,300**	–
Deferred tax assets	18	**20,188**	21,738
Total non-current assets		**2,420,219**	2,079,691
CURRENT ASSETS			
Completed properties held for sale		**219,171**	212,820
Properties under development	15	**1,326,318**	1,433,404
Inventories		**3,549**	–
Trade receivables	20	**10,857**	–
Prepayments, deposits and other receivables	21	**677,808**	920,746
Pledged deposits	22	**16,343**	196
Cash and cash equivalents	22	**1,652,098**	3,038,517
Total current assets		**3,906,144**	5,605,683
CURRENT LIABILITIES			
Trade payables	23	**485,222**	406,155
Bills payable	24	**–**	196
Other payables and accruals	25	**287,585**	283,268
Advances from customers	26	**368,986**	1,301,721
Interest-bearing bank and other borrowings	27	**142,117**	438,197
Tax payable	9	**251,139**	393,283
Total current liabilities		**1,535,049**	2,822,820
NET CURRENT ASSETS		**2,371,095**	2,782,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,791,314**	4,862,554

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

	Notes	Year ended 31 December 2008 RMB'000	2007 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,791,314**	4,862,554
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**521,789**	854,716
Deferred tax liabilities	18	**227,073**	71,864
Total non-current liabilities		**748,862**	926,580
Net assets		**4,042,452**	3,935,974
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**185,339**	190,808
Reserves	29	**3,707,687**	3,663,485
Proposed final dividend	11	**38,853**	–
		3,931,879	3,854,293
Minority interests		**110,573**	81,681
Total equity		**4,042,452**	3,935,974

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Changes In Equity

	Note	Attributable to equity holders of the Company										Minority interests	Total equity
		Issued capital	Share premium account	Contributed surplus	Capital reserve	Statutory surplus reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 28(a)	Note 28(b)	Note 29(a)	Note 29(b)	Note 29(c)	Note 29(c)						
At 1 January 2007		–	–	39,318	6,326	15,174	2,099	–	138,510	–	201,427	46,155	247,582
Profit for the year		–	–	–	–	–	–	–	391,306	–	391,306	42,166	433,472
Foreign currency translation differences		–	–	–	–	–	–	(26,804)	–	–	(26,804)	–	(26,804)
Acquisition of an additional equity interest in a subsidiary		–	–	–	3,440	–	–	–	–	–	3,440	(11,440)	(8,000)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(200)	(200)
Capital contributions by minority shareholders		–	–	–	–	–	–	–	–	–	–	5,000	5,000
Issue of shares for initial public offering		51,805	3,403,547	–	–	–	–	–	–	–	3,455,352	–	3,455,352
Share issue expenses		–	(170,428)	–	–	–	–	–	–	–	(170,428)	–	(170,428)
Capitalisation issue		139,003	(139,003)	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	46,474	4,005	–	(50,479)	–	–	–	–
At 31 December 2007		190,808	3,094,116	39,318	9,766	61,648	6,104	(26,804)	479,337	–	3,854,293	81,681	3,935,974
At 1 January 2008		190,808	3,094,116	39,318	9,766	61,648	6,104	(26,804)	479,337	–	3,854,293	81,681	3,935,974
Profit for the year		–	–	–	–	–	–	–	253,986	–	253,986	28,329	282,315
Foreign currency translation differences		–	–	–	–	–	–	(53,321)	–	–	(53,321)	–	(53,321)
Capital contributions by minority shareholders		–	–	–	–	–	–	–	–	–	–	248	248
Repurchase and cancellation of shares	28(a)	(5,469)	(117,295)	–	–	–	–	–	–	–	(122,764)	–	(122,764)
Deemed purchase of minority interests		–	–	–	(315)	–	–	–	–	–	(315)	315	–
Proposed final dividend	11	–	–	–	–	–	–	–	(38,853)	38,853	–	–	–
Transfer from retained profits		–	–	–	–	46,288	1,737	–	(48,025)	–	–	–	–
At 31 December 2008		185,339	2,976,821*	39,318*	9,451 *	107,936*	7,841*	(80,125)*	646,445*	38,853	3,931,879	110,573	4,042,452

* These reserve accounts comprise the consolidated reserves of RMB3,707,687,000 (2007: RMB3,663,485,000) in the consolidated balance sheet.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Profit before tax		**442,175**	485,068
Adjustments for:			
Depreciation	7, 13	**15,996**	5,627
Amortisation of land use rights	7, 15	**11,296**	2,087
Gain on disposal of a subsidiary	7	**–**	(4)
Gain on disposal of items of property and equipment	5	**–**	(62)
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	7	**–**	(19,689)
Increase in fair value of investment properties	7, 14	**(104,235)**	(405,776)
Goodwill impairment	7, 16	**48,636**	–
Dividend income from short-term investments	5	**–**	(6,481)
Finance costs	6	**8,240**	37,224
Interest income	5	**(54,709)**	(27,262)
		367,399	70,732
Increase in properties under development		**(782,011)**	(809,838)
Decrease in completed properties held for sale		**910,844**	90,925
Increase in trade receivables		**(10,857)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**84,675**	(425,108)
Increase in inventories		**(3,549)**	–
Increase in trade payables		**79,067**	75,915
(Decrease)/increase in bills payable		**(196)**	196
Decrease in other payables and accruals		**(1,763)**	(236,054)
(Decrease)/increase in advances from customers		**(932,735)**	624,035
Cash used in operating activities		**(289,126)**	(609,197)
Interest received		**49,372**	27,262
Interest paid		**(64,283)**	(94,530)
Income tax and land appreciation tax paid		**(62,508)**	(63,446)
Net cash outflow from operating activities		**(366,545)**	(739,911)

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2008 RMB'000	2007 RMB'000
Net cash outflow from operating activities		**(366,545)**	(739,911)
Cash flows from investing activities			
Acquisition of a subsidiary	34	**(187,506)**	(232,223)
Acquisition of an additional equity interest in a subsidiary		**–**	(7,500)
Disposal of a subsidiary		**–**	(21)
Purchases of investment properties		**(216)**	(7,588)
Purchases of items of property and equipment		**(9,376)**	(22,667)
Proceeds from disposal of items of property and equipment		**1,515**	1,316
Purchases of available-for-sale investments		**(3,300)**	–
Dividend income from short-term investments	5	**–**	6,481
(Increase)/decrease in pledged deposits		**(16,147)**	37,804
Net cash outflow from investing activities		**(215,030)**	(224,398)
Cash flows from financing activities			
Capital contributions by minority shareholders		**248**	5,000
Proceeds from issue of shares		**–**	3,284,924
Repurchase and cancellation of shares		**(122,764)**	–
New interest-bearing bank and other borrowings		**19,100**	1,022,413
Repayment of interest-bearing bank and other borrowings		**(648,107)**	(412,780)
Net cash (outflow)/inflow from financing activities		**(751,523)**	3,899,557
Net (decrease)/increase in cash and cash equivalents		**(1,333,098)**	2,935,248
Cash and cash equivalents at beginning of year		**3,038,517**	130,073
Effect of foreign exchange rate changes, net		**(53,321)**	(26,804)
Cash and cash equivalents at end of year		**1,652,098**	3,038,517
Analysis of balances of cash and cash equivalents			
Cash and bank balances	22	**1,652,098**	3,038,517

The accompanying notes form an integral part of the consolidated financial statements.

Balance Sheet

	Notes	As at 31 December 2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**1,018,948**	473,577
Property and equipment	13	**576**	–
Total non-current assets		**1,019,524**	473,577
CURRENT ASSETS			
Amounts due from subsidiaries	19	**1,958,224**	1,148,684
Prepayments, deposits and other receivables	21	**839**	11,412
Cash and cash equivalents	22	**62,797**	1,652,663
Total current assets		**2,021,860**	2,812,759
CURRENT LIABILITIES			
Amounts due to subsidiaries	19	**116,828**	23,132
Other payables and accruals	25	**1,867**	16,056
Total current liabilities		**118,695**	39,188
NET CURRENT ASSETS		**1,903,165**	2,773,571
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,922,689**	3,247,148
Net assets		**2,922,689**	3,247,148
EQUITY			
Issued capital	28	**185,339**	190,808
Reserves	29	**2,737,350**	3,056,340
Total equity		**2,922,689**	3,247,148

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes form an integral part of the consolidated financial statements.

1. Corporate information

Zhong An Real Estate Limited (the "Company") is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In preparation for the listing of the Company on the Main Board of The Hong Kong Stock Exchange, the Company and its subsidiaries (the "Group") underwent a reorganisation (the "Reorganisation"), as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

- Prior to the commencement of the Reorganisation, Mr. Shi Kancheng (alias Shi Zhongan) ("Mr. Shi") directly held a 90% equity interest of Zhejiang Zhong'an Property Development Co., Ltd. ("Zhejiang Zhong'an") and Anhui Zhong'an Real Estate Co., Ltd. ("Anhui Zhong'an"), companies established in the People's Republic of China (the "PRC"). In addition, Mr. Shi wholly owned two overseas entities, namely, Ideal World Investments Limited ("Ideal World") and Zhong'an (Canada) Ltd. ("Canada Zhong'an").

- On 23 June 2006, pursuant to an agreement entered into between Mr. Shi and Qirui Enterprise Management (Hangzhou) Co., Ltd. ("Qirui"), a wholly-owned subsidiary of Ideal World, Mr. Shi transferred his 90% equity interest in Zhejiang Zhong'an to Qirui. As a result, Ideal World held a 90% equity interest of Zhejiang Zhong'an, and hence indirectly owned Zhejiang Zhong'an's subsidiaries.

- On 15 August 2006, Zhejiang Zhong'an acquired from Mr. Shi his 58.4% equity interest in Anhui Zhong'an. Thereafter, Anhui Zhong'an became a subsidiary of Zhejiang Zhong'an.

- On 12 March 2007, Ideal World acquired a 95% equity interest in Anhui Zhong'an Real Estate Development Co., Ltd. ("Anhui Zhong'an Property Development") from Canada Zhong'an. Afterwards, Ideal World became the immediate holding company of all other subsidiaries in the Group.

- Mr. Shi transferred 1,000,000 nil-paid shares of the Company to Whole Good Management Limited ("Whole Good"), an investment company wholly owned by Mr. Shi, at nil consideration on 17 October 2007.

- On 17 October 2007, the Company acquired the entire issued share capital of Ideal World from Mr. Shi in consideration of the allotment and issue of 1,000,000 new shares of HK$0.10 each of the Company, credited as fully paid, to Whole Good, by crediting the 1,000,000 existing nil-paid shares held by Whole Good as fully paid. Following this transfer, the Company became the ultimate holding company of the Group.

1. Corporate information (continued)

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the year are all located in Zhejiang and Anhui Provinces, the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi, Chairman and Chief Executive Officer of the Company.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a continuing basis as if the Reorganisation had been completed as at the beginning of the financial years presented. The acquisition of Ideal World and other subsidiaries pursuant to the Reorganisation was regarded as a business combination under common control, because the Company, Ideal World and other subsidiaries of the Company set out in note 19 are ultimately controlled by the same party, Mr. Shi, before and after the Reorganisation. The consolidated income statements, balance sheets, cash flow statements and statements of changes in equity of the companies now comprising the Group have been prepared as if the Reorganisation had been completed at the beginning of the financial years presented, or from the respective dates of establishment incorporation of the companies (where this is a shorter period), to the extent of interests held by the Company's shareholders.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. Except as described in the introduction paragraph of that note, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2.2 Impact of new and revised International Financial Reporting Standards

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

- IAS 39 and IFRS 7 Amendments — Amendments to IAS 39 – Financial instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures – Reclassification and Financial Assets
- IFRIC 11 — IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 — Service Concession Arrangements
- IFRIC 14 — IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2.2 Impact of new and revised International Financial Reporting Standards (continued)

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

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Group has no such transactions, this interpretation has no impact on the financial position as results of operations of the Group.

2.2 Impact of new and revised International Financial Reporting Standards (continued)

IFRIC 12 – Service Concession Arrangements

This interpretation applies to service concession operators and explains how to account for obligation undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 1 Employee Benefits. As the Group has no defined benefit scheme, this interpretation has had no impact on the financial position or results of operations of the Group.

2.3 Impact of issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRS and IFRIC interpretations, that have been issued but are not yet effective, in the consolidated financial statements.

• IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and *IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
• IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
• IFRS 3 (Revised)	Business Combinations [2]
• IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures* [1]
• IFRS 8	*Operating Segments* [1]
• IAS 1 (Revised)	*Presentation of Financial Statements* [1]
• IAS 23 (Revised)	*Borrowing Costs* [1]
• IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
• IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation and* IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments* and *Obligations Arising on Liquidation* [1]
• IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
• IFRIC – 9 and IAS 39 Amendments	Amendment to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* [2]

2.3 Impact of issued but not yet effective International Financial Reporting Standards (continued)

- IFRIC – 13 *Customer Loyalty Programmes* [3]
- IFRIC – 15 *Agreement for the Construction of Real Estate* [1]
- IFRIC – 16 *Hedges of a Net Investment in a Foreign Operation* [4]
- IFRIC – 17 *Distribution of Non-cash Assets to Owners* [2]
- IFRIC – 18 *Transfers of Assets from Customers* [2]

Apart from the above, the IASB has issued Improvements to IFRSs* primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for annual periods beginning on or after 1 January 2009, although there are separate transitional provisions for each standard.

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

* Improvements to IFRS contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures and the adoption of IFRS 3 (Revised), IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 Summary of significant accounting policies (continued)

Goodwill (continued)

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

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

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets other than goodwill (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

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

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 Summary of significant accounting policies (continued)

Property and equipment and depreciation

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

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

	Useful lives	Residual value
Properties	20 years	5% to10%
Machinery	10 years	5%
Office equipment	5 years	5%
Motor vehicles	5 years	5%

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

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

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

CIP represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs during the period of construction. CIP is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 Summary of significant accounting policies (continued)

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

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

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

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

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the balance sheet date are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the balance sheet date are classified as non-current assets.

Completed properties held for sale

Completed properties held for sale are stated in the balance sheet at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the selling price, less estimated costs to be incurred in selling the properties based on prevailing market conditions.

2.4 Summary of significant accounting policies (continued)

Operating leases

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

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

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Recognition of revenue" below.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statements, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognised in the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets (continued)

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

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

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

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

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

2.4 Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the income statement as incurred.

Income tax

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

Current tax is provided at rates applicable to entities in the Mainland China on the income for statutory financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Recognition of revenue

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to the purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectibility of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

Property leasing income derived from the leasing of the Group's investment properties is recognised on a time proportion basis over the lease terms.

2.4 Summary of significant accounting policies (continued)

Recognition of revenue (continued)

Property management fee income derived from the provision of property maintenance and management services is recognised upon the rendering of services.

Hotel operating income which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Borrowing costs

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

Dividends

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

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

The functional currencies of non-PRC established companies are currencies other than the RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of non-PRC established companies are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

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

Judgements

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

(i) Operating lease commitments – the Group as lessor

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

3. Significant accounting judgements and estimates (continued)

Judgements (continued)

(ii) Classification between investment properties and owner-occupied properties (continued)

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development whatever the properties are intended for sale and/or to be held to earn rentals and/or for capital appreciation after its completion. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

Estimation uncertainty

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

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(i) Estimation of fair value of investment properties

Investment properties were revalued as at 31 December 2008 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2008 was RMB1,146,500,000 (2007: RMB958,913,000).

(ii) Net realisable value of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(ii) Net realisable value of properties under development and completed properties held for sale (continued)

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 a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was RMB15,292,000 (2007: RMB63,928,000). More details are given in note 16.

(iv) PRC corporate income tax

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

(v) PRC land appreciation tax ("LAT")

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

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was RMB20,188,000 (2007: RMB21,738,000). The amount of unrecognised tax losses at 31 December 2008 was RMB10,008,000 (2007: RMB18,085,000). Further details are contained in note 18 to the financial statements.

(vii) Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have impact on the carrying value of the receivables and doubtful debt expenses/write-back of doubtful debt in the period in which such estimate is changed.

(viii) Useful lives and impairment of property and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property and equipment. This estimate is based on the historical experience of the actual useful lives of items of property and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor's actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involves the use of estimates.

4. Segment information

The Group's turnover and profit for the financial year ended 31 December 2008 were mainly derived from the property development business. The principal assets employed by the Group and the Group's property development projects are both located in Mainland China. Accordingly, no analysis by business or geographical segments is presented.

5. Revenue and other income

Revenue, which is also the Group's turnover, represents income from the sale of properties, property leasing income, property management fee income and hotel operating income during the year, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue and other income is as follows:

	2008 RMB'000	2007 RMB'000
Revenue		
Sale of properties	**1,444,392**	318,662
Property leasing income	**32,091**	11,002
Property management fee income	**9,242**	4,077
Hotel operating income	**49,507**	14,502
Less: Business tax and surcharges	**(97,391)**	(18,200)
	1,437,841	330,043
Other income		
Interest income	**54,709**	27,262
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	**–**	19,689
Dividend income from short-term investments	**–**	6,481
Government grants	**2,300**	3,794
Gain on foreign exchange differences	**–**	3,080
Gain on disposal of items of property and equipment	**–**	62
Others	**466**	293
	57,475	60,661

6. Finance costs

	2008 RMB'000	2007 RMB'000
Interest on bank loans	**66,968**	72,869
Interest on other loans	**3,396**	21,661
Total interest	**70,364**	94,530
Less: Interest capitalised in properties under development *	**(62,124)**	(57,306)
	8,240	37,224
* Average interest rate of borrowing costs capitalised	**7.88%**	7.33%

7. Profit before tax

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

	Notes	2008 RMB'000	2007 RMB'000
Cost of properties sold		**910,844**	165,701
Depreciation	13	**15,996**	5,627
Amortisation of land use rights	15	**11,296**	2,087
Goodwill impairment	16	**48,636**	–
Minimum lease payments under operating leases:			
– Office premises		**3,156**	3,094
Auditors' remuneration		**2,754**	1,972
Staff costs including directors' remuneration (note 8):			
– Salaries and other staff costs		**41,296**	21,332
– Pension scheme contributions [(1)]		**2,181**	1,330
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**928**	1,032
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	5	**–**	(19,689)
Gain on disposal of a subsidiary		**–**	(4)
Changes in fair value of investment properties	14	**(104,235)**	(405,776)

(1) Pension scheme contributions

As stipulated by the relevant PRC regulations, the Group participates in a defined pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average salary amount within the geographical area of their last employment at their retirement date. The Group is required to make contributions to the local social security bureau at rates raging from 15% to 24% of the standard salaries set by the local authorities annually. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above. The Group has no right to forfeit the contributions made by the Group on behalf of its employees.

8. Directors' and employees' remuneration

Directors' remuneration

	2008 RMB'000	2007 RMB'000
Fees	**300**	50
Other emoluments:		
Salaries, bonuses and allowances	**2,613**	1,366
Pension scheme contributions	**16**	12
	2,929	1,428

Details of the emoluments of the Directors of the Company are set out below:

2008

	Fee RMB'000	Salaries RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Allowances RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	840	238	4	2	1,084
Mr. Zhang Jiangang	–	385	109	4	2	500
Mr. Lou Yifei	–	385	109	4	2	500
Ms. Shen Tiaojuan	–	420	119	4	2	545
Total executive directors	–	2,030	575	16	8	2,629
Independent non-executive directors						
Professor Pei Ker Wei	100	–	–	–	–	100
Professor Wang Shuguang	50	–	–	–	–	50
Mr. Heng Kwoo Seng	150	–	–	–	–	150
Total independent non-executive directors	300	–	–	–	–	300
	300	2,030	575	16	8	2,929

8. Directors' and employees' remuneration (continued)

Directors' remuneration (continued)

Details of the emoluments of the Directors of the Company are set out below: (continued)

2007

	Fee RMB'000	Salaries RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Allowances RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	61	393	3	3	460
Mr. Zhang Jiangang	–	47	274	3	3	327
Mr. Lou Yifei	–	37	233	3	3	276
Ms. Shen Tiaojuan	–	47	262	3	3	315
Total executive directors	–	192	1,162	12	12	1,378
Independent non-executive directors						
Professor Pei Ker Wei	17	–	–	–	–	17
Professor Wang Shuguang	8	–	–	–	–	8
Mr. Heng Kwoo Seng	25	–	–	–	–	25
Total independent non-executive directors	50	–	–	–	–	50
	50	192	1,162	12	12	1,428

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2007: Nil).

8. Directors' and employees' remuneration (continued)

The five highest paid employees during the year included four (2007: two) Directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2007: three) non-director, highest paid employee during the year are as follows:

	2008 RMB'000	2007 RMB'000
Salaries, bonuses and allowances	**298**	1,172
Pension scheme contributions	**2**	13
	300	1,185

The emoluments of the non-director, highest paid employee fell within the range of nil to RMB1 million during the year.

During the year, 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.

9. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the financial year.

On 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved by the National People's Congress and became effective on 1 January 2008. Under the New CIT Law, the income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2007: 33%) on the assessable profits of the Group's subsidiaries in Mainland China.

9. Income tax (continued)

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of the state-owned prepaid land lease payments, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

	2008	2007
	RMB'000	RMB'000
Current tax:		
PRC corporate income tax for the year	**78,132**	29,434
PRC LAT for the year	**116,886**	36,198
Deferred tax:		
Relating to origination and reversal of temporary differences	**(35,158)**	(14,036)
Total tax charge for the year	**159,860**	51,596

9. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

		2008 RMB'000	2007 RMB'000
Profit before tax		**442,175**	485,068
Tax at the statutory tax rate of 25% (2007: 33%)		**110,544**	160,072
Effect of lower enacted tax rate used for the recognition of deferred tax		**–**	(12,553)
Lower tax rate for specific provinces or local authority		**(69)**	(793)
Expenses not deductible for tax		**12,714**	3,233
Effect of capitalisation of tax arising from transfer from properties under development to investment properties		**–**	(128,584)
Reversal of capitalised tax arising from transfer properties under development to investment properties	(a)	**(46,525)**	–
Tax losses utilised from previous periods		**(6,970)**	–
Tax losses not recognised		**2,502**	5,968
Provision for land appreciation tax		**116,886**	36,198
Tax effect on land appreciation tax		**(29,222)**	(11,945)
Tax charge at the Group's effective rate		**159,860**	51,596
Tax payable in the balance sheet represents:			
PRC corporate income tax		**32,656**	288,365
PRC land appreciation tax		**218,483**	104,918
		251,139	393,283

9. Income tax (continued)

(a) According to a notice No.[2006]31 issued by the State Administration of Tax, the PRC, in March 2006, a transfer from properties under development to investment properties by a property developer is considered as a deemed sale and is subject to corporate income tax upon transfer. Accordingly, the Group computed the tax arising from the transfer of properties under development to investment properties in 2007 based on the fair value and carrying amount of the properties at the point of transfer at the enacted tax rate of 33%. Relevant income tax amounting to RMB191,917,000 was capitalised as initial cost of investment properties upon transfer and included in tax payable as at 31 December 2007.

In October 2008, the State Administration of Tax, the PRC, issued a new notice No. [2008]828 regarding the type of transaction aforementioned which supersedes the notice No. [2006]31. According to the new notice, such transaction is not considered as a deemed sale and is no longer subject to corporate income tax any more. In addition, tax related to transactions incurred before 1 January 2008 which has not been settled after 1 January 2008 will not be required to settle. As the Group had not settled above tax payable till the issue of the new notice, tax payable amounting to RMB191,917,000 was reversed and deferred tax liability related to the fair value adjustment of the investment properties was recognised accordingly during the year. The effect of the lower enacted tax rate used for the recognition of the deferred tax liability amounting to RMB46,525,000 was credited to the income statement during the year.

10. Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of RMB17,388,000 (2007: a profit of RMB26,549,000) which has been dealt with in the financial statements of the Company (note 29).

11. Dividends

	2008 **RMB'000**	2007 RMB'000
Proposed final – RMB0.02 (2007: Nil) per ordinary share	**38,853**	–

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

12. Earnings per share attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of RMB253,986,000 (2007: RMB391,306,000) and the weighted average ordinary shares of 1,974,812,000 (2007: 1,528,408,000) in issue during the year after taking into account of the repurchase of shares as set out in note 28 during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2008 have not been presented as there were no diluting events during these years.

13. Property and equipment

Group

	Note	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost		12,590	1,408	20,010	16,281	210	50,499
Accumulated depreciation		(3,212)	(656)	(2,799)	(6,681)	–	(13,348)
Net carrying amount		9,378	752	17,211	9,600	210	37,151
At 1 January 2008, net of accumulated depreciation		9,378	752	17,211	9,600	210	37,151
Additions		1,508	9	2,746	4,627	486	9,376
Disposals		–	–	(1,515)	–	–	(1,515)
Depreciation provided during the year		(9,166)	(63)	(3,795)	(2,972)	–	(15,996)
Transfers		193	–	–	–	(193)	–
Transferred from properties under development	15	171,723	–	–	–	–	171,723
At 31 December 2008, net of accumulated depreciation		173,636	698	14,647	11,255	503	200,739
At 31 December 2008:							
Cost		186,014	1,417	21,187	20,908	503	230,029
Accumulated depreciation		(12,378)	(719)	(6,540)	(9,653)	–	(29,290)
Net carrying amount		173,636	698	14,647	11,255	503	200,739

13. Property and equipment (continued)

Group

	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007						
At 1 January 2007:						
Cost	12,086	1,403	3,908	12,219	–	29,616
Accumulated depreciation	(2,148)	(525)	(1,006)	(4,900)	–	(8,579)
Net carrying amount	9,938	878	2,902	7,319	–	21,037
At 1 January 2007, net of accumulated depreciation	9,938	878	2,902	7,319	–	21,037
Additions	504	5	16,037	5,911	210	22,667
Acquisition of a subsidiary	–	–	88	240	–	328
Disposals	–	–	(1)	(1,253)	–	(1,254)
Depreciation provided during the year	(1,064)	(131)	(1,815)	(2,617)	–	(5,627)
At 31 December 2007, net of accumulated depreciation	9,378	752	17,211	9,600	210	37,151
At 31 December 2007:						
Cost	12,590	1,408	20,010	16,281	210	50,499
Accumulated depreciation	(3,212)	(656)	(2,799)	(6,681)	–	(13,348)
Net carrying amount	9,378	752	17,211	9,600	210	37,151

13. Property and equipment (continued)

Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2008			
At 1 January 2007:			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 January 2007, net of accumulated depreciation	–	–	–
Additions	213	442	655
Depreciation provided during the year	(20)	(59)	(79)
At 31 December 2008, net of accumulated depreciation	193	383	576
At 31 December 2008:			
Cost	213	442	655
Accumulated depreciation	(20)	(59)	(79)
Net carrying amount	193	383	576

Certain of the Group's property and equipment with a net book value of approximately RMB163,872,000 (2007: Nil) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(v).

14. Investment properties

	2008 RMB'000	2007 RMB'000
At beginning of year	**958,913**	149,900
Additions	**216**	32,888
Transfer from properties under development (note 15)	**11,416**	178,432
Transfer from completed properties held for sale	**71,720**	–
Tax arising from investment properties transferred from properties under development	**–**	191,917
Gain from fair value adjustments	**104,235**	405,776
At end of year	**1,146,500**	958,913

(a) All investment properties of the Group were revalued at the end of the year by an independent professional qualified valuer, CB Richard Ellis Limited, at fair value. CB Richard Ellis Limited is an industry specialist in investment property valuation. The fair value represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and a seller in an arm's length transaction at the date of valuation, in accordance with the International Valuation Standards.

(b) The carrying amounts of the investment properties shown above that situated on the leasehold land in Mainland China are as follows:

	2008 RMB'000	2007 RMB'000
Leases of over 50 years	**–**	–
Leases of between 20 and 50 years	**1,146,500**	958,913
	1,146,500	958,913

14. Investment properties (continued)

(c) Investment properties leased out under operating leases

The Group leases out investment properties under operating lease arrangements. All leases run for a period of one to fifteen years, with an option to renew the leases after the expiry dates, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from investment properties are as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**37,092**	31,748
In the second to fifth years, inclusive	**127,349**	111,574
After five years	**57,879**	29,843
	222,320	173,165

(d) Certain of the Group's investment properties with a value of RMB1,134,900,000 (2007: RMB946,367,000) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(i).

15. Properties under development

	2008 RMB'000	2007 RMB'000
At beginning of year	**2,431,365**	1,175,003
Additions	**761,397**	1,019,449
Acquisition of a subsidiary (note 34)	**351,106**	487,000
Amortisation of land use rights recognised as expenses	**(11,296)**	(2,087)
Transfer to property and equipment (note 13)	**(171,723)**	–
Transfer to investment properties (note 14)	**(11,416)**	(178,432)
Transfer to completed properties held for sale	**(988,915)**	(69,568)
At end of year	**2,360,518**	2,431,365
Current assets	**1,326,318**	1,433,404
Non-current assets	**1,034,200**	997,961
	2,360,518	2,431,365

The Group's properties under development were located in Mainland China.

15. Properties under development (continued)

The carrying amounts of the properties under development situated on the leasehold land in Mainland China are as follows:

	2008 RMB'000	2007 RMB'000
Leases of over 50 years	**1,236,038**	1,639,113
Leases of between 20 and 50 years	**1,124,480**	792,252
	2,360,518	2,431,365

Certain of the Group's properties under development with a net book value of RMB153,798,000 (2007: RMB1,117,186,000) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(ii).

16. Goodwill

	RMB'000
Group	
At 31 December 2007:	
Cost	**63,928**
Accumulated impairment	**–**
Net carrying amount	**63,928**
Cost at 1 January 2008, net of accumulated impairment	**63,928**
Impairment during the year	**(48,636)**
Cost and carrying amount at 31 December 2008	**15,292**
At 31 December 2008:	
Cost	**63,928**
Accumulated impairment	**(48,636)**
Net carrying amount	**15,292**

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to a specific property development project cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, a cash flow projection is prepared for the specific property development project. The discount rate applied to the cash flow projections beyond a one-year period is 12%.

Key assumptions used in the value in use calculation

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue from the property development project	the selling price is estimated by management by reference to the average selling price of a similar property in the same area
Cost of construction	the cost of construction is estimated by the engineering department based on the projected cost to completion of the project
Discount rate	the discount rate used is after tax and reflect specific risks relating to property development project.

17. Available-for-sale investments

	2008 RMB'000	2007 RMB'000
Unlisted equity investment, at cost	3,300	–

The unlisted equity investments were stated at cost because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. In addition, the Directors are of the opinion that the underlying values of investments were not less than the carrying values of the investments as at 31 December 2008.

18. Deferred tax assets and liabilities

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

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000
At 1 January 2007	9,025
Acquisition of a subsidiary	7,067
Deferred tax credited to the income statement during the year	5,646
At 31 December 2007 and 1 January 2008	21,738
Deferred tax charged to the income statement during the year	(1,550)
At 31 December 2008	20,188

In accordance with the PRC laws and regulations, tax losses could be carried forward for five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group has tax losses arising in Hong Kong of RMB2,563,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB7,445,000 (2007: RMB1,081,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

18. Deferred tax assets and liabilities (continued)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Fair value adjustment of investment properties RMB'000	Total RMB'000
At 1 January 2007	(23,034)	(34,893)	(57,927)
Acquisition of a subsidiary	(22,327)	–	(22,327)
Deferred tax credited to the income statement during the year	5,584	2,806	8,390
At 31 December 2007 and 1 January 2008	(39,777)	(32,087)	(71,864)
Reversal of capitalised tax arising from transfer properties under development to investment properties	–	(191,917)	(191,917)
Deferred tax credited to the income statement during the year	16,825	19,883	36,708
At 31 December 2008	(22,952)	(204,121)	(227,073)

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB28,261,000 at 31 December 2008 (2007: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. Interests in subsidiaries

Company

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**100**	100
Loan to subsidiaries	**1,018,848**	473,477
	1,018,948	473,577

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,958,224,000 (2007: RMB1,148,684,000) and RMB116,828,000 (2007: RMB23,132,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2008	Percentage of equity interest attributable to the Group as at 31 December 2008	2007	Principal activities
Ideal World Investments Limited (4)	British Virgin Islands 6 November 2003	US$1	**100%**	100%	Investment holding
祺瑞企業管理(杭州)有限公司 Qirui Enterprise Management (Hangzhou) Co., Ltd. (1)	Mainland China 21 November 2005	US$29,800,000	**100%**	100%	Investment holding
浙江眾安房地產開發有限公司 Zhejiang Zhong'an Property Development Co., Ltd. (3)	Mainland China 26 December 1997	RMB100,000,000	**90%**	90%	Property development and leasing
安徽眾安房地產開發有限公司 Anhui Zhong'an Real Estate Development Co., Ltd. (2)	Mainland China 9 August 2001	US$5,000,000	**95%**	95%	Property development
安徽眾安實業有限公司 Anhui Zhong'an Real Estate Co., Ltd. (4)	Mainland China 17 January 2003	RMB57,000,000	**84.2%**	84.2%	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2008	Percentage of equity interest attributable to the Group as at 31 December 2008	2007	Principal activities
杭州白馬房地產開發有限公司 Hangzhou White Horse Property Development Co., Ltd. (3)	Mainland China 27 June 2002	RMB50,000,000	**90%**	90%	Property development
杭州多瑙河置業有限公司 Hangzhou Danube Real Estate Co., Ltd. (4)	Mainland China 7 March 2003	RMB50,000,000	**92.6%**	90%	Property development
上海眾安房地產開發有限公司 Shanghai Zhong'an Property Development Co., Ltd. (4)	Mainland China 19 January 2004	RMB10,000,000	**87.1%**	87.1%	Property leasing
浙江眾安房地蕭山開發有限公司 Zhejiang Zhong'an Property Development Xiaoshan Co., Ltd. (4)	Mainland China 3 April 1997	RMB2,000,000	**81%**	81%	Property leasing
杭州眾安恒隆商廈有限公司 Hangzhou Zhong'an Highlong Commercial Buildings Co., Ltd. (4)	Mainland China 20 September 2005	RMB2,000,000	**89.4%**	89.4%	Property management
杭州蕭山眾安物業管理有限公司 Hangzhou Xiaoshan Property Management Co., Ltd. (4)	Mainland China 18 November 1998	RMB3,000,000	**81.1%**	81.0%	Property management
恒利企業管理(杭州)有限公司 Henlly Enterprise Management (Hangzhou) Co., Ltd. (1)	Mainland China 4 December 2006	US$79,800,000	**100%**	100%	Property development
Huijun (International) Holdings Limited (4)	Hong Kong 4 March 2005	HK$100,000	**100%**	100%	Investment holding
浙江滙駿置業有限公司 Zhejiang Huijun Real Estate Co., Ltd. (1)	Mainland China 1 April 2005	US$77,600,000	**99.7%**	99.7%	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2008	Percentage of equity interest attributable to the Group as at 31 December 2008	2007	Principal activities
杭州滙駿信息技術有限公司 Hangzhou Huijun Information Technology Co., Ltd. (1)	Mainland China 5 December 2007	US$59,700,000	**100%**	100%	Consultation management
杭州駿杰投資管理有限公司 Hangzhou Jun Jie Investment Co., Ltd. (1)	Mainland China 4 December 2007	US$29,990,000	**100%**	100%	Investment management
杭州白馬物業管理服務有限公司 Hangzhou White Horse Property Management Co., Ltd. (3)	Mainland China 17 December 2007	RMB1,000,000	**99.7%**	100%	Property management
杭州蕭山眾安假日酒店有限公司 Hangzhou Xiaoshan Zhong An Holiday Inn Co., Ltd. (4)	Mainland China 28 May 2007	RMB10,000,000	**90%**	84.2%	Hotel management
China Bright Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Esteem High Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Everplus Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Gain Large Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Plenty Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
香港博凱建築設計有限公司 Hong Kong Bo Kai Construction Design Limited (4)	Hong Kong 26 February 2008	HK$1	**100%**	N/A	Construction design
香港匯源地產有限公司 Hong Kong Hui Yuan Real Estate Limited (4)	Hong Kong 26 February 2008	HK$1	**100%**	N/A	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment/ operation	Nominal value of registered capital as at 31 December 2008	Percentage of equity interest attributable to the Group as at 31 December 2008	2007	Principal activities
杭州正江房地產開發有限公司 Hangzhou Zheng Jiang Real Estate Development Co., Ltd. (a) [4]	Mainland China 16 March 2006	RMB20,000,000	**94.5%**	N/A	Property development
合肥眾安假日酒店有限公司 He Fei Zhong An Holiday Inn Co., Ltd. [3]	Mainland China 18 March 2008	RMB350,000,000	**100%**	N/A	Hotel management
匯駿建材物資貿易(杭州)有限公司 Hui Jun Construction Materials Trading (Hangzhou) Co., Ltd. [1]	Mainland China 16 July 2008	USD12,000,000	**100%**	N/A	Material trading
杭州匯宏投資管理有限公司 Hangzhou Hui Hong Investment Management Co., Ltd. [1]	Mainland China 29 February 2008	USD49,990,000	**100%**	N/A	Investment management
杭州德宏新型建材有限公司 Hangzhou De Hong New Construction Materials Manufacture Co., Ltd. [1]	Mainland China 1 February 2008	USD29,900,000	**100%**	N/A	Material manufacture

Notes:

N/A Not yet incorporated/established or acquired by the Group.

(a) This subsidiary was acquired by the Group in January 2008.

(b) Type of legal entities:

(1) Wholly foreign-owned enterprise;
(2) Sino-foreign equity joint venture;
(3) Limited liability company invested by foreign invested enterprise;
(4) Limited liability company.

20. Trade receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the year are neither past due nor impaired.

21. Prepayments, deposits and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due from other related parties	**8,292**	9,199	**–**	–
Prepayments				
– for land acquisition	**51,421**	54,878	**–**	–
– for acquisition of a subsidiary	**–**	163,600	**–**	–
– for projects	**1,888**	–	**–**	–
Advance to suppliers	**122,213**	71,806	**–**	–
Deposits				
– for acquisition of a subsidiary	**210,000**	210,000	**–**	–
– for land acquisition	**128,950**	–	**–**	–
– others	**14,633**	4,405	**–**	–
Tax recoverable	**25,570**	65,034	**–**	–
Other receivables	**114,841**	341,824	**839**	11,412
	677,808	920,746	**839**	11,412

The above balances are unsecured, interest-free and have no fixed terms of repayment. The fair values of the prepayments, deposits and other receivables at the end of these years approximate to their corresponding carrying amounts.

22. Cash and cash equivalents and pledged deposits

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,652,098**	3,038,517	**62,797**	1,652,663
Time deposits	**16,343**	196	**–**	–
	1,668,441	3,038,713	**62,797**	1,652,663
Less: Pledged deposits	**(16,343)**	(196)	**–**	–
Cash and cash equivalents	**1,652,098**	3,038,517	**62,797**	1,652,663

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2008, the deposits were pledged to banks as guarantees to construction safety and mortgage facilities granted to purchasers of the Group's properties. As at 31 December 2007, the deposits were pledged to banks for bills payable facilities granted to the Group as disclosed in note 24.

23. Trade payables

An ageing analysis of the trade payables as at the balance sheet date, based on the payment due dates, is as follows:

	2008	2007
	RMB'000	RMB'000
Within six months	**472,654**	394,101
Over six months but within one year	**2,803**	7,170
Over one year	**9,765**	4,884
	485,222	406,155

The above balances are unsecured and interest-free and are normally settled based on progress of construction. The fair values of the trade payables at the end of these years approximate to their corresponding carrying amounts.

24. Bills payable

The maturity profile of the Group's bills payable is as follows:

	2008 RMB'000	2007 RMB'000
Within six months	–	196

The bills payable was secured by way of pledge of the Group's deposits as disclosed in note 22.

25. Other payables and accruals

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Due to a Director	–	38	–	–
Deposits related to construction	28,991	20,955	–	–
Payables for acquisition of a subsidiary	203,114	210,372	–	–
Interest expenses accrued	6,080	8,114	–	–
Other payables	49,400	43,789	1,867	16,056
	287,585	283,268	1,867	16,056

Other payables are interest-free and repayable on demand. The fair values of other payables and accruals at the end of these financial years approximate to their corresponding carrying amounts.

26. Advances from customers

Advances from customers represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during these financial years.

27. Interest-bearing bank and other borrowings

	2008 RMB'000	2007 RMB'000
Group		
Current:		
Bank loans-secured	**142,117**	268,000
Other loans-unsecured	**–**	170,197
	142,117	438,197
Non-current:		
Bank loans-secured	**521,789**	854,716

	2008 RMB'000	2007 RMB'000
Repayable:		
Within one year or on demand	**142,117**	438,197
Over one year but within two years	**62,753**	90,900
Over two years but within five years	**217,330**	265,316
Over five years	**241,706**	498,500
	663,906	1,292,913
Current liabilities	**142,117**	438,197
Non-current liabilities	**521,789**	854,716

Except for certain short-term bank loans and other loans respectively amounting to RMB5,000,000 (2007: RMB183,000,000) and nil (2007: RMB170,197,000), bore interest at fixed rates, all bank loans bore interest at floating rates.

The Group's bank loans bore interest at rates ranging from 5.31% to 8.61% per annum (2007: 6.19% to 8.21% per annum). The Group's other loans bore interest at 5.75% per annum (2007: 5.75% per annum) which had all been settled in 2008.

As at 31 December 2008, all bank loans of the Group were in Renminbi. As at 31 December 2007, except for the unsecured other loans and certain secured bank loans aggregating to US$33,000,000 (equivalent to RMB240,316,000) which were denominated in United States dollars, all borrowings were in Renminbi.

27. Interest-bearing bank and other borrowings (continued)

The Group's bank and other loans are secured by:

(i) the Group's investment properties with a value of approximately RMB1,134,900,000 (2007: RMB946,367,000) for bank loans (note 14);

(ii) the Group's properties under development amounting to approximately RMB153,798,000 (2007: RMB1,117,186,000) for bank loans (note 15);

(iii) the Group's completed properties held for sale amounting to approximately RMB22,689,000 for bank loans as at 31 December 2007;

(iv) a guarantee provided by Mr. Shi for other loans of RMB170,197,000 as at 31 December 2007; and

(v) the Group's property and equipment with a net book value of approximately RMB163,872,000 (2007: Nil) were pledged for bank loans (note 13)

The fair values of the interest-bearing bank loans and other borrowings at the end of these years approximate to their corresponding carrying amounts.

28. Share capital

Shares

	2008 **'000**	2007 '000
Authorised: 4,000,000,000 (2007: 4,000,000,000) ordinary shares of HK$0.10 each	**HK$400,000**	HK$400,000
Issued and fully paid: 1,942,672,000 (2007: 2,000,000,000) ordinary shares of HK$0.10 each	**RMB185,339**	RMB190,808

28. Share capital (continued)

(a) Issued capital

During the year, the Company repurchased 57,328,000 of its own shares on the Stock Exchange of Hong Kong.

The purchased shares were cancelled during the year and the issued capital of the Company was reduced by the par value thereof. The premium paid on the purchase of the shares has been charged to the share premium of the Company accordingly.

The purchase of the Company's shares during the year was pursuant to the repurchase mandate granted by the shareholders to the Directors at the last annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(b) Share premium

The share premium of the Company represents the excess of ordinary shares paid by the shareholders over the nominal value.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is detailed in the consolidated statement of changes in equity.

29. Reserves

Group

(a) Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor. Prior to the incorporation of the Company, the contributed surplus represents the aggregate of the normal value of the paid-up capital of the subsidiaries of the Group.

(b) Capital reserve

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

29. Reserves (continued)

Group (continued)

(c) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the PRC group companies, the subsidiaries of the Group that are domiciled in Mainland China are required to allocate 10% of their profit after tax, as determined in accordance with PRC Accounting Regulations to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of their respective registered capital.

In addition, certain of the PRC group companies are foreign investment enterprises which are not subject to the SSR allocation. According to the relevant PRC regulations applicable to foreign investment enterprises, these subsidiaries are required to allocate certain portion (not less than 10%) of its profit after tax in accordance with PRC Accounting Regulations to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

The SSR and the SRF are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

Company

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2007	–	–	–	–
Profit for the year	–	–	26,549	26,549
Issue of shares	3,403,547	–	–	3,403,547
Share issue expenses	(170,428)	–	–	(170,428)
Capitalisation issue	(139,003)	–	–	(139,003)
Exchange realignment	–	(64,325)	–	(64,325)
At 31 December 2007	3,094,116	(64,325)	26,549	3,056,340
Loss for the year	–	–	(17,388)	(17,388)
Repurchase and cancellation of shares	(117,295)	–	–	(117,295)
Exchange realignment	–	(184,307)	–	(184,307)
At 31 December 2008	**2,976,821**	**(248,632)**	**9,161**	**2,737,350**

30. Related party transactions

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Amounts of loan interest charged by Directors during the years ended 31 December 2007 and 2008 are set out as below:

	2008 **RMB'000**	2007 RMB'000
Mr. Zhang Jiangang	**–**	60
Mr. Lou Yifei	**–**	6
Ms. Shen Tiaojuan	**–**	384
	–	450

The interests on loans from Directors were charged at an interest rate of 12% per annum.

(b) Remunerations of key management personnel of the Group which comprises Directors and key employees of the Group has been disclosed in note 8.

(c) As disclosed in notes 21 and 25, the Group had balances due from other related parties at the end of the years ended 31 December 2007 and 2008, and had no balance due to a Director for the year ended 31 December 2008 (2007: RMB38,000). All the balances due from/to a Director and other related parties were arising from non-trade activities, unsecured, interest-free and repayable on demand.

31. Commitments

The Group had the following commitments for property development expenditure at the balance sheet date:

	2008 **RMB'000**	2007 RMB'000
Contracted, but not provided for:		
Properties under development	**568,744**	437,493

32. Operating lease commitments

As lessor

The Group leases out its investment properties and certain completed properties for sale under operating lease arrangements, on terms ranging from one to fifteen years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

As at the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	38,131	32,854
After one year but not more than five years	128,176	113,230
More than five years	57,879	29,843
	224,186	175,927

As lessee

The Group leases certain of its office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

As at the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	4,580	2,396
After one year but not more than five years	10,711	4,399
More than five years	34,488	–
	49,779	6,795

33. Contingent liabilities

	2008	2007
	RMB'000	RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**116,295**	523,015

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial years in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

34. Acquisition of a subsidiary

In January 2008, the Group acquired a 100% equity interest of Hangzhou Zheng Jiang Real Estate Development Co., Ltd. ("Zheng Jiang") from an independent third party at a total cash consideration of RMB370,360,000. Before the acquisition, Zheng Jiang had no business activities. The sole purpose of the acquisition was to acquire a piece of vacant land owned by Zheng Jiang.

The fair values of the identifiable assets and liabilities of Zheng Jiang as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Note	**Fair value recognised on acquisition** RMB'000	**Previous carrying amount** RMB'000
Net assets acquired:			
Properties under development	15	351,106	120,000
Cash and cash equivalents		10,000	10,000
		361,106	130,000
Satisfied by:			
Prepayments, deposits and other receivables		163,600	
Cash		197,506	
		361,106	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	As at the acquisition date RMB'000
Cash consideration paid	(197,506)
Cash and cash equivalents acquired	10,000
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(187,506)

From the date of the acquisition, Zheng Jiang's results have had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2008.

35. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 **Group**

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	3,300	3,300
Trade receivables	10,857	–	10,857
Financial assets included in prepayments, deposits and other receivables	476,716	–	476,716
Pledged deposits	16,343	–	16,343
Cash and cash equivalents	1,652,098	–	1,652,098
	2,156,014	3,300	2,159,314

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	485,222
Financial liabilities included in other payables and accruals	287,585
Interest-bearing bank and other borrowings	663,906
	1,436,713

35. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2007 Group

Financial assets

	Loans and receivables RMB'000
Financial assets included in prepayments, deposits and other receivables	565,428
Pledged deposits	196
Cash and cash equivalents	3,038,517
	3,604,141

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	406,351
Financial liabilities included in other payables and accruals	283,268
Interest-bearing bank and other borrowings	1,292,913
	1,982,532

35. Financial instruments by category (continued)

Company

Financial assets

	2008 Loans and receivables RMB'000	2007 Loans and receivables RMB'000
Interests in subsidiaries	**1,018,848**	473,477
Financial assets included in prepayments, deposits and other receivables	**839**	11,412
Amounts due from subsidiaries	**1,958,224**	1,148,684
Cash and cash equivalents	**62,797**	1,652,663
	3,040,708	3,286,236

Financial Liabilities

	2008 Financial liabilities at amortised cost RMB'000	2007 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**1,867**	16,056
Amounts due to subsidiaries	**116,828**	23,132
	118,695	39,188

36. Financial risk management objectives and policies

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2008		
RMB	**50**	**(2,368)**
RMB	**(50)**	**2,368**
2007		
RMB	50	(3,161)
United states dollar	50	(777)
RMB	(50)	3,161
United states dollar	(50)	777

36. Financial risk management objectives and policies (continued)

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for the United States Dollar bank loan as disclosed in note 27 and certain bank balances denominated in Hong Kong Dollars ("HK$") and United States Dollars ("US$"). The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
2008		
If HK$ weakens against US$	**5**	**(953)**
If HK$ strengthens against US$	**5**	**953**
If RMB weakens against US$	**5**	**4**
If RMB strengthens against US$	**5**	**(4)**
2007		
If HK$ weakens against US$	5	73,626
If HK$ strengthens against US$	5	(73,626)
If RMB weakens against US$	5	(12,053)
If RMB strengthens against US$	5	12,053

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with overseas banks and state-owned banks in Mainland China. The carrying amounts of the other receivables, pledged deposits and cash and cash equivalents included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its property units and has provided guarantees to secure the obligations of such purchasers for repayments. Detailed disclosures of these guarantees are made in note 33.

36. Financial risk management objectives and policies (continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. 21% of the Group's debts would mature in less than one year as at 31 December 2008 (2007: 34%) based on the carrying values of borrowings reflected in the financial statements.

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

Group

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	142,117	280,083	241,706	663,906
Trade payables	485,222	–	–	–	–	485,222
Other payables and accruals	287,585	–	–	–	–	287,585
	772,807	–	142,117	280,083	241,706	1,436,713

	2007					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	170,197	–	268,000	356,216	498,500	1,292,913
Trade and bills payables	406,155	–	196	–	–	406,351
Other payables and accruals	283,268	–	–	–	–	283,268
	859,620	–	268,196	356,216	498,500	1,982,532

36. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

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

Company

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	**116,828**	**–**	**–**	**–**	**–**	**116,828**
Other payables and accruals	**1,867**	**–**	**–**	**–**	**–**	**1,867**
	118,695	**–**	**–**	**–**	**–**	**118,695**

	2007					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	23,132	–	–	–	–	23,132
Other payables and accruals	16,056	–	–	–	–	16,056
	39,188	–	–	–	–	39,188

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

36. Financial risk management objectives and policies (continued)

(e) Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payable and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 RMB'000	2007 RMB'000
Interest-bearing bank and other borrowings (note 27)	**663,906**	1,292,913
Trade and bills payables	**485,222**	406,351
Other payables and accruals	**287,585**	283,268
Less: Cash and cash equivalents	**(1,652,098)**	(3,038,517)
Net debt	**(215,385)**	(1,055,985)
Equity attributable to equity holders of the Company	**3,931,879**	3,854,293
Capital and net debt	**3,716,494**	2,798,308
Gearing ratio	**(6%)**	(38%)

37. Comparative amounts

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

38. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2009.

Properties Held for Investment

As at 31 December 2008

	Address	Existing use at 31 December 2008	Lease term of land
1.	Basement 1 to Level 9 and Level 11 to Level 15, Guomao Building, No. 93 Shixin Road, Chengxiang Town, Xiaohan District, Hangzhou City, Zhejiang Province, the PRC	Shops, staff quarters and portion of it is vacant	Medium (Note)
2.	A retail shop unit on L1, Shanghai La Vie, No. 433 Chang Le Road, Xuhui District, Shanghai City, the PRC	Shop	Medium
3.	Portion of Level 1, the whole of Level 2 to Level 4, Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Shops and portion of it is vacant	Medium
4.	L1-L5, the completed retail portion in Highlong Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Shops and portion of it is vacant	Medium
5.	The completed office tower in High Long Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Office	Medium

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

Properties Held for Development and/or Sale

31 December 2008

	Address	Status of completion as at December 31, 2008 (if the property is still under construction)	Expected completion date	Use as at December 31, 2008	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
A.	**Completed properties**							
1.	Guotai Garden, Jinji Road and Jinhui Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		86,091	178,812		90%
	– Apartment units			Properties held for sale			1,063	
	– Retail shop units			Properties held for sale			875	
2.	Landscape Garden, Panshui Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		87,333	155,942		90%
	– Townhouse units			Properties held for sale			662	
	– Retail shop units			Properties held for sale			4,495	
3.	Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		2,979	11,131		90%
	– Retail shop units			Properties held for sale			6,297	
4.	Yipeng Building Material Market, Qinpeng Road, Yipeng Town, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		24,800	29,309		90%
	– Retail shop units			Properties held for sale			1,790	
5.	Zhong'an Garden, East Xiaoran Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC		Completed		17,788	46,404		90%
	– Apartment units			Properties held for sale			533	
	– Retail shop units			Properties held for sale			1,732	
6.	Phase 1 and South Section of Phase 2, Vancouver City, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC		Completed		348,248	268,859		95%
	– Apartment units			Properties held for sale			3,878	
	– Townhouse units			Properties held for sale			3,548	
	– Retail shop units			Properties held for sale			29,890	

Properties Held for Development and/or Sale

31 December 2008

	Address	Status of completion as at December 31, 2008 (if the property is still under construction)	Expected completion date	Use as at December 31, 2008	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
7.	Highlong Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC				30,933	64,107		90%
	– Level 1 to Level 5 of Shopping Center		Completed	Properties held for leasing			13,261	
	– Serviced apartments		Completed	Properties held for leasing			22,593	
8.	New White Horse Apartment, Gongren Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC				62,800	221,947		90%
	– Apartment units		Completed	Properties held for sale			4,768	
9.	Vancouver City, Phase 2 – North Section, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC		Completed	Properties held for sale	84,330	73,600		95%
	– Low-rise apartment units						11,856	
	– Villas						3,000	
	– Retail shop units						9,000	
10.	Green Harbour, Phase 1A, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC		Completed	Properties held for sale	110,000	57,600		84.15%
	– Townhouse units						56,406	
11.	White Horse Noble Mansion, Xihu District, Hangzhou City, Zhejiang Province, the PRC				73,514 (note)	168,657		99.7%
	– Townhouse units in Phase A		Completed	Properties held for sale			14,610	

31 December 2008

	Address	Status of completion as at December 31, 2008 (if the property is still under construction)	Expected completion date	Use as at December 31, 2008	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
B.	**Properties held for development**							
12.	White Horse Noble Mansion, Xihu District, Hangzhou City, Zhejiang Province, the PRC	Main structure under construction	December 2009	Under construction	73,514 (note)	168,657		99.7%
	– Phase B						109,107	
13.	A piece of land at Landscape Bay, Ning Wei Town, Hangzhou City, the PRC	Expected to commence construction in April to June 2009	December 2010 to October 2011	Vacant pending development	215,334	324,339		92.6%
	Phase 1						174,547	
	Phase 2						73,683	
14.	名企廣場 (Corporate Square)*, Wenyan, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Expected to commence construction in April to June 2009	December 2010	Vacant pending development	87,130	245,000	202,000	94.5%
15.	A piece of land at Huifeng Plaza, Yucai Road, Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC	Expected to commence construction in June 2010	December 2012	Vacant pending development	13,900	69,545	28,991	90%
16.	Green Harbour Phase 1B & C, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC			Under construction	124,327	92,000		84.15%
	Phase 1B	Main structure under construction	December 2009	Under construction			46,000	
	Phase 1C	Expected to commence construction in December 2010	December 2010	Vacant pending development			38,000	
17.	Green Harbour Phase 2, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC	Expected to commence construction in October 2010	October 2012	Vacant pending development	269,000	128,200	87,300	84.15%

* For identification only

31 December 2008

	Address	Status of completion as at December 31, 2008 (if the property is still under construction)	Expected completion date	Use as at December 31, 2008	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
18.	Green Harbour Phase 3-6, Yixing Town, Baohe District, Hefei City, An'hui Province, the PRC			Vacant pending development	1,438,050	555,300		84.15%
	Phase 3	Expected to commence construction in March 2010	October 2011				190,600	
	Phase 4	Expected to commence construction in May 2011	October 2012				170,000	
	Phase 5	Expected to commence construction in March 2012	October 2013				98,000	
	Phase 6	Expected to commence construction in June 2012	October 2013				83,900	
19.	Vancouver City Phase 3A-3D, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC				413,600	534,036		95%
	– Phase 3A	Foundation works in progress	June 2010	Under construction			125,590	
	– Phase 3B	Expected to commence construction in June 2009	September 2011	Vacant pending development			120,110	
	– Phase 3C	Expected to commence construction in June 2010	September 2011	Vacant pending development			123,300	
	– Phase 3D	Expected to commence construction in March 2010	September 2011	Vacant pending development			122,300	
20.	Vancouver City Phase 4, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in June 2010	June 2012	Vacant pending development	306,020	334,560	324,000	95%
21.	Vancouver City Phase 5, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in August 2009	June 2012	Vacant pending development	466,935	348,570	338,000	95%

Properties Held for Development and/or Sale

31 December 2008

	Address	Status of completion as at December 31, 2008 (if the property is still under construction)	Expected completion date	Use as at December 31, 2008	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
22.	Vancouver City Phase 6, Renmin Road and Gongren Road, Huaibei City, An'hui Province, the PRC	Expected to commence construction in February 2011	October 2014	Vacant pending development	216,620	237,920	228,000	95%
23.	Reserved land for Phase A, International Office Centre, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC				92,610	843,400		100%
	Phase A1	Expected to commence construction in August 2011	October 2014	Vacant pending development			307,500	
	Phase A2	Expected to commence construction in August 2010	October 2012	Vacant pending development			158,900	
	Phase A3	Expected to commence construction in September 2009	June 2012	Vacant pending development			227,900	
24.	Reserved land for Phase B & C, International Office Centre, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in August 2011	October 2014	Vacant pending development	204,056	1,444,000	1,018,400	100%

Note: Items No. 11 and 12 are located on same site with a total GFA of 168,657 sq.m..

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

Results

	Year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,437,841**	330,043	672,733	207,568	270,172
Profit before tax	**442,175**	485,068	203,076	84,792	89,366
Income Tax	**(159,860)**	(51,596)	(112,501)	(41,047)	(45,244)
Profit for the year	**282,315**	433,472	90,575	43,745	44,122
Attributable to:					
Equity holders of the Company	**253,986**	391,306	81,966	38,803	39,042
Minority interests	**28,329**	42,166	8,609	4,942	5,080
	282,315	433,472	90,575	43,745	44,122

Assets, Liabilities and Minority Interests

	31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**6,326,363**	7,685,374	2,179,323	2,066,915	1,159,404
Total Liabilities	**(2,283,911)**	(3,749,400)	(1,931,741)	(1,836,008)	(991,191)
Minority Interests	**(110,573)**	(81,681)	(46,155)	(39,648)	(15,757)
	3,931,879	3,854,293	201,427	191,259	152,456