中國奧園地產集團股份有限公司

China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)

HKEx Stock Code: 3883

ideal life, yours & mine

Annual Report 2008

Group Introduction

China Aoyuan Property Group Limited ("China Aoyuan" or the "Company") and its subsidiaries (the "Group") have been developing real estate market for over ten years with innovative idea of composite property, bringing the concept of healthy living from sports into residential communities. Later, the Group introduced the Cathay Capital Group, a US investment fund, as one of its substantial shareholders, and the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2007 (Stock Code: 3883), which opened the door to the international capital market and represented a new stage of China Aoyuan. The real estate projects currently held by the Group are mainly located in Guangdong Province (including Panyu, Nansha and Qingyuan); the others are located in Chongqing, Shenyang, Guangxi and Jiangxi, etc.

The Group launched a new company logo in 2008 which symbolised to further expand the concept of composite property into "Ideal Life, Yours and Mine" to meet customers' demand for higher living standard, and integrate the essence of life into living environment to enable everyone to enjoy a comfortable, healthy, harmonious and ideal life at home.

Contents

Corporate Information

Directors

Executive Directors

Mr. Guo Zi Wen *(chairman and chief executive officer)*
Mr. Wu Jie Si *(vice chairman)*
Mr. Guo Zi Ning *(executive vice president)*
(Mr. Guo is also the alternate Director of Mr. He Jian Bing)
Mr. Zheng Jian Jun
Mr. Hu Da Wei

Non-executive Directors

Mr. Paul Steven Wolansky *(vice chairman)*
Mr. Leung Ping Chung, Hermann
(Mr. Leung is also the alternate Director of Mr. Paul Steven Wolansky)
Mr. He Jian Bing

Independent non-executive Directors

Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in the PRC

Nanguo Aoyuan
Hanxi Road
Zhong Cun Town
Panyu
PRC

Place of Business in Hong Kong

Room 5105, 51/F, The Center
99 Queen's Road Central
Hong Kong

Website

http://aoyuan.com.cn

Company Secretary

Mr. Lam Kam Tong

Authorized Representatives

Mr. Guo Zi Wen
Mr. Guo Zi Ning

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Nomination Committee

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

Compliance Adviser

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Financial Highlights

Results Highlights

For the year ended 31 December
(RMB'000)

	2008	2007
Turnover *(note 1)*	**619,941**	2,501,397
Gross profit *(note 1)*	**22,777**	1,324,411
Net (loss) profit	**(57,465)**	602,371
Attributable to:		
– Equity holders of the Company	**(57,153)**	602,401
– Minority interests	**(312)**	(30)
(Loss) earnings per share (cents)		
– Basic	**(2.54)**	36.04
– Diluted	**(6.28)**	30.40

2008 Revenue Analysis

(RMB'000)

	2008	2007
Property development *(note 2)*	**609,015**	2,488,270
Property investment	**9,525**	8,469
Others	**1,401**	4,658
Total	**619,941**	2,501,397

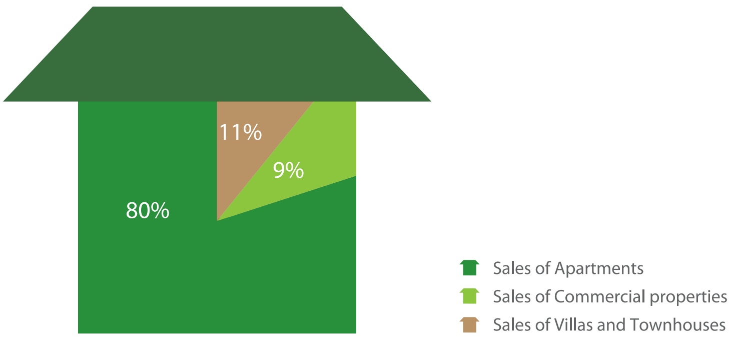
Note 1: Revenue and Gross profit for 2008 before netting off sales return was approximately RMB1,125,156,000 and RMB265,643,000 respectively.

Note 2: Property development for 2008 before netting off sales return was approximately RMB1,114,230,000.

2008 Sales of property analysis

(RMB'000)

	2008	2007
Sales of Commercial properties	**99,126**	788,166
Sales of Apartments	**893,483**	1,210,787
Sales of Villas and Townhouses	**121,621**	489,316
Total *(note 1)*	**1,114,230**	2,488,269



As at 31 December

(RMB'000)

	2008	2007
Total assets	**8,348,410**	8,240,712
Total liabilities	**3,459,025**	3,196,606
Total equity	**4,889,385**	5,044,106

Note 1: Sales before netting off sales return.

Year in Review

February 2008

Successfully bid a parcel of land in the central area of the new district in Qingyuan City, Guangdong Province, and the land reserve in Qingyuan increased to a total GFA of approximately 1,641,500 sq.m.

April 2008

Announced the first audited consolidated results after listing, and held an investor road show presentation and a press conference in Hong Kong.

May 2008

Donated more than RMB3 million for the Wenchuan earthquake-stricken area in Sichuan Province.

May 2008

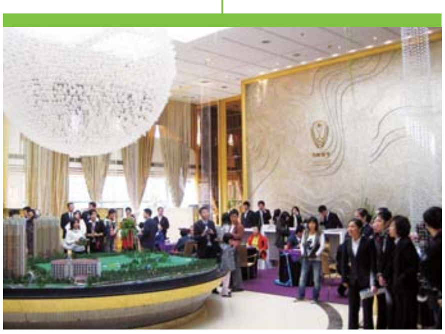
Nanguo Aoyuan — Green No. 1 was officially launched.

June 2008

Chongqing Aoyuan • City of Health was launched with grand opening.

June 2008

Held the first annual general meeting after listing in Hong Kong, and distributed a final dividend of RMB5.5 cents per share.



July 2008

Invited renowned Mr. Wu Jie Si, who holds a Doctorate degree in Economics, to join as an executive Director of the Company and a vice chairman of the Board, to facilitate further business expansion of the Group by leveraging on his extensive experience in banking and administrative management as well as broad network.

September 2008

The Love Crystal group, smaller apartments with a theme of love in Panyu Aoyuan, was officially launched.

October 2008

Yulin Aoyuan • City of Health was launched with grand opening.

October 2008

Held a press conference to initiate the new brand image of the Company, where a new company logo and new development strategy were announced.

November 2008

Green No. 8, Phase Two of the Green group in Nanguo Aoyuan, was launched with grand opening.

December 2008

Jianguo Community, Phase Two of Chongqing Aoyuan • City of Health, was launched.

Honors and Awards

The 7th Top 20 Guangdong Property Enterprises with High Credit 2008

Awarded to Aoyuan Group Company Limited

Issued by Industrial and Commercial Bank of China Limited — Guangdong Branch, Agricultural Bank of China — Guangdong Branch, Bank of China Limited — Guangdong Branch, China Construction Bank Corporation — Guangdong Branch, China Minsheng Banking Corp., Ltd. — Property Finance Department, People's Daily Online

Thirtieth Anniversary of China's Reform and Opening Up Meritorious Award — Top 30 Residential Construction of Guangdong

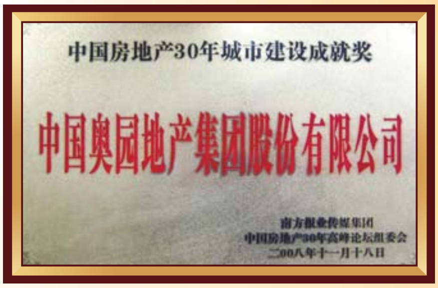
Awarded to Aoyuan Group Company Limited

Issued by Yangcheng Evening News (Group), Guangdong Real Estate Chamber of Commerce

Top 20 Most Competitive Guangdong Real Estate Enterprises 2008

Awarded to Aoyuan Group Company Limited

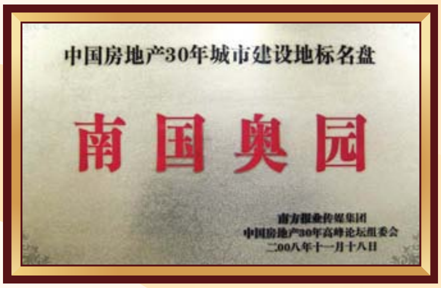
Issued by Enterprise Management and Decision Science Institution of Guangdong Academy of Social Sciences (廣東省社會科學院企業管理與決策科學研究所), Guangdong Local Situations Research Centre (廣東省省情調查研究中心)



30 Years of China's Real Estate Industry — City Construction Achievement Award

Awarded to Aoyuan Group Company Limited

Issued by Nanfang Daily Press Group, Summit Forum Organizing Committee of 30 Years of China's Real Estate Industry (中國房地產30年高峰論壇組委會)



30 Years of China's Real Estate Industry — City Construction Landmark Property Award

Awarded to Nanguo Aoyuan

Issued by Nanfang Daily Press Group, Summit Forum Organizing Committee of 30 Years of China's Real Estate Industry

"2008 Zhan Tianyou Awards Outstanding Residential Community Election — Chongqing Project Planning and Designing Award",

"2008 Zhan Tianyou Awards Outstanding Residential Community Election — Chongqing Outstanding Science and Technology Award"

Awarded to Chongqing Aoyuan • City of Health

Issued by Chongqing City Construction Comprehensive Exploitation Association (重慶城市建設綜合開發協會)

Chairman's Statement

Mr. Guo Zi Wen
Chairman

Dear shareholders,

On behalf of the Board of Directors of the Company, I am pleased to present the annual results of the Group for the year ended 31 December 2008.

It was a year with extremely complicated and ever changing economic situations in 2008. Under the influence of negative factors such as tight austerity measures and the global financial crisis, the real estate markets in large and medium sized PRC cities were generally experiencing a downward adjustment. Property prices were falling, sales volume was contracting and the will to purchase properties was continuously declining. The wait-and-see sentiment was also getting even stronger as confidence indices declined. All of these have completely shifted the market from a seller's market to a buyer's market. In view of such market changes, the management of the Group has adjusted its operating targets and operating strategies in timely manner during the year. Keeping a clear mind, the management proactively responded to the market changes, and has formulated a strategy of *"Maintaining a state of surpluses and financial stability, Adopting a 'Cash is King' strategy, Planning production according to sales, and Scurrying with small steps"*, successfully avoided exposures to high land prices, and maintained adequate cash flows. In the mean time, the Group has also been improving the corporate management and optimizing the structure of human resources, and formulated a performance reviewing policy of *"Reducing costs, Promoting sales and Creating outstanding works"*. With a series of reform, the management has laid a solid foundation for our development in 2009.

During the year of 2008, the Group has also won numerous awards, including "2008 Influential Property Enterprise Brands in China" *(影響中國的房地產名牌企業), "*2008 China Enterprise with Strongest Brand Power In The Industry" *(中國名企之最具行業品牌力企業), "*Thirtieth Anniversary of China's Reform and Opening Up Meritorious Award — Top 30 Residential Construction of Guangdong" *(*改革開放30年•廣東住宅建設30強), "Famous Brand of Guangdong Province" *(廣東省著名商標), and "*Top 20 Guangdong Property Enterprises with High Credit" *(*廣東地產資信20強*),* which was acknowledged by financial institutions including the four major state-owned commercial banks, for seven consecutive years, etc.

A series of regulation and control measures launched by the Chinese government have been successful, and a number of rescue packages have already taking effect. The Chinese government continues to scale up its support to real estate companies, introducing favorable policies for property development, construction, trading and holding as well as in respect of credit financing and others. For example, the government implemented "The 15 Opinions of Guangdong" (*Opinions on Promoting the Stable and Healthy Development of the Real Estate Market of the Province* 《關於促進我省房地產市場平穩健康發展的若干意見》), which, among others, extends the period for payment of land premium, allows payment of land appreciation tax in installments, and provides credit support.

Finally, on behalf of the Board of Directors, I would like to express my sincere appreciation for the consistent confidence in and support for the Group from our shareholders, investors, business partners, customers and others who devote attention to the affairs of the Group. I would also like to thank our Directors of the Board and our employees for their hard-working, admirable work ethic and professional performance.

Chairman and CEO
Guo Zi Wen

24 April 2009

Management Discussion and Analysis

China Property Market

The implementation of the austerity measures by the Chinese Government in the last quarter of 2007, which aimed to regulate the demand and supply as well as to cool down the overheated property market, creates uncertainties in the China property market in 2008. In the short run, the austerity measures have impact, which varies from city to city, on the property market such as softening of property prices. Under the austerity measures, the China property market is undergoing a consolidation period and moving towards a healthy operating environment in the long run.

Facing a fast growing market and the austerity measures implemented by the government, the Group believes that there are still several fundamental factors underpinning the development of the real estate market in China, and only those market players with strong brand name, operational expertise and financial strengths can survive and prosper in the long run. As one of the leading real estate developers, the Group responses swiftly to the market changes, adjusts its strategic plan under current market conditions, and implements a series of scientific management measures to further improve its core competitiveness. We are confident that it is well positioned to take advantage of the current market condition and will explore strategic opportunities in industry consolidation.

Business Review

After successfully implemented our development strategy nationwide in 2007, we have achieved a remarkable performance in Guangdong Province and Chongqing City in 2008.

Guangdong Province remains an important market of the Group, where approximately 58.0% of the total sales in 2008 were derived therefrom. The market responded favorably to the new units launched in Green No. 1 and Green No. 8 which are parts of the Nanguo Aoyuan project and over RMB423.2 million was sold in 2008.

Chongqing is one of the Group's strategic area in 2008. The Chongqing Aoyuan • City of Health began its pre-sale in June 2008 and results were remarkable with over 80,000 sq.m. in terms of gross floor area ("GFA") with a value of approximately RMB301.7 million were sold in the first month. Total saleable area of Chongqing Aoyuan • City of Health is over 500,000 sq.m. We are confident that Chongqing Aoyuan • City of Health will make significant contributions to the sales of the Group in the coming years.

In May 2008, the Group entered into a shareholders' agreement with MGP Asia III Holdings (BVI) Limited, pursuant to which both parties agreed to jointly develop a commercial property project in Panyu.

To enhance the Group's management and financing capabilities, we added new senior management to the Group in 2008. The Group has completed a re-engineering with the objective to enhance the operation efficiency.

Our project development is driven by sales and demand in the market in order to maintain a healthy cash flow. In 2008, approximately 354,400 sq.m. of GFA were completed and approximately 467,000 sq.m. of GFA commenced construction. Our sales revenue for 2008 was approximately RMB1,114.2 million with GFA of 227,652 sq.m. and details are as follows:

Projects	**Delivered and Sold Area** sq.m.	**Sales Revenue Amount** RMB'000
Fogang Aoyuan	9,138	39,730
Yu Zhong Ming Jun	43,850	137,410
Chongqing Aoyuan • City of Health	83,049	306,740
Nansha Aoyuan	16,123	115,410
Aoyuan • Jinsha Plaza	1,738	19,660
Nanguo Aoyuan	57,152	456,620
Panyu Aoyuan	1,566	14,960
Jiangxi Aoyuan	15,036	23,700
Total	227,652	1,114,230

In 2008, revenue net of sales return was approximately RMB609.0 million.

In 2008, two corporate customers of the Group, who had purchased certain properties in Nansha Aoyuan in Guangdong Province, failed to pay on time the outstanding amounts due to the financial tsunami, and offered to settle those amounts by returning the properties. The Board had considered taking legal actions to recover the debts. But as it usually takes two to three years to close a case, and vacancy of the building would have material adverse impact on the development and sales of the Group's Nansha Aoyuan project, we did not take such action. In order to duly recover the receivables and as we are confident in the promising prospect of the overall development of Nansha Aoyuan with the concept of "Health Garden", the Group agreed to settle those receivables with their properties and decided to acquire part of the properties in which consideration had been paid, so as to integrate all these properties into a "Health Garden" to promote the sales of Nansha Aoyuan as a whole. The final prices of the properties returned and acquired were 15.5% less than their original sales prices. The Board is of the opinion that this is in the best interest of the Company. Since the concept of "Health Garden" was introduced, it has significantly increased the sales volume and sales price of Nansha Aoyuan project. Sales amount for the first quarter of 2009 was about the same as that for the whole year of 2008, and the average selling price for March 2009 recorded an increase of 16.7% over January 2009. These transactions, with an aggregate amount of RMB505.2 million and an area of 84,483 sq.m., are accounted for as sales returns in the consolidated financial statements.

In 2008, the Group focused on development projects with low market risks and high and fast returns. The land bank of the Group as at 31 December 2008 was approximately 5.6 million sq.m., which is sufficient to meet our development needs in the coming five to seven years.

Future Outlook

As the China property market is undergoing a consolidation period in the coming years, a lot of opportunities of merger and acquisition will evolve in the market. We will increase our land bank by capturing the opportunities of merger and acquisition with a prudent and cautious attitude and based on our cashflow position.

The Group will continue to look for the co-operation opportunities with foreign as well as domestic investors with an aim to expand the network with financial institutions in the market for additional funding sources although the Group is currently in a healthy financial position.

In 2009, the Group will further implement the development strategy nationwide and expand beyond Guangdong. We will place more emphasis on developing projects at the city centres in our target cities. At the same time we will continue to implement our long established successful strategy of investing properties in the suburbs. We will adjust our development pace and continue to launch innovative products to meet the changing market needs.

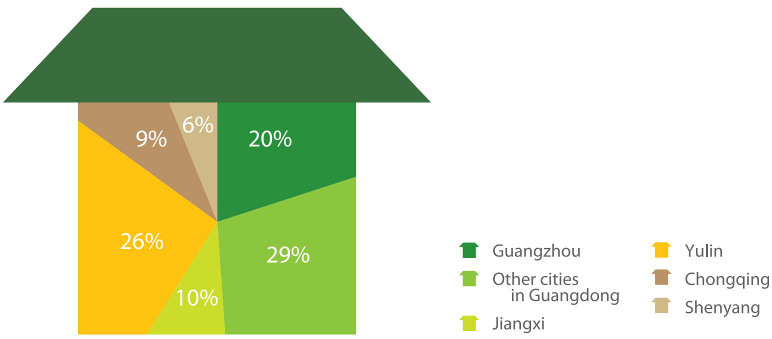
In 2009, the Group plans to commence the development of new construction area approximately 116,000 sq.m. and complete approximately 606,000 sq.m.

Land Bank

We believe our land reserve has been acquired at relatively low cost compared to similar land in more developed urban centres. This is paramount to our long-term growth and sustainability. As of 31 December 2008, we had an aggregate of approximately 5.6 million sq.m. of GFA of which 0.5 million sq.m. is in completed projects, 1.1 million sq.m. in under development stage and approximately 4.0 million sq.m. in land held for future development.

Diversified Land bank Portfolio:
(as at 31 December 2008)

Land Bank by Location



Development status and location

Location	Completed properties	Aggregate GFA (million sq.m.) Properties under development	Properties to be developed	Total
Guangdong Province	0.35	0.53	1.88	2.76
Shenyang	—	—	0.32	0.32
Yulin	—	0.13	1.33	1.46
Jiangxi	—	0.02	0.53	0.55
Chongqing	0.12	0.41	0	0.53
Total	0.47	1.09	4.06	5.62

Newly acquired projects for the year ended 31 December 2008:

Projects	Location of Project	Aggregate GFA sq.m.	Group's interest
Jiangmen Aoyuan	Longxi Area, Pengjiang District, Jiangmen City, Guangdong Province	102,804	51%
Qingyuan Aoyuan	Dongcheng Street, Qingcheng District, Qingyuan City, Guangdong Province	208,800	80%
Total		311,604	

Financial Review

Revenue

The revenue is primarily generated from two business segments: property development and property investment. For the year ended 31 December 2008, the Group's total revenue net of sales return was approximately RMB619.9 million; the revenue before sales return was approximately RMB1,125.2 million, representing a decrease of approximately RMB1,376.2 million or 55.0% over approximately RMB2,501.4 million in 2007. It was mainly attributable to the decrease in sales of properties.

Property development

In 2008, revenue generated from property development net of sales return amounted to approximately RMB609.0 million, and revenue before sales return amounted to approximately RMB1,114.2 million, decreased by 55.2% from approximately RMB2,488.3 million in 2007, is primarily due to a 40.4% decrease in total GFA delivered from 382,285 sq.m. in 2007 to 227,652 sq.m. in 2008. The average selling price of the properties delivered also decreased from RMB6,509.0 per sq.m. in 2007 to RMB4,894.3 per sq.m. in 2008, being a decrease of 24.8%. The relatively lower unit selling price is mainly due to the fact that approximately 40.0% of the recognized property sales is generated from Chongqing, which has lower unit selling price compared with the Guangdong region market.

The following table shows the product mix which the Group achieved in 2008.

	Sold Area '000 sq.m.	Amount RMB'000
Commercial properties	18.5	99,126
Apartments	189.1	893,483
Villas and Townhouses	20.1	121,621
	227.7	1,114,230

Property investment

Revenue derived from property investment increased by approximately 11.8% to approximately RMB9.5 million in 2008 from approximately RMB8.5 million in 2007, primarily attributable to increase in GFA for rental purpose.

Sales return

In 2008 as mentioned in the Business Review section sales return amounted to approximately RMB505.2 million. In 2007 there was no sales return.

Cost of sales

Cost of sales included land and construction cost, decoration cost, capitalized interest and amortization of land premium. In 2008, cost of sales after adjusted for corresponding cost attributable to properties returned was approximately RMB597.2 million. Cost of sales before adjusted for corresponding cost attributable to properties returned was approximately RMB859.5 million, decreased by 27.0% from approximately RMB1,177.0 million in 2007, being in line with the significant decrease in revenue. However, the rising cost of construction materials and labour causes the increase of total cost of sales.

Gross profit and margin

In 2008, gross profit net of sales return was approximately RMB22.8 million, and gross profit before adjusted for sale returns would be approximately RMB265.6 million. Under the instable market conditions, the average selling price decreased while the cost of construction materials and labour kept rising. The gross margin was 52.9% in 2007, and it is 23.6% and 3.7% in 2008 before and after netting off sales return, respectively.

Other income

Other income of 2008 included bank interest income of approximately RMB15.8 million, imputed interest income derived from trade receivables of approximately RMB35.7 million and the write off of other payable of approximately RMB25.3 million. Other income of 2007 mainly included bank interest income of approximately RMB78.3 million derived from over-subscription monies during the Group's Global Offering in October 2007.

Selling and Administrative expenses

Selling and administrative expenses increased by 51.7% to approximately RMB333.6 million this year from approximately RMB219.9 million for the year 2007. The increase was mainly due to massive advertisement campaigns launched for new properties for sale resulting in the increase in selling expenses by 90.3% to approximately RMB135.3 million this year from approximately RMB71.1 million in 2007. The increase in headcount as a result of the Group's expansion in the first half of 2008 also led to an increase in expenses.

Financial Position

Total assets amounted to approximately RMB8,348.4 million as at 31 December 2008 (2007: RMB8,240.7 million) and total liabilities was approximately RMB3,459.0 million (2007: RMB3,196.6 million).

Current ratio was 3.5 as at 31 December 2008 (2007: 4.2).

Financial Resources and Liquidity

In 2008, the Group derived its sources of fund primarily from income generated from business operations, bank borrowings and cash proceeds raised from the Global Offering, which were used to finance its business operations and investment in development projects. The Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. In addition, the Group will continue to explore the opportunities of cooperation with foreign and domestic investors which provides another source of funding to the Group.

As at 31 December 2008, the Group has cash, bank balance and restricted bank deposits amounted to approximately RMB1,481.6 million (2007: RMB2,806.4 million). 97.5% of the cash and bank deposits was denominated in Renminbi, and 2.5% in Hong Kong dollars.

Net Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted bank deposits) over the total capital and reserves attributable to equity owners. As at 31 December 2008, the net gearing ratio of the Group was 0.8% (2007: net cash position).

Borrowings

Bank Borrowings

The Group had bank borrowings of approximately RMB1,214.7 million as at 31 December 2008 (2007: RMB883.8 million), and the repayment profile is as follows:

As at 31 December	**2008 RMB'000**	2007 RMB'000
Within one year	**215,000**	74,912
More than one year, but not exceeding two years	**625,687**	115,000
More than two years, but not exceeding five years	**374,000**	693,900
	1,214,687	883,812

The majority of bank borrowings are fixed rate borrowings denominated in RMB, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings for the year 2008 was 6.92% (2007: 6.9%). The Group has implemented certain interest rate management policies which mainly include, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As of 31 December 2008, the Group had banking facilities of approximately RMB2,385.0 million (2007: RMB1,023.9 million) for short-term and long-term bank loans, of which RMB1,170.3 million (2007: RMB185.0 million) were unutilized.

Convertible Notes

Convertible notes with an aggregate principal amount of USD60.0 million were issued by a subsidiary of the Group in 2007. The convertible note has an interest rate of London Inter Bank Offer Rate plus 3.0% payable semi-annually. The Group did not use any financial instruments for hedging purpose as at 31 December 2008.

Contingent Liabilities

As at 31 December 2008, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by bank to purchasers amounting to approximately RMB646.8 million (2007: RMB333.5 million).

This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for the repayment of outstanding mortgage principals together with accrued interest and penalty owed by defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2008 was to be discharged upon the earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Commitment

As at 31 December 2008, the Group has approximately RMB1,788.0 million (2007: RMB2,783.3 million) construction cost contracted but not provided for. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

As at 31 December 2008, the Group also had approximately RMB207.8 million of commitment in respect of acquisition of a piece of land in Shenyang (2007: RMB931.2 million).

Foreign Currency risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Most of the proceeds from Global Offering received in Hong Kong Dollars had remitted to the PRC in the first half of 2008 and therefore the Group is not exposed to major foreign exchange risks. For the year 2008, the Group recorded net exchange loss of approximately RMB40.3 million. The Group's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2008.

Pledge of assets

As at 31 December 2008, the Group pledged its property for development and properties under development to various banks of approximately RMB1,204.3 million to secure project loans and general banking facilities granted to the Group. (2007: RMB305.4 million)

Material acquisition and disposal of subsidiaries

The Group does not have any material acquisition or disposal of subsidiaries during 2008.

Employees and Remuneration

As at 31 December 2008, the Group employed a total of 336 employees. The Group has adopted a performance based rewarding system to motivate its staff and such system was reviewed on a regular basis. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. The Group is also subject to social insurance contribution plans organized by the PRC governments, in accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund.

Moreover, a share option scheme has been adopted in September 2007 to retain talents who made significant contribution to the Group. As at 31 December 2008, share option in respect of a total of 65,332,000 shares of the Company was granted to certain Directors and employees. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

Directors and Senior Management

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

Guo Zi Wen (郭梓文), *executive Director and chairman of the Board*

Guo Zi Wen, aged 44, is the founder of the Group, and holds a Master's degree in business management. He is an executive Director and the chairman of the Board, the chief executive officer of the Company and a director of the subsidiaries of the Group. He is primarily responsible for the formulation of development strategies of the Company, as well as supervising the project planning, financing, designing and marketing. He is currently a committee member of the Chinese People's Political Consultative Conference in Guangdong Province (廣東省政協委員), the vice chairman of the Guangdong Federation of Industry and Commerce (廣東省工商業聯合會副主席) and the chairman of the Guangdong Investment Chamber of Private Enterprises (廣東省民營企業投資商會主席). Except for being a Director of the Company, Mr. Guo has not held any directorship in any other listed public companies during the past three years. In 2001, Mr. Guo was honored by national main stream media and China Real Estate Association (中國房地產協會) as one of the Top 10 Persons in Real Estate Industry (中國房地產十大風雲人物). In 2004, Mr. Guo received the National Real Estate Special Contribution Award (中國房地產特別貢獻獎) and the China Real Estate Theory Research Contribution Award (中國房地產理論研究貢獻獎), and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC (中國房地產十大傑出企業家) in the same year. In 2008, Mr. Guo was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate (中國房地產30年十大傑出貢獻人物獎), and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong (廣東住宅建設30強領軍人物). Mr. Guo is the brother of Mr. Guo Zi Ning.

Wu Jie Si (武捷思), *executive Director and vice chairman of the Board*

Wu Jie Si, aged 57, is an executive Director and the vice chairman of the Board. Mr. Wu holds a Doctorate degree in economics. He joined the Group in 2008, primarily responsible for overseeing strategic development planning, financial management, financing and mergers and acquisitions, as well as improvement and revision of regulatory framework of the Group. Mr. Wu has over 20 years of banking and administrative experience in financial and corporational management sectors in Mainland China. He was appointed as the chairman of Guangdong Yue Gang Investment Holdings Company Limited (廣東粵港投資控股有限公司) and GDH Limited (廣東控股有限公司), the honorary president of Guangdong Investment Limited (粵海投資有限公司) and Guangdong Tannery Limited (粵海制革有限公司), the managing director of Hopson Development Holdings Limited (合生創展集團有限公司), the president of Shenzhen Branch of Industrial and Commercial Bank of China (中國工商銀行), the deputy mayor of the Shenzhen Municipal Government (深圳市副市長), as well as the assistant to the governor of Guangdong Province (廣東省省長助理). He is currently holding directorships in certain companies listed on the Main Board of the Stock Exchange, including being an independent non-executive director of Beijing Enterprises Holdings Limited (北京控股有限公司), China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and China Insurance International Holdings Company Limited (中保國際控股有限公司), a non-executive director of China Water Affairs Group Limited (中國水務集團有限公司) and Shenzhen Investment Limited (深圳控股有限公司). In April 2009, Mr. Wu is appointed as a non-executive director of Silver Base Group Holdings Limited (銀基集團控股有限公司).

Guo Zi Ning (郭梓寧), *executive Director and executive vice president of the Board*

Guo Zi Ning, aged 47, is an executive Director and the executive vice president of the Board. He is also a director of the subsidiaries of the Group, and holds a Master's degree in business management. He joined the Group in 1998, primarily responsible for business expansion of the Group as well as project management and business development of projects of the Group in Nansha area, also Guangzhou Aoyuan • City of Health and Panyu Aoyuan. Mr. Guo ceased to be a director of Aoyuan Group Company Limited during the period of being the vice president of Beijing Normal University Nanguo Aoyuan Experimental School. In 2006, Mr. Guo was reappointed as a director of Aoyuan Group Limited. Except for being a Director of the Company, Mr. Guo has not held any directorship in any other listed public companies during the past three years. Mr. Guo is the brother of Mr. Guo Zi Wen and the alternate Director to Mr. He Jian Bing.

Hu Da Wei (胡大為), *executive Director*

Hu Da Wei, aged 46, is an executive Director of the Board and a vice president of the Group. He is also a director of the subsidiaries of the Group. Mr. Hu graduated from Hunan University of Science and Technology majoring in architecture and served as a designer in Guangdong Guangzhou Panyu Architecture Design Institute (廣東省廣州市番禺建築設計院) from 1988 to 1998. Mr. Hu has over 10 years of experience in real estate development and management. He joined the Group in 1998, primarily responsible for property development of the Group and project management such as Fogang Aoyuan, Qingyuan Aoyuan, etc. Except for being a Director of the Company, Mr. Hu has not held any directorship in any other listed public companies during the past three years.

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

Zheng Jian Jun, aged 39, is an executive Director of the Board, and a vice president of the Group. He is also a director of the subsidiaries of the Group. He holds a Bachelor's degree in industrial management and a Master's degree in business management. He is also a PRC registered accountant and a PRC registered tax adviser. Mr. Zheng joined the Group in 2003, primarily responsible for internal audit management and supervising legal affairs. Except for being a Director of the Company, Mr. Zheng has not held any directorship in any other listed public companies during the past three years.

Paul Steven Wolansky, *non-executive Director and vice chairman of the Board*

Paul Steven Wolansky, aged 53, was appointed as a non-executive Director and the vice chairman of the Board on 3 April 2007. He holds a Bachelor of Arts degree from Amherst College and a Juris Doctor degree from Harvard Law School, and is a member of the Bar Association of the State of New York. Mr. Wolansky has over 15 years of experience in fund management and direct investment. He is the chairman and the chief executive officer of New China Management Corp., the investment manager of The Cathay Investment Fund, Ltd., and New China Capital Management LLC, the investment manager of Cathay Capital Holdings, L.P. and Cathay Capital Holdings II L.P.. Cathay Sino Property Limited, a substantial shareholder of the Company, is wholly owned by Cathay Capital Holdings, L.P. which is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Wolansky as trustee and 10% by a company wholly-owned by Mr. Leung Ping Chung, Hermann. He was a non-executive director of China Resources Land Limited (華潤置地有限公司) from 1996 to 2006 and Warderly International Holdings Limited (匯多利國際控股有限公司) until May 2007, both listed on the Main Board of the Stock Exchange. He was also a non-executive director of China Yuchai International Limited, a company listed on the New York Stock Exchange, and Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a company listed on the Shenzhen Stock Exchange. Currently, Mr. Wolansky is also a non-executive director of Centron Telecom International Holding Limited (星辰通信國際控股有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director of Longtop Financial Technologies Limited, a company listed on the New York Stock Exchange. Mr. Leung Ping Chung, Hermann is the alternate Director to Mr. Wolansky.

Leung Ping Chung, Hermann (梁秉聰), *non-executive Director*

Leung Ping Chung, Hermann, aged 53, was appointed as a non-executive Director on 3 April 2007. He was nominated by Cathay Sino Property Limited, a substantial shareholder of the Company and Mr. Leung has 10% ultimate beneficial interests in that company. He received a Bachelor's degree in social sciences and a Master's degree from the Chinese University of Hong Kong. Mr. Leung has over 20 years of management and operational experience throughout the Asia Pacific region, and is an executive director of New China Capital Management (HK) Ltd. He was a non-executive director of Warderly International Holdings Limited (匯多利國際控股有限公司), a company listed on the Main Board of the Stock Exchange, until May 2007. Currently, Mr. Leung is a non-executive director of Centron Telecom International Holding Limited (星辰通信國際控股有限公司) and Vinda International Holdings Limited (維達國際控股有限公司), both listed on the Main Board of the Stock Exchange, and also Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Leung is the alternate Director to Mr. Paul Steven Wolansky.

He Jian Bing (何建兵), *non-executive Director*

He Jian Bing, aged 47, was appointed as a non-executive Director on 15 July 2008. He is a certified economist. He was the league secretary of Panyu County, the secretary of the party committee and the headman of Tanzhou Town, Panyu, the vice mayor (vice district mayor) of Panyu government (Panyu District, Guangzhou) and the director of Guangzhou Nansha Economic and Technological Development Zone. He has extensive experience in administrative management. Except for being a Director of the Company, Mr. He has not held any directorship in any other listed public companies during the past three years. Mr. Guo Zi Ning is the alternate Director to Mr. He.

Ma Kwai Yuen (馬桂園), *independent non-executive Director*

Ma Kwai Yuen, aged 56, was appointed as an independent non-executive Director of the Company on 13 September 2007. He is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants (England and Wales), an associate member of the Chartered Secretaries Australia, a fellow member of the Certified Practising Accountants Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, with over 30 years of professional experience in accounting, financial management and business consultancy. He is currently an executive director of a consulting company in Hong Kong. He has previously held positions as the corporate planning manager of Sino Land Company Limited (信和置業有限公司) and a consultant of Jardine Management Consulting Services Pty., Ltd. Currently, Mr. Ma is an independent non-executive director of PacMOS Technologies Holdings Limited (弘茂科技控股有限公司) and Vision Tech International Holdings Limited (金科數碼國際控股有限公司), both companies listed on the Main Board of the Stock Exchange. Mr. Ma has been appointed as an independent non-executive director of China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司) since May 2008 and Wang Sing International Holdings Group Limited (旺城國際控股集團有限公司) since September 2008, both listed on the Main Board of the Stock Exchange.

Song Xian Zhong (宋獻中), *independent non-executive Director*

Song Xian Zhong, aged 45, was appointed as an independent non-executive Director on 13 September 2007. He is an executive committee member of the Accounting Society of China, a member of the Accounting Standards Expert Committee of Ministry of Finance, and the vice chairman of the Audit Institute of Guangzhou. Mr. Song is also the head of the development planning division at Jinan University (暨南大學), with over 20 years of teaching and research experience in the fields of accounting and finance, and has published many books and articles on topics such as enterprise finance management, reorganization finance and socially responsible accounting for business enterprises. Currently, he is an independent director of Guangdong China Sunshine Media Co., Ltd. (廣東九州陽光傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange, and an independent director of Guangdong Guanhao High-Tech Co., Ltd. (廣東冠豪高新技術股份有限公司) and Guangxi Wuzhou Zhongheng Group Co., Ltd. (廣西梧州中恒集團股份有限公司), both listed on the Shanghai Stock Exchange.

Tsui King Fai (徐景輝), *independent non-executive Director*

Tsui King Fai, aged 59, was appointed as an independent non-executive Director of the Company on 13 September 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in Mainland China. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He has worked for two of the "Big Four" audit firms in Hong Kong and the United States of America and served in various public listed companies in Hong Kong in a senior capacity. Currently, Mr. Tsui is an independent non-executive director of Lippo Limited (力寶有限公司), Lippo China Resources Limited (力寶華潤有限公司), Hongkong Chinese Limited (香港華人有限公司) and Vinda International Holdings Limited (維達國際控股有限公司), all listed on the Main Board of the Stock Exchange.

Senior Management

Lam Kam Tong (林錦堂)

Lam Kam Tong, aged 40, is the chief financial officer and company secretary. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 14 years of experience in professional audit firms, and had been a chief financial officer of a China property company listed on the Main Board of the Stock Exchange for 3 years. He joined the Group in December 2008, primarily responsible for financing and investor relationship management.

Xin Zhu (辛珠)

Xin Zhu, aged 40, is an executive vice president. She is a PRC registered accountant. She was a finance director of a company listed on the Main Board of the Stock Exchange and has extensive experience in financial management and control. She joined the Group in July 2008, primarily responsible for finance and capital management as well as cost control management.

Wu Chen (吳晨)

Wu Chen, aged 33, is a vice president. He engaged in investment business for an investing company in Beijing. He joined the Group in September 2008, primarily responsible for new project development and investment development.

Tian Lei (田磊)

Tian Lei, aged 44, is an assistant to the president and the general manager of Yulin project. He is a senior engineer with extensive experience in management of real estate development. He joined the Group in May 1999, primarily responsible for project management and business expansion of the Group in Guangxi and Jiangxi Province.

Liang Ying (梁瑩)

Liang Ying, aged 37, is an assistant to the president and the general manager of Shenyang project. She joined the Group in June 2006, was in charge of the overall operations of project companies and brand management of the Group. Currently, she is responsible for project management and business expansion of the Group in Shenyang area.

Zhang Lin (張林)

Zhang Lin, aged 46, is an assistant to the president and the director of administrative department. He holds a Master of Science degree, used to work in government and large-scale enterprises, and has over 20 years of experience in administration, human resources management, marketing planning and practices. He joined the Group in June 2007, primarily responsible for administrative and human resources management of the Group.

Li Xing (李興)

Li Xing, aged 36, is an assistant to the president. He has many years of experience in accounting and finance. He joined the Group in March 2008, primarily responsible for new project investment and development.

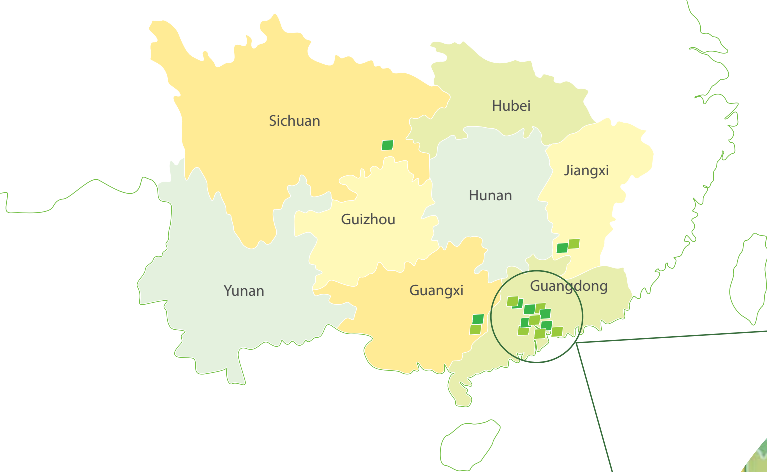
Liang Xiu Lei (梁秀蕾)

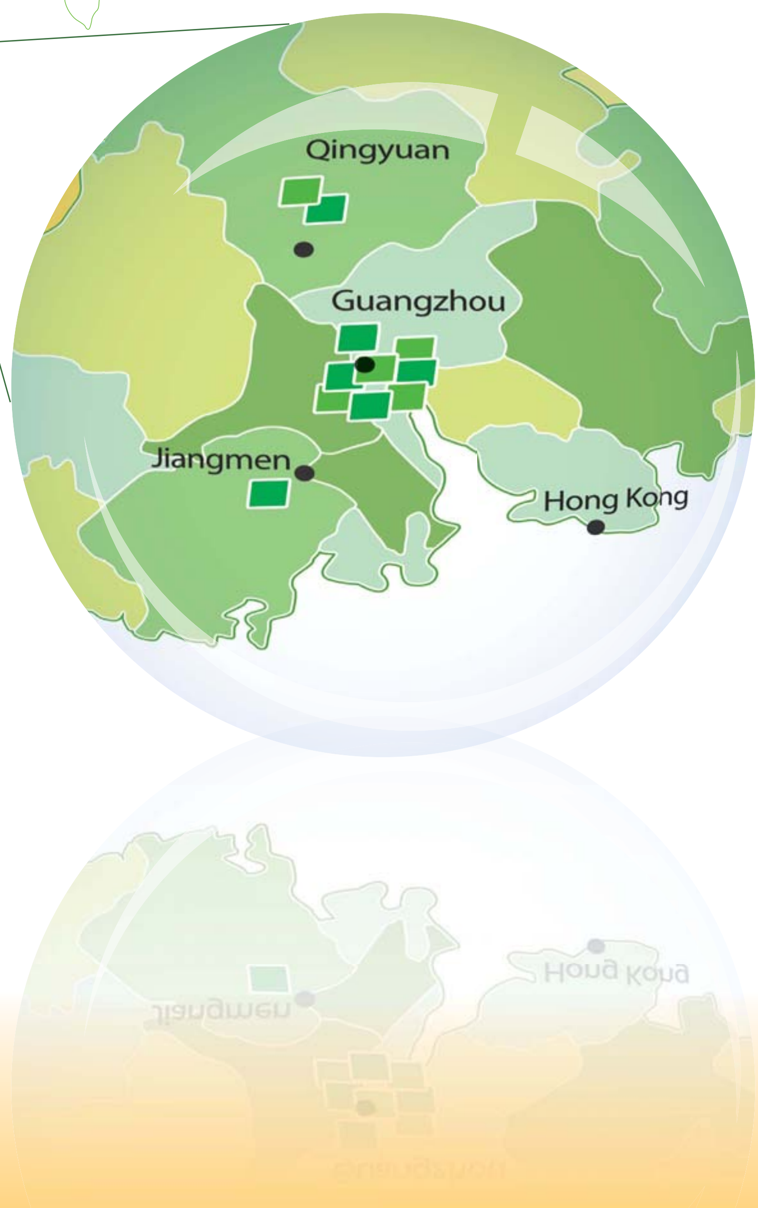
Liang Xiu Lei, aged 45, is an assistant to the president and the general manager of Nanguo Aoyuan and Guangzhou Aoyuan. She has extensive experience in sales and marketing. She joined the Group in July 2008, primarily responsible for brand marketing of the Group, as well as project management and business expansion of Nanguo Aoyuan and Guangzhou Aoyuan.

Li Min (李敏)

Li Min, aged 44, is an assistant to the president and the general manager of Chongqing Aoyuan • City of Health. He is a strategist for real estate operation, and has extensive experience in real estate project planning and marketing management. He joined the Group in December 2008, primarily responsible for project management and business expansion in Chongqing area.

Projects Summary





Major Projects:

	Project	City	Type of Property	Site Area ('000 sq.m.)	Land Bank ('000 sq.m.)
	Guangdong Province				
1	Guangzhou Aoyuan	Panyu District, Guangzhou City	High-rise apartment, commercial property	153.5	45.2
2	Nanguo Aoyuan	Panyu District, Guangzhou City	Integrated residential community	509.4	205.2
3	Nansha Aoyuan	Nansha District, Guangzhou City	Integrated residential community	246.6	265.3
4	Guo Ao Investment Development Centre	Nansha District, Guangzhou City	Hotel, commercial property, office	32.6	101.7
5	Aoyuan • Jinsha Plaza	Nansha District, Guangzhou City	Hotel, commercial property, office and high-rise apartment	64.8	245.3
6	Panyu Aoyuan	Panyu District, Guangzhou City	Integrated residential community	235.6	110.4
7	Guangzhou Aoyuan • City of Health	Panyu District, Guangzhou City	Integrated residential community	103.8	134.6
8	Aoyu Plaza *(note 1)*	Panyu District, Guangzhou City	Commercial property	64.9	244.8
9	Fogang Aoyuan	Fogang County, Qingyuan City	Villa	427.0	1,345.9
10	Qingyuan Aoyuan	Qingcheng District, Qingyuan City	Villa	94.9	208.8
11	Jiangmen Aoyuan	Jiangmen City	Integrated residential community	34.3	102.8
	Guangxi Province				
12	Yulin Aoyuan • City of Health	Yulin City	Integrated residential community	157.7	1,048.9
13	Yulin Aoyuan	Yulin City	Integrated residential community	56.0	405.8
	Jiangxi Province				
14	Jiangxi Aoyuan	Longnan Town, Longnan County	Hotel, commercial property, office, high-rise apartment and villa	194.9	552.7
	Chongqing City				
15	Chongqing Aoyuan • City of Health	Chongqing City	High-rise apartment, commercial property	138.4	512.1
16	Yu Zhong Ming Jun	Chongqing City	High-rise apartment	25.8	0.9
	Liaoning Province				
17	Shenyang Aoyuan • International Animation City	Dongling District, Shenyang City	Integrated residential community	328.0	328.0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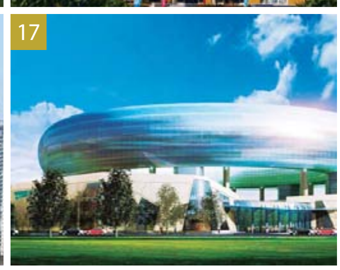
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Note 1: The project is a jointly controlled entity in which the Group holds 50% interest.

Nanguo Aoyuan

1. Nanguo Aoyuan (南國奧園)

Nanguo Aoyuan is located in Hanxi Road, Panyu District in Guangzhou City, Guangdong Province. It is an integrated residential community with a theme of sports and education, and comprises low-rise and high-rise apartment buildings and commercial properties with extensive ancillary facilities. It also has a kindergarten, a primary school and a middle school, co-managed by the Group and Beijing Normal University.

Nanguo Aoyuan occupies a total site area of approximately 509,000 sq.m., and has an expected GFA (including saleable and non-saleable) of approximately 809,000 sq.m.. As of 31 December 2008, five phases of the project have completed substantial construction work, with a GFA (including saleable and non-saleable) for completed property development projects of approximately 775,000 sq.m.. Properties under development have a GFA (including saleable and non-saleable) of approximately 19,000 sq.m., and properties held for future development have a GFA (including saleable and non-saleable) of approximately 15,000 sq.m..

Nanguo Aoyuan — Bourgeois Paradise (南國奧園 — 小資天堂)

Initially launched in 2007, Nanguo Aoyuan — Bourgeoise Paradise is the first one-stop commercial business centre with artistic and creative theme in southern China. With art as its main theme, the project combines advantages of location, regional development, high value product, creativity and culture. Comprising SOHO studios, individualized street stores, serviced apartments and etc., it can be used for both commercial and residential purposes.

Nanguo Aoyuan — Green No. 1 (南國奧園 — 果嶺壹號)

Nanguo Aoyuan Green group is designed with the idea of "Life is just like Golf" and comprises multi-rise luxury residential buildings of 18–28 storeys. Together with a golf course, Green No. 1 creates an ideal living environment and enables "every family enjoys the golf view". It is a comprehensive innovation with world-class design and quality, a perfect combination of pleasing environment, wonderful views and quality buildings which has become a model product of the Group.

Panyu Aoyuan

2. Panyu Aoyuan (番禺奧園)

Panyu Aoyuan is located in Shiliang Road, southern part of Shiqiao, Panyu District in Guangzhou City, Guangdong Province. It is an integrated residential community designed with an Australian theme, comprising low-rise and high-rise apartment buildings, villas and commercial properties, and has a wide range of facilities designed for children, such as a children's amusement park and a stadium.

Panyu Aoyuan is developed under four phases, of which the first three phases were completed before year 2003 and have been sold out. The total site area of Panyu Aoyuan is approximately 236,000 sq.m., with a total GFA (including saleable and non-saleable) of approximately 345,000 sq.m.. The completed property development projects have a GFA (including saleable and non-saleable) of approximately 274,000 sq.m., properties under development have a GFA (including saleable and non-saleable) of approximately 44,000 sq.m. and properties held for future development have a GFA (including saleable and non-saleable) of approximately 27,000 sq.m..

Panyu Aoyuan — The Champion City (番禺奧園 — 冠軍城)

The Champion City group is the fourth phase of Panyu Aoyuan. It occupies a total site area of approximately 79,000 sq.m. and has a total GFA (including saleable and non-saleable) of approximately 185,000 sq.m..

The Champion City group is developed under three phases, of which Phase Three, the Love Crystal, is currently on sale. It comprises medium-rise buildings that feature comfort and practicality, and some duplex units even have a close river view.

Phase Three of the Champion City group integrates the primary schools and kindergartens in Panyu Aoyuan, and offers convenient education facilities to the residence. It also offers products with unfinished interior and fine decorated products to satisfy different customer needs.

Nansha Aoyuan

3. Nansha Aoyuan (南沙奧園)

Nansha Aoyuan is located in the southern area of Nansha Economic and Technological Development Zone in Guangzhou City, Guangdong Province, within the planned area of "Little Nansha", which is a key development plan "Exploration to the South" of the Guangzhou government. Surrounded by green hills to the east, west and north, and facing the Nansha Information Technology Park and the Pearl River estuary to the south, Nansha Aoyuan embraces abundant natural resources and is the first large-scale real estate project with both mountain and sea view in Guangzhou. Linking the newly completed Island Circle Road to the south and the Humen Bridge to the north, the project also enjoys convenient transportation, with access to the new Nansha Ferry Terminal, Puzhou International Exhibition Complex, Nansha Grand Hotel, Tianhou "Goddess of the Sea" Temple, Waterfront Street, the Puzhou International Garden, Nansha Coach Terminal and Seafood Street, within just a few minutes drive. It is a residential development project comprising villas, high-rise apartment buildings, multi-rise apartment buildings and low-rise apartment buildings.

Nansha Aoyuan occupies a total site area of approximately 247,000 sq.m., with an expected GFA (including saleable and non-saleable) of approximately 340,000 sq.m.. As of 31 December 2008, the completed property development projects in Nansha Aoyuan have a GFA (including saleable and non-saleable) of approximately 76,000 sq.m., properties under development have a GFA (including saleable and non-saleable) of approximately 179,000 sq.m., and properties held for future development have a GFA (including saleable and non-saleable) of approximately 85,000 sq.m..

Aoyuan • Jinsha Plaza

4. Aoyuan · Jinsha Plaza (奧園·金莎廣場)

Aoyuan • Jinsha Plaza (formerly known as Aoyuan Hai Jing Cheng) is located in Jingang Road, Nansha District, the new seashore area of Guangzhou City, Guangdong Province. The project lies in the prime site of the centre of the district, and enjoys convenient transportation of subway and a number of highways and expressways connecting cities including Guangzhou, Zuhai, Shenzhen and Zhongshan. It is the most comprehensive large-scale integrated project in the district, comprising of four kinds of products, namely residential units, apartments, stores and office buildings. Combining multi-functions including residence, office, shopping, catering, recreation, entertainment, tourism and culture, it creates a new life style and consumption pattern for the people in Nansha District.

Aoyuan • Jinsha Plaza occupies a total site area of approximately 65,000 sq.m., and has an expected GFA (including saleable and non-saleable) of approximately 256,000 sq.m.. It consists of two phases, of which Phase One is commercial properties with a total site area of approximately 15,000 sq.m. and an expected GFA (including saleable and non-saleable) of approximately 53,000 sq.m.. Adopting modern design of road-side double-entrance and innovative four-storey townhouse style stores, the project is applicable for commercial, office and residential purposes. As of 31 December 2008, the completed property development projects in Aoyuan • Jinsha Plaza have a GFA (including saleable and non-saleable) of approximately 11,000 sq.m., and properties under development have a GFA (including saleable and non-saleable) of approximately 245,000 sq.m..

Chongqing Aoyuan·City of Health

5. Chongqing Aoyuan • City of Health (重慶奧園•康城)

Chongqing Aoyuan • City of Health (formerly known as Jiang Wan Yu Jing 江灣御景) is located in Jiubing Road, the centre of Chongqing city. With the theme of "healthy life, comprehensive town", the project is the Group's first large-scale healthy and athletic international community in Chongqing city. Occupying the prime conjunctional area of Jiu Long Po District, Gao Xin District and Yu Zhong District, Chongqing Aoyuan • City of Health enjoys the precious close view of Yangtse River and overlooks two picturesque city parks, namely Jiubin Road Ecological Riverside Park and Huangshaxi Municipal Park. It is designed with French neoclassicist style that brings exotic noble and romantic atmosphere, and also close to a forest sports park as well as other recreation and supporting facilities. Chongqing Aoyuan • City of Health has been awarded by several recognised organizations. In 2008, with innovative engineering design and advanced construction technology, the project was honored "2008 Zhan Tianyou Awards: Chongqing Project Planning and Designing Award" (2008詹天佑大獎 — 重慶規劃設計獎) as well as "2008 Zhan Tianyou Awards: Chongqing Outstanding Science and Technology Award" (2008詹天佑大獎 — 重慶優秀科技獎) by the Chongqing City Construction Comprehensive Exploitation Association.

The project occupies a total site area of approximately 138,000 sq.m., and has an expected GFA (including saleable and non-saleable) of approximately 595,200 sq.m.. As of 31 December 2008, the completed property development projects have a GFA (including saleable and non-saleable) of approximately 190,000 sq.m., and properties under development have a GFA (including saleable and non-saleable) of approximately 405,200 sq.m..

Chongqing Aoyuan • City of Health has three districts. District A has eight 33-storey high-rise residential buildings, three 12-storey medium-rise residential buildings, five multi-rise residential buildings, one kindergarten and one underground car park. It has not been launched yet. The Jianguo Community and the Mei Gui Xing Yu in District B have five 33-storey high-rise residential buildings, one kindergarten and one underground car park. The product was launched in December 2008. Aroma No. 1 in District C has seven 33-storey high-rise residential buildings and one underground car park. It was launched in June 2008 and is currently on sale.

Fogang Aoyuan

6. Fogang Aoyuan (佛岡奧園)

Fogang Aoyuan is located in the new city centre of Shijiao Town, Fogang County, Qingyuan City, Guangdong Province. To the east it is about two kilometers from the county government; to the south it is connected to National Highway 106 and Beijing-Zhuhai Highway; to the west it is only one kilometer from downtown Fogang. Fogang Aoyuan comprises four architectural groups and two spectacular sights, namely, the riverside townhouse group, the riverside duplex villa group, the riverside hotel commercial group, the independent villa group, as well as the coastal river sight and the Mediterranean commercial sight. The overall planning of the project is principally villas with a diversified Mediterranean architectural style. Combining with hotels, commercial streets, entertainment centres, fitness & sports plaza and green area etc, it created a luxury residential community with gorgeous scenery and world-class standard.

Fogang Aoyuan occupies a total site area of approximately 427,000 sq.m., and has an expected GFA (including saleable and non-saleable) of approximately 1,433,000 sq.m.. As of 31 December 2008, the completed property development projects have a GFA (including saleable and non-saleable) of approximately 109,000 sq.m.. The development of South District villas, North District villas, District One villas, District Three villas and the commercial street has completed. Properties under development have a GFA (including saleable and non-saleable) of approximately 47,000 sq.m., and properties held for future development have a GFA (including saleable and non-saleable) of approximately 1,277,000 sq.m..

Projects Summary

Yulin Aoyuan · City of Health

7. Yulin Aoyuan · City of Health (玉林奧園·康城)

Yulin Aoyuan • City of Health is located in Renmin East Road in the new district of eastern Yulin, the vicinity of the Yulin Sports Centre in Yulin City, Guangxi Zhuang Autonomous Region, and is one of the luxurious residential projects developed by the Group in the city. The new district of eastern Yulin is the new political, cultural and educational centre of Yulin City. With a number of government organs such as the municipal government, the Customs and the Public Security Bureau moving in and the commencement of construction works of road network, the area has become a modernized new town. Around the project, there are Yulin Sports Centre located in the south, and the City of Education and Xiushui Road occupying the north and the east respectively. Thanks to the forest park and well-developed transportation network, Yulin Aoyuan enjoys an advantaged natural environment and location. The project mainly consists of European style constructions. It is characterized by large amount of water and garden view and equipped with hotel, kindergarten, swimming pool and commercial street, validly combining the property with sports, health, education and recreation. It aims to build an athletic, ecologically healthy and noble international community for quality life.

Yulin Aoyuan • City of Health occupies a total site area of approximately 158,000 sq.m and has an expected GFA (including saleable and non-saleable) of approximately 1,049,000 sq.m. The project mainly consists of 16–33 storey high-rise residential buildings, stores, hotel, kindergarten and parking spaces. As of 31 December 2008, properties under development of the project have a GFA (including saleable and non-saleable) of approximately 125,000 sq.m, and properties held for future development have a GFA (including saleable and non-saleable) of approximately 924,000 sq.m.

Yulin Aoyuan • City of Health was launched in October 2008. The first phase has a saleable area of 92,000 sq.m., and is currently on hot sale.

Corporate Governance Report

The Board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2008.

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

The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company.

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

The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

1. The Board of Directors

Responsibilities

The Board's major roles are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to optimize return for its shareholders. The Board is responsible for the leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their terms of reference respectively.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

Delegation of Management Functions

The Board reserves its decisions for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions in particular those may involve conflict of interests, financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that the procedures of the Board and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The senior management of the Company has been delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group as well as the formulation of organizational structure, control systems and internal procedures and processes. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Board and Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request. The Board has the full support of the senior management to discharge its responsibilities.

Board Composition

The Board is currently composed of a total of 11 members, which includes 5 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. The biographies of the Directors are set out on pages 18 to 25 of this annual report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. Mr. Guo Zi Wen is the brother of Mr. Guo Zi Ning.

During the year ended 31 December 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2008.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

Chairman and Chief Executive Officer

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

Mr. Guo Zi Wen acts as the chairman and chief executive officer of the Company. He is responsible to ensure that the Board works effectively and formulates business strategies. He also provides leadership for the running of the Company's business and implementing the policies devised by the Board. The Board believes that Mr. Guo Zi Wen in his dual capacity as the chairman and chief executive officer of the Company, can provide strong and consistent leadership for the development and allow for effective and efficient planning and implementation of business decisions and strategies of the Group.

Independent Non-Executive Directors

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

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

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

For the year ended 31 December 2008, all independent non-executive Directors of the Company had confirmed their independence to the Company in accordance with the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment, Re-election and Removal of Directors

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

Pursuant to the Articles, one-third of all Directors (whether executive or non-executive) is subject to retirement by rotation and re-election at each AGM provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall not be taken into account for retirement by rotation.

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

Induction and Continuing Development for Directors

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Board Meetings

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

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and approval as soon as practicable after the meeting. The final version is opened for Director's inspection.

All Directors are provided with relevant materials relating to the matters in issue before the meetings and have the opportunity to include matters in the agenda for Board meetings.

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting.

During the year ended 31 December 2008, less than 14 days' notice was given for certain regular Board meetings in order to suit the tight and busy schedules of the participants.

The Company's Articles contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

During the year ended 31 December 2008, 4 full Board meetings were convened at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance of the Directors at these Board meetings is set out below:

	Number of meetings attended/ Number of meetings held
Executive Directors	
Mr. Guo Zi Wen *(chairman and chief executive officer)*	4/4
Mr. Wu Jie Si *(vice chairman) (appointed on 15 July 2008)*	2/4
Mr. Guo Zi Ning *(executive vice president) (Mr. Guo is also the alternate Director of Mr. He Jian Bing)*	4/4
Mr. Zheng Jian Jun	4/4
Mr. Hu Da Wei	2/4
Non-executive Directors	
Mr. Paul Steven Wolansky *(vice chairman)*	1/4
Mr. Leung Ping Chung, Hermann *(Mr. Leung is also the alternate Director of Mr. Paul Steven Wolansky)*	4/4
Mr. He Jian Bing *(appointed on 15 July 2008)*	2/4
Independent non-executive Directors	
Mr. Ma Kwai Yuen	4/4
Mr. Song Xian Zhong	4/4
Mr. Tsui King Fai	4/4

Nomination Committee

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board on a regular basis and is required to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and assesses the independence of the independent non-executive Directors. The Nomination Committee is comprised of Mr. Guo Zi Wen, Mr. Leung Ping Chung, Hermann, Mr. Ma Kwai Yuen, Mr. Song Xian Zhong and Mr. Tsui King Fai. Mr. Guo Zi Wen is the chairman of the said committee.

During the year ended 31 December 2008, the Nomination Committee held 2 meetings and all members attended the meetings.

The Nomination Committee reviewed the current structure, size and composition of the Board. The Nomination Committee has made recommendation to the Board on the appointment of Mr. Hu Dai Wei who was appointed as the executive Director of the Company on 8 April 2008. The Nomination Committee has also made recommendations to the Board on the appointment of Mr. Wu Jie Si and Mr. He Jian Bing who were appointed as the executive Director and non-executive Director of the Company respectively on 15 July 2008.

In accordance with the Company's Articles, since Mr. Wu Jie Si and Mr. He Jian Bing, have been appointed as executive Director and non-executive Director of the Company by the Board during the year 2008, Mr. Wu and Mr. He shall retire and being eligible, offer themselves for re-election at the next forthcoming AGM. In addition, Mr. Guo Zi Wen, Mr. Paul Steven Wolansky and Mr. Ma Kwai Yuen shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming AGM.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming AGM of the Company.

The Company's circular dated 30 April 2009 contains detailed information of the Directors standing for re-election.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations, reviewing and approving the executive Directors' and senior management's remuneration and other benefits as well as making recommendations to the Board on the remuneration of non-executive Directors to ensure that the level of their remunerations is reasonable. Besides, the Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration. Their written terms of reference are in line with the Code provisions. The Remuneration Committee is comprised of Mr. Leung Ping Chung, Hermann, Mr. Tsui King Fai and Mr. Ma Kwai Yuen. Mr. Leung Ping Chung, Hermann is the chairman of such committee.

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

— Business needs and company development;

— Responsibilities of the Directors and individual contribution;

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

— Retention considerations and individual potential.

During the year ended 31 December 2008, the Remuneration Committee held 2 meetings and all members attended the meetings.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing the financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function, internal audit department or external auditors before submission to the Board. Besides, the main duties of the Audit Committee are to review and provide supervision over the Group's financial reporting system, internal control system and risk management system and make recommendation to the Board on any material issues in relation thereto. The Audit Committee is also responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and considering any questions of resignation or dismissal of such auditors. The Audit Committee meets whenever deem necessary with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provisions.

The Audit Committee consists of three independent non-executive Directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong and Mr. Tsui King Fai. Mr. Ma Kwan Yuen is the chairman of the said committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

During the year ended 31 December 2008, 4 meetings have been held and all members have attended the meetings.

The Audit Committee reviewed, together with senior management, the internal audit department, the external auditors, the internal control system, the accounting principles and practices adopted by the Company, risk management, the annual results and reports for the year ended 31 December 2008 and other financial reporting and compliance matters of the Group and the Company.

2. Financial Reporting and Internal Control

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the consolidated financial statements of the Group. In the preparation of consolidated financial statements for the year ended 31 December 2008, International Financial Reporting Standards have been adopted and the appropriate accounting policies have been consistently used and applied.

The Board aims at presenting a comprehensive, clear and balanced assessment of the Group's performance, position and prospect in the annual report to the shareholders, and make appropriate disclosure and announcements in a timely manner. The management provides such explanation and information to enable the Board to make an informed assessment of the matters put before the Board. The Directors acknowledge their responsibilities for preparing the financial statements for the Group for the year ended 31 December 2008.

External Auditors' Remuneration

Deloitte Touche Tohmatsu, the external auditors of the Company, are responsible for providing audit services in connection with the consolidated financial statements of the Group for the year ended 31 December 2008.

The statement of the external auditors of the Company regarding their working scope and responsibilities is set out in the "Independent Auditor's Report" on pages 58 to 59 in this annual report.

During the year 2008 under review, the fee paid to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was HK$3,780,327.

Internal Control

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget.

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

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

During the course of audit performed by the external auditors, they reported on the weakness in the Group's internal control and accounting procedures which came to their attention. The internal audit department reviewed, evaluated and monitored the follow-up actions in response to their recommendations and reported to the Audit Committee.

3. Communications with Shareholders and Investor Relations

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

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

The 2009 AGM will be held on 8 June 2009. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

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

As at 31 December 2008, the Company has a diversified shareholding structure with a 48.75% public float.

4. Shareholders Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholder meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholders' meeting.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

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

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

Principal Activities

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

An analysis of the Group's turnover and operating profit for the year ended 31 December 2008 by principal activities is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Group as at 31 December 2008 are set out in the consolidated financial statements on pages 60 to 123.

The Board does not recommend the payment of any dividend for the year 2008 (2007: RMB5.5 cents per share).

Property, Plant and Equipment

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

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Pre-emptive Rights

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

Convertible Notes

On 9 February 2007, a subsidiary of the Company issued convertible notes of an aggregate principal amount of US$140.0 million and on 9 October 2007, this subsidiary redeemed convertible notes in the aggregate amount of US$80.0 million. Details of movements during the year in the convertible notes of the Group are set out in note 24 to the consolidated financial statements.

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

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from 4 June 2009 (Thursday) to 8 June 2009 (Monday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attending and voting at the 2009 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3 June 2009 (Wednesday).

Reserves

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

Charitable Donations

The charitable donations made by the Group during the year amounted to RMB4.6 million (2007: RMB3.5 million).

Financial Summary

A five-year financial summary of the Group is set out on pages 124.

Directors

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

Executive Directors

Mr. Guo Zi Wen *(chairman & chief executive officer)*	
Mr. Wu Jie Si *(vice chairman)*	(appointed on 15 July 2008)
Mr. Guo Zi Ning *(executive vice president)* (Mr. Guo has been appointed as the alternate Director of Mr. He Jian Bing since 21 August 2008)	
Mr. Zheng Jian Jun	
Mr. Hu Da Wei	(appointed on 8 April 2008)

Non-executive Directors

Mr. Paul Steven Wolansky *(vice chairman)*
Mr. Leung Ping Chung, Hermann
(Mr. Leung is also the alternate Director of Mr. Paul Steven Wolansky)
Mr. He Jian Bing (appointed on 15 July 2008)

Independent non-executive Directors

Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai

In accordance with the Company's Articles, Mr. Guo Zi Wen, Mr. Paul Steven Wolansky and Mr. Ma Kwai Yuen will retire from office by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM. In addition, Mr. Wu Jie Si and Mr. He Jian Bing shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

The Company has received, from each of the independent non-executive Directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong and Mr. Tsui King Fai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

Each of Mr. Guo Zi Wen, Mr. Guo Zi Ning and Mr. Zheng Jian Jun has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Wu Jie Si has entered into a service contract with the Company for a term of three years with effect from 15 July 2008.

Mr. Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann, being the non-executive Directors of the Company have entered into a letter of appointment with the Company and are appointed for a specific term commencing from 3 April 2007 which may be extended for such period as the Company and Mr. Wolansky and Mr. Leung may agree in writing. Mr. He Jian Bing has signed an appointment letter with the Company for a term of one year with effect from 15 July 2008, and which may be extended thereafter for such period as the Company and Mr. He may agree in writing.

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

All the Directors are subject to retirement by rotation and re-election at AGM of the Company pursuant to its Articles.

Apart from the foregoing, none of the Directors has a service contract with the Company or any of it subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Other than as disclosed in note 10 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

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

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

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

Group's Emolument Policy

The Company's policy on determining the emolument payable to Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions. To enable the Remuneration Committee to give better advice on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2008, the interests of Directors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares and Underlying Shares under Equity Derivatives of the Company:

Name of Director/ Chief Executive	Number of shares			Approximate percentage of the issued share capital
	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) *(Note 3)*	Aggregate interest	
Director				
Mr. Guo Zi Wen	1,154,325,000 *(Note 1)*	—	1,154,325,000	51.25%
Mr. Leung Ping Chung, Hermann	293,175,000 *(Note 2)*	14,581,000	307,756,000	13.66%
Mr. Paul Steven Wolansky	293,175,000 *(Note 2)*	300,000	293,475,000	13.03%
Mr. Wu Jie Si	—	20,000,000	20,000,000	0.89%
Mr. Guo Zi Ning	—	10,000,000	10,000,000	0.44%
Mr. Zheng Jian Jun	—	1,069,000	1,069,000	0.05%
Mr. Ma Kwai Yuen	—	300,000	300,000	0.01%
Mr. Song Xian Zhong	—	300,000	300,000	0.01%
Mr. Tsui King Fai	—	300,000	300,000	0.01%
Chief Executive				
Mr. Wu Chen	—	10,000,000	10,000,000	0.44%
Mr. Lam Kam Tong	—	6,000,000	6,000,000	0.27%

Notes:

(1) These 1,154,325,000 ordinary shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

(2) These 293,175,000 ordinary shares are registered in the name of Cathay Sino Property Ltd., which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee and 10% by a company wholly-owned by Mr. Leung Ping Chung, Hermann.

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

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors of the Company or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right for the year ended 31 December 2008.

Share Options

On 13 September 2007, the Company adopted a share option scheme (the "Scheme"). Details of the options granted by the Company pursuant to the Scheme and the options lapsed and outstanding for the year ended 31 December 2008 were as follows:

	Number of share options							
	As at 1 January 2008	Granted during the year	Lapsed during the year	As at 31 December 2008	Date of grant	Exercise period	Exercise price per share *HK$*	Closing price of share immediate before date of grant *HK$*
Director								
Mr. Wu Jie Si	—	10,000,000	—	10,000,000 *(Note 1)*	18 Jul 2008	18 Jul 2008 to 14 Jul 2011	5.2	1.73
	—	10,000,000	—	10,000,000 *(Note 1)*	18 Jul 2008	18 Jul 2008 to 14 Jul 2011	1.79	1.73
Mr. Guo Zi Ning	—	10,000,000	—	10,000,000 *(Note 1)*	18 Jul 2008	18 Jul 2008 to 31 Dec 2009	1.79	1.73
Mr. Zheng Jian Jun	1,069,000	—	—	1,069,000 *(Note 2)*	23 Oct 2007	*(Note 2)*	6.55	6.39
Mr. Paul Steven Wolansky	300,000	—	—	300,000 *(Note 3)*	23 Oct 2007	1 Jan 2008 to 31 Dec 2008	6.55	6.39
Mr. Leung Ping Chung, Hermann	4,581,000	—	—	4,581,000 *(Note 3)*	23 Oct 2007	1 Jan 2008 to 31 Dec 2008	6.55	6.39
	—	10,000,000	—	10,000,000 *(Note 1)*	18 Jul 2008	18 Jul 2008 to 31 Dec 2009	1.79	1.73
Mr. Ma Kwai Yuen	300,000	—	—	300,000 *(Note 3)*	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	6.55	6.39
Mr. Song Xian Zhong	300,000	—	—	300,000 *(Note 3)*	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	6.55	6.39
Mr. Tsui King Fai	300,000	—	—	300,000 *(Note 3)*	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	6.55	6.39
Chief Executive								
Mr. Wu Chen	—	10,000,000	—	10,000,000 *(Note 4)*	25 Sep 2008	25 Sep 2008 to end of his service contract with the Company	0.90	0.85
Mr. Lam Kam Tong	—	3,000,000	—	3,000,000 *(Note 5)*	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	2.00	0.66
		3,000,000		3,000,000 *(Note 5)*	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	0.638	0.66
Mr. Lo Hang Fong (former company secretary who resigned on 12 June 2008)	1,069,000	—	1,069,000	—	23 Oct 2007	1 Apr 2008 to 31 Dec 2008	6.55	6.39
Others								
Employees	4,010,000	—	1,528,000 *(Note 6)*	2,482,000	23 Oct 2007	*(Note 2)*	6.55	6.39
	11,929,000	56,000,000	2,597,000	65,332,000				

No share options were exercised during the year.

Notes:

(1) Mr. Wu Jie Si is granted share options upon his employment, while Mr. Guo Zi Ning and Mr. Leung Ping Chung, Hermann are granted share options to subscribe for 10,000,000 shares of the Company respectively. All the above share options are granted on 18 July 2008.

(2) 20% of the total number of share options granted to the grantee — from the date the Company announced its 2007 annual results (i.e. 15 April 2008) to 31 December 2008.

30% of the total number of share options granted to the grantee — from the date the Company announces its 2008 annual result, on condition that the Board of Directors of the Company has confirmed that the Company has met the 2008 profit forecasts as set by the Board of Directors of the Company and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2009.

50% of the total number of share options granted to the grantee — from the date the Company announces its 2009 annual result, on condition that the board of directors of the Company has confirmed that the Company has met the 2009 profit forecasts as set by the Board of Directors of the Company and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2010.

(3) The end of exercise period of the share options of Mr. Paul Steven Wolansky, Mr. Leung Ping Chung, Hermann, Mr. Ma Kwai Yuen, Mr. Song Xian Zhong and Mr. Tsui King Fai are on 31 December 2008.

(4) Mr. Wu Chen is granted share options to subscribe for 10,000,000 shares of the Company upon his employment, Mr. Wu Chen is entitled to receive additional share options representing 10,000,000 shares upon the Company recognize his first acquisition of land for the Company.

(5) Mr. Lam Kam Tong is granted share options to subscribe for 6,000,000 shares of the Company upon his employment.

(6) Three ex-employees of the Company who were granted options in the aggregate amount of 1,528,000 resigned and their respective options have lapsed.

Substantial Shareholders' Interests

So far as the Directors or the chief executives of the Company are aware of, as at 31 December 2008, the shareholders, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares	Voting power (%) (approximate)
Ace Rise Profits Limited[1]	Beneficial owner	1,154,325,000	51.25%
Credit Suisse Trust Limited[1]	Trustee	1,154,325,000	51.25%
Mr. Guo Zi Wen[1]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	51.25%
Ms. Jiang Miner[1]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	51.25%
Seletar Limited[1]	Controlled corporation	1,154,325,000	51.25%
Serangoon Limited[1]	Controlled corporation	1,154,325,000	51.25%

Name	Capacity	Number of shares	Voting power (%) (approximate)
Sturgeon Limited[(1)]	Controlled corporation	1,154,325,000	51.25%
Mr. Selwyn Donald Sussman[(2) and (3)]	Controlled corporation	406,363,462	18.04%
Capital Asset Management, Inc.[(3)]	Controlled corporation	383,043,462	17.01%
Trust Asset Management LLP[(3)]	Controlled corporation	383,043,462	17.01%
Mr. Leung Ping Chung, Hermann[(2)]	Trustee	293,175,000	13.02%
Mr. Paul Steven Wolansky[(2)]	Trustee	293,175,000	13.02%
Cathay Capital Holdings, L.P.[(2)]	Controlled corporation	293,175,000	13.02%
Cathay Master GP, Ltd.[(2)]	Controlled corporation	293,175,000	13.02%
Cathay Sino Property Ltd.[(2)]	Beneficial owner	293,175,000	13.02%

Notes:

(1) The 1,154,325,000 shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

(2) The 293,175,000 shares are registered in the name of Cathay Sino Property Ltd. which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee, 45% by Trust Asset Management LLP. and 10% by Nice Wealth Investment Limited which is wholly owned by Mr. Leung Ping Chung, Hermann. Cathay Capital Holdings, L.P., Cathay Master GP Ltd., Mr. Paul Steven Wolansky, Trust Asset Management LLP and Mr. Leung Ping Chung, Hermann are all deemed to be interested in the 293,175,000 shares under the SFO.

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

Corporate Governance

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

Sufficiency of Public Float

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

Auditors

The financial statements for the year ended 31 December 2008 have been audited by Deloitte Touche Tohmatsu. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the ensuring year will be proposed at the forthcoming AGM.

There has been no change of the auditors of the Company since its listing on the Stock Exchange.

On behalf of the Board
GUO Zi Wen
Chairman and CEO

Hong Kong, 24 April 2009

Deloitte.
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TO THE SHAREHOLDERS OF CHINA AOYUAN PROPERTY GROUP LIMITED
中國奧園地產集團股份有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 123, which comprise of the consolidated balance sheet 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 consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of its loss and cash flows for the year then ended 31 December 2008 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	**619,941**	2,501,397
Cost of sales		**(597,164)**	(1,176,986)
Gross profit		**22,777**	1,324,411
Other income	6	**79,897**	105,243
Change in fair value of investment properties		**(34,558)**	20,964
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**88,437**	55,142
Selling and distribution costs		**(135,276)**	(71,102)
Administrative expenses		**(198,283)**	(148,794)
Change in fair value of embedded derivatives component of convertible notes		**76,145**	64,289
Other expenses		**—**	(29,056)
Loss on redemption of convertible notes		**—**	(86,266)
Finance costs	7	**(5,219)**	(30,616)
Gain on disposal of subsidiaries	30	**16,713**	—
Share of result of a jointly controlled entity		**45**	(232)
(Loss) profit before taxation	8	**(89,322)**	1,203,983
Income tax credit (expense)	9	**31,857**	(601,612)
(Loss) profit for the year		**(57,465)**	602,371
(Loss) profit attributable to:			
Equity holders of the Company		**(57,153)**	602,401
Minority interests		**(312)**	(30)
		(57,465)	602,371
Dividend	11	**123,888**	—
(Loss) earnings per share (cents)			
Basic	12	**(2.54)**	36.04
Diluted	12	**(6.28)**	30.40

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	13	**148,646**	63,969
Prepaid lease payments	14	**18,652**	24,927
Investment properties	15	**439,890**	353,750
Interest in a jointly controlled entity	17	**326,804**	—
Amount due from a jointly controlled entity	21	**60,850**	—
Other property interests	19	**86,952**	—
Deferred taxation assets	26	**8,369**	5,939
		1,090,163	448,585
Current assets			
Inventories		**—**	12
Properties for sales	18	**4,530,096**	2,593,119
Other property interests	19	**—**	86,952
Trade and other receivables	20	**1,240,283**	2,299,322
Prepaid lease payments	14	**6,275**	6,275
Restricted bank deposits	22	**135,732**	148,246
Bank balances and cash	22	**1,345,861**	2,658,201
		7,258,247	7,792,127
Current liabilities			
Trade and other payables	23	**975,783**	823,913
Sales deposits		**244,208**	234,890
Taxation payable		**653,255**	641,367
Derivative financial instruments	24	**3,906**	80,051
Secured bank loans	25	**215,000**	74,912
		2,092,152	1,855,133
Net current assets		**5,166,095**	5,936,994
Total assets less current liabilities		**6,256,258**	6,385,579
Non-current liabilities			
Secured bank loans	25	**999,687**	808,900
Deferred taxation liabilities	26	**63,053**	226,173
Convertible notes	24	**304,133**	306,400
		1,366,873	1,341,473
Net assets		**4,889,385**	5,044,106

	Notes	2008 RMB'000	2007 RMB'000
Capital and reserves			
Share capital	27	**21,838**	21,838
Reserves		**4,857,722**	5,022,268
Equity attributable to equity holders of the Company		**4,879,560**	5,044,106
Minority interests		**9,825**	—
Total equity		**4,889,385**	5,044,106

The consolidated financial statements on pages 60 to 123 were approved and authorised for issue by the Board of Directors on 24 April 2009 and are signed on its behalf by:

Guo Zi Wen
Director

Guo Zi Ning
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital RMB'000	**Share premium** RMB'000	**PRC statutory reserve** RMB'000 (Note 1)	**Capital reserve** RMB'000 (Note 2)	**Special reserve** RMB'000 (Note 3)	**Other reserves** RMB'000 (Note 4)	**Property revaluation reserve** RMB'000 (Note 5)	**Share option reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2007	81	378,551	8,541	10,800	(21,210)	4,500	—	—	446,638	827,901	377	828,278
Profit and total recognised income for the year	—	—	—	—	—	—	—	—	602,401	602,401	(30)	602,371
Elimination of share capital of existing subsidiary upon Group Reorganisation	(81)	(378,551)	—	—	378,551	—	—	—	—	(81)	—	(81)
Deemed distribution on acquisition of additional interest in subsidiaries	—	—	—	(10,800)	—	—	—	—	(44,300)	(55,100)	—	(55,100)
Capitalisation issue of shares	14,542	(14,542)	—	—	—	—	—	—	—	—	—	—
Surplus on revaluation of properties	—	—	—	—	—	—	50,313	—	—	50,313	—	50,313
Deferred taxation liability arising from revaluation of properties	—	—	—	—	—	—	(12,578)	—	—	(12,578)	—	(12,578)
Issue of shares by placing and public offering	7,296	3,786,358	—	—	—	—	—	—	—	3,793,654	—	3,793,654
Share issue expenses	—	(173,937)	—	—	—	—	—	—	—	(173,937)	—	(173,937)
Share based payments	—	—	—	—	—	—	—	11,533	—	11,533	—	11,533
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(347)	(347)
At 31 December 2007	21,838	3,597,879	8,541	—	357,341	4,500	37,735	11,533	1,004,739	5,044,106	—	5,044,106
Loss and total recognised expense for the year	—	—	—	—	—	—	—	—	(57,153)	(57,153)	(312)	(57,465)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	10,137	10,137
Share based payments	—	—	—	—	—	—	—	16,495	—	16,495	—	16,495
Transfer of share option reserve upon expiry of share options	—	—	—	—	—	—	—	(8,217)	8,217	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	(123,888)	(123,888)	—	(123,888)
At 31 December 2008	**21,838**	**3,597,879**	**8,541**	**—**	**357,341**	**4,500**	**37,735**	**19,811**	**831,915**	**4,879,560**	**9,825**	**4,889,385**

Notes:

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

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

3. *Special reserve includes (i) revaluation difference arising from the acquisition of additional interests in a subsidiary which debited to special reserve upon the acquisition date and (ii) the amount which represents the difference between the aggregate of the nominal value of share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation and the nominal value of the share capital issued by the Company as consideration for the acquisition.*

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

5. *During the year ended 31 December 2007, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB50,313,000.*

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(89,322)**	1,203,983
Adjustments for:		
Recognition of change in fair value of completed properties upon transfer to investment properties	**(88,437)**	(55,142)
Transaction costs attributable to embedded derivatives component of convertible notes	**—**	8,068
Change in fair value of investment properties	**34,558**	(20,964)
Change in fair value of embedded derivatives component of convertible notes	**(76,145)**	(64,289)
Loss on redemption of convertible notes	**—**	86,266
Finance costs	**5,219**	30,616
Share of result of a jointly controlled entity	**(45)**	232
Gain on disposal of subsidiaries	**(16,713)**	—
Share based payments	**16,495**	11,533
Depreciation of property, plant and equipment	**11,278**	3,967
Amortisation of prepaid lease payments	**6,275**	7,060
Written off of long outstanding payable	**(25,271)**	—
Interest income	**(51,506)**	(101,284)
Loss on disposal of property, plant and equipment and prepaid lease payments	**360**	235
Net foreign exchange loss	**40,329**	49,207
Discount on acquisition	**—**	(102)
Operating cash flows before movements in working capital	**(232,925)**	1,159,386
Increase in prepaid lease payments	**—**	(2,216)
Decrease in inventories	**12**	76
Increase in properties for sales	**(2,183,450)**	(689,426)
Decrease (increase) in trade and other receivables	**617,134**	(1,735,037)
Increase in trade and other payables	**183,872**	369,091
Increase (decrease) in sales deposits	**9,318**	(8,063)
Cash used in operations	**(1,606,039)**	(906,189)
Enterprise income tax paid	**(121,805)**	(54,740)
Interest paid	**(107,477)**	(102,231)
NET CASH USED IN OPERATING ACTIVITIES	**(1,835,321)**	(1,063,160)

	Notes	**2008 RMB'000**	2007 RMB'000
INVESTING ACTIVITIES			
Interest received		**15,843**	101,283
Purchases of property, plant and equipment		**(107,496)**	(8,246)
Additions in other property interests		**—**	(18)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	**—**	(262,751)
Payment of amounts owing to vendors of acquisition of subsidiaries		**—**	(407,601)
Deemed distribution upon acquisition of additional interests in subsidiaries		**—**	(55,100)
Acquisition of additional interest in a subsidiary		**—**	(245)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	30	**(146)**	—
Proceeds on disposal of available for sale investments		**—**	550
Settlement of receivable arising on disposal of property, plant and equipment		**58,516**	149
Settlement of receivable arising on disposal of investment properties		**80,697**	—
Repayment from (advance to) jointly controlled entities		**318,360**	(73,602)
Decrease (increase) in restricted bank deposits		**12,514**	(106,717)
Advance to related parties		**—**	(4,108)
Investment in a jointly controlled entity		**(13,247)**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**365,041**	(816,406)
FINANCING ACTIVITIES			
Issue of shares		**—**	3,793,654
Share issue expenses		**—**	(143,516)
Distributions to shareholders		**—**	(81)
New bank loans raised		**800,560**	1,020,689
Repayment of bank loans		**(464,889)**	(467,751)
Contributions from minority shareholders		**10,137**	—
Dividends paid to equity holders of the Company		**(123,888)**	—
Advance from jointly controlled entities		**—**	62
Repayment to related parties		**—**	(343)
Proceeds from issue of convertible notes		**—**	855,683
Transaction costs of convertible notes		**—**	(25,663)
Redemption compensation paid to note holders		**—**	(116,936)
Repayment of convertible notes		**—**	(604,406)
NET CASH FROM FINANCING ACTIVITIES		**221,920**	4,311,392
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,248,360)**	2,431,826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(63,980)**	(82,497)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,658,201**	308,872
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**1,345,861**	2,658,201

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

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

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

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 38.

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

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

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of 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. Adoption of New and Revised International Financial Reporting Standards ("IFRS") *(continued)*

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

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

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfers of Assets from Customers[8]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009*
2 *Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate*
3 *Effective for annual periods beginning on or after 1 January 2009*
4 *Effective for annual periods beginning on or after 1 July 2009*
5 *Effective for annual periods ending on or after 30 June 2009*
6 *Effective for annual periods beginning on or after 1 July 2008*
7 *Effective for annual periods beginning on or after 1 October 2008*
8 *Effective for transfers on or after 1 July 2009*

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

3. Significant Accounting Policies

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

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Merger accounting for business combination involving entities under common control

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

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

3. Significant Accounting Policies *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

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

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

Business combinations other than involving entities under common control

The acquisition of businesses, other than those involving entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

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

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

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

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

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

Acquisition of additional interest in subsidiaries

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

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve. On subsequent disposal of the subsidiary, the attributable special reserve is realised in the consolidated income statement.

Property, plant and equipment

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

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

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

An item of property, plant and equipment is transferred to an investment property because its use has changed as evidenced by end of owner-occupation. Any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be realised to consolidated income statement.

3. Significant Accounting Policies *(continued)*

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which the ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Impairment of tangible assets

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

3. Significant Accounting Policies *(continued)*

Impairment of tangible assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Properties for sales

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in consolidated income statement. For property for sale transferred to property, plant and equipment as evidenced by start of owner-occupation, the carrying amount of that item is transferred at the date of transfer.

Other property interests

Other property interests are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a jointly controlled entity, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

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

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables *(continued)*

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of the ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

Convertible notes

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

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

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

Other financial liabilities

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

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

3. Significant Accounting Policies *(continued)*

Derivative financial instruments

Embedded derivative financial instruments

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

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

Revenue recognition

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

Sales of properties

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

Sales returns of properties sold are recorded as reduction of revenue in the period in which the properties are returned.

Property rentals

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

Consulting income

Consulting income is recognised when services are rendered.

Interest income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies *(continued)*

Leasing

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

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

Leasehold land and building
The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Sale and leaseback

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year, taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

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

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of RMB4,530,096,000 (2007: RMB2,593,119,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

Convertible notes

As described in note 24, the Group's convertible notes contain embedded derivatives with carrying amount of RMB3,906,000 (2007: RMB80,051,000) that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. Assumptions are made based on market yields of comparable corporate bonds and return volatility of comparable companies adjusted for specific features of the embedded derivatives. Details of the assumptions used are disclosed in note 24.

Land appreciation tax

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

5. Revenue

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

Principal activities are as follows:

Property development — developing and selling of properties in the PRC

Property investment — leasing of investment properties

Others — consulting services

5. Revenue *(continued)*

Revenue and results

	Year ended 31 December 2008			
	Property development RMB'000 (Note)	Property investment RMB'000	Others RMB'000	Total RMB'000
Revenue	**609,015**	**9,525**	**1,401**	**619,941**
Segment results	**(79,916)**	**(25,758)**	**219**	**(105,455)**
Other income				**44,234**
Unallocated corporate expenses				**(115,785)**
Change in fair value of embedded derivatives component of convertible notes				**76,145**
Finance costs				**(5,219)**
Gain on disposal of subsidiaries				**16,713**
Share of result of a jointly controlled entity	**45**	**—**	**—**	**45**
Loss before taxation				**(89,322)**
Income tax credit				**31,857**
Loss for the year				**(57,465)**

Note: During the year ended 31 December 2008, two customers settled the outstanding portion of the consideration amounting to approximately RMB338,325,000 for properties they purchased in 2007 by returning to the Group certain properties previously sold to them in 2007.

In addition, the Group purchased certain other properties previously sold to these two customers at a consideration of approximately RMB197,028,000 so as to integrate them with the properties returned by the two customers for further enhancement and selling. The settlement and purchase of properties are recognised as sales returns such that the relevant revenue amounting to approximately RMB597,951,000 (net of business tax) and relevant cost of properties sold amounting to approximately RMB262,346,000 previously recognised in 2007 are now recognised as deductions from revenue and cost of properties sold during the year ended 31 December 2008. Prior to the sales returns, the Group received certain amount of cash from these two customers for settlement of sales consideration. Accordingly, the Group recognised revenue of approximately RMB92,738,000 (net of business tax) to the extent cash is received and retained.

During the year, revenue and segment results amounting to approximately RMB147,572,000 (net of business tax) and RMB86,635,000, respectively, including in the property development segment were derived from corporate bulk sales.

Balance sheet

	As at 31 December 2008			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Assets				
Segment assets	**5,768,398**	**451,034**	**398**	**6,219,830**
Interest in a jointly controlled entity	**326,804**	**—**	**—**	**326,804**
Unallocated corporate assets				**1,801,776**
Total assets				**8,348,410**
Liabilities				
Segment liabilities	**1,190,318**	**476**	**2,556**	**1,193,350**
Unallocated corporate liabilities				**2,265,675**
Total liabilities				**3,459,025**

Note: At 31 December 2008, segment assets amounting to approximately RMB78,080,000 were related to corporate bulk sales.

5. Revenue *(continued)*

Other information

	Year ended 31 December 2008				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Capital additions	7,112	—	—	100,384	107,496
Depreciation of property, plant and equipment	5,735	17	93	5,433	11,278
Amortisation of prepaid lease payments	—	6,275	—	—	6,275
Loss on disposal of property, plant and equipment	360	—	—	—	360
Recognition of increase in fair value of completed properties upon transfer to investment properties	88,437	—	—	—	88,437
Decrease in fair value of investment properties	—	34,558	—	—	34,558
Share based payment	—	—	—	16,495	16,495
Written off of long outstanding payable	—	—	—	25,271	25,271

Revenue and results

	Year ended 31 December 2007			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Revenue	2,488,270	8,469	4,658	2,501,397
Segment results	1,269,963	21,826	563	1,292,352
Other income				105,243
Unallocated corporate expenses				(140,787)
Change in fair value of embedded derivatives component of convertible notes				64,289
Finance costs				(30,616)
Share of results of jointly controlled entities				(232)
Loss on redemption of convertible notes				(86,266)
Profit before taxation				1,203,983
Income tax expense				(601,612)
Profit for the year				602,371

Note: During the year ended 31 December 2007, revenue and segment results amounting to approximately RMB1,434,950,000 (net of business tax) and RMB807,389,000, respectively, including in the property development segment were derived from corporate bulk sales. As disclosed in the segment result for the year ended 31 December 2008, certain properties previously sold in year 2007 were returned by the customers subsequently in 2008.

5. Revenue *(continued)*

Balance sheet

	As at 31 December 2007			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Assets				
Segment assets	4,844,629	381,695	657	5,226,981
Unallocated corporate assets				3,013,731
Total assets				8,240,712
Liabilities				
Segment liabilities	1,039,292	18,664	847	1,058,803
Unallocated corporate liabilities				2,137,803
Total liabilities				3,196,606

Note: At 31 December 2007, segment assets amounting to approximately RMB1,062,292,000 were related to corporate bulk sales.

Other information

	Year ended 31 December 2007				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Capital additions	4,398	54	—	3,794	8,246
Depreciation of property, plant and equipment	3,072	17	380	498	3,967
Amortisation of prepaid lease payments	—	7,060	—	—	7,060
Recognition of increase in fair value of completed properties upon transfer to investment properties	55,142	—	—	—	55,142
Increase in fair value of investment properties	—	20,964	—	—	20,964
Share based payment	—	—	—	11,533	11,533
Loss on disposal of property, plant and equipment	235	—	—	—	235

6. Other Income

	2008 RMB'000	2007 RMB'000
Other income comprises of:		
Bank interest income from over-subscription monies	—	78,318
Bank interest income	15,843	22,966
Imputed interest income on trade receivables	35,663	—
Discount arising on acquisition of additional interest in a subsidiary	—	102
Write off of other payable	25,271	—
Others	3,120	3,857
	79,897	105,243

7. Finance Costs

	2008 RMB'000	2007 RMB'000
Interest on bank loans wholly repayable within five years	(81,403)	(40,076)
Interest on convertible notes	(42,662)	(108,075)
	(124,065)	(148,151)
Less: Amount capitalised in properties under development for sales	118,846	117,535
	(5,219)	(30,616)

Interest capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately of 8.4% (2007: 11.3%) to expenditure on the qualifying assets.

8. (Loss) Profit Before Taxation

	2008 RMB'000	2007 RMB'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Staff costs including directors' emoluments	**84,950**	48,112
Retirement benefit scheme contributions	**932**	808
Total staff costs	**85,882**	48,920
Less: Amount capitalised in properties under development for sales	**(12,861)**	(5,755)
	73,021	43,165
Amortisation of prepaid lease payments	**6,275**	7,060
Auditor's remuneration	**2,700**	3,000
Depreciation of property, plant and equipment	**11,278**	3,967
Loss on disposal of property, plant and equipment	**360**	235
Net foreign exchange loss	**40,329**	49,207
Rental expenses in respect of rented premises under operating leases	**14,776**	6,208
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of RMB725,000 (2007: RMB840,000)	**(8,800)**	(7,629)

Note: As disclosed in note 5, two customers settled the remaining consideration payable to the Group of approximately RMB338,325,000 during the year ended 31 December 2008.

9. Income Tax Credit (Expense)

	2008 RMB'000	2007 RMB'000
Income tax credit (expense) recognised comprises of:		
Enterprise Income Tax in the PRC — Current	**(181,319)**	(130,043)
Deferred taxation (note 26)		
— Current year	**165,550**	(139,031)
— Attributable to change in tax rate	**—**	12,461
Land appreciation tax	**47,626**	(344,999)
Income tax credit (expense) for the year	**31,857**	(601,612)

The Group's PRC Enterprise Income Tax is calculated at 25% (2007: 33%) of the estimated assessable profit for the year. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. Income Tax Credit (Expense) *(continued)*

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

According to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year ended 31 December 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2008 RMB'000	2007 RMB'000
(Loss) profit before taxation	**(89,322)**	1,203,983
Tax credit (charge) at PRC Enterprise Income Tax rate of 25% (2007: 33%)	**22,330**	(397,314)
Tax effect of share of result of a jointly controlled entity	**11**	(77)
Tax effect of expenses not deductible in determining taxable profit *(note a)*	**(52,211)**	(87,910)
Tax effect of income that are not taxable in determining taxable profit	**27,180**	58,979
Tax effect of tax losses not recognised	**(582)**	(812)
Land appreciation tax	**47,626**	(344,999)
Tax effect to utilisation of tax losses of previous years	**—**	2,867
Tax effect of deductible share issue expenses capitalised in share premium	**—**	650
Decrease in opening deferred taxation liabilities resulting from a decrease in applicable tax rate	**—**	12,461
Differential tax rate on temporary differences of subsidiaries *(note b)*	**—**	40,622
Tax effect of land appreciation tax *(note c)*	**(11,907)**	113,850
Others	**(590)**	71
Tax credit (expenses) for the year	**31,857**	(601,612)

Notes:

(a) *Tax effect of expenses not deductible in determining taxable profit for the year ended 31 December 2008 mainly represents interest expenses on convertible notes, share based payments and exchange loss (2007: interest expenses on convertible notes and legal and professional fees in connection with the public offering and issuance of convertible notes).*

(b) *The amount represented the effect of the new tax rate applied on the taxable temporary differences arisen during the year ended 31 December 2007.*

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

10. Directors' and Employees' Remuneration

Directors' emoluments

	2008 RMB'000	2007 RMB'000
Fees	—	—
Salaries and allowances	11,153	7,681
Share-based payments	13,644	7,539
	24,797	15,220

	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended 31 December 2008			
Executive Director:			
Guo Zi Wen ("Mr. Guo")（郭梓文）	2,316	—	2,316
Guo Zi Ning（郭梓寧）	2,110	3,528	5,638
Zheng Jian Jun（鄭健軍）	1,662	452	2,114
Hu Da Wei（胡大為）	1,981	—	1,981
Wu Jie Si（武捷思）	2,420	5,821	8,241
Non-executive Director:			
Leung Ping Chung, Hermann（梁秉聰）	53	3,528	3,581
Paul Steven Wolansky	53	—	53
He Jian Bing（何建兵）	73	—	73
Independent non-executive Director:			
Song Xian Zhong（宋獻中）	93	105	198
Ma Kwai Yuen（馬桂園）	218	105	323
Tsui King Fai（徐景輝）	174	105	279
	11,153	13,644	24,797

10. Directors' and Employees' Remuneration *(continued)*

Directors' emoluments *(continued)*

	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended 31 December 2007			
Executive Director:			
Guo Zi Wen ("Mr. Guo")(郭梓文)	2,409	—	2,409
Guo Zi Ning(郭梓寧)	2,304	—	2,304
Zheng Jian Jun(鄭健軍)	2,470	920	3,390
Non-executive Director:			
Leung Ping Chung, Hermann (梁秉聰)	42	5,781	5,823
Paul Steven Wolansky	42	379	421
Independent non-executive Director:			
Song Xian Zhong(宋獻中)	126	153	279
Ma Kwai Yuen(馬桂園)	162	153	315
Tsui King Fai(徐景輝)	126	153	279
	7,681	7,539	15,220

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 4 (2007: 3) executive Directors whose emoluments are set out above. The emoluments of the remaining 1 (2007: 2) highest paid individual are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and allowances	**2,224**	2,012
Retirement benefit scheme contributions	**—**	20
	2,224	2,032

Their emoluments were within the following bands:

	2008	2007
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$2,000,001 to HK$2,500,000	**1**	—

During the year ended 31 December 2008 and 2007, no remuneration was paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any remuneration for the year ended 31 December 2008 and 2007.

11. Dividend

	2008 RMB'000	2007 RMB'000
Dividend recognised as distribution during the year:		
Final dividend for 2007: RMB5.5 cents (2007: Nil) per share	**123,888**	—

12. (Loss) Earnings Per Share

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

(Loss) earnings

	2008 RMB'000	2007 RMB'000
(Loss) earnings for the purposes of basic (loss) earnings per share, being (loss) profit for the year attributable to equity holders of the Company	**(57,153)**	602,401
Effect of dilutive potential ordinary shares:		
Interest on convertible notes charged to consolidated income statement	**5,219**	16,437
Change in fair value of embedded derivatives component of convertible notes	**(76,145)**	(66,980)
Exchange difference	**(18,855)**	(19,455)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(146,934)**	532,403

Number of shares

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,252,000**	1,671,164
Effect of dilutive potential ordinary shares:		
Convertible notes	**89,423**	80,177
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,341,423**	1,751,341

Note: The computation of diluted loss per share for the year ended 31 December 2008 (i) does not take into account for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares and (ii) does not take into account for the exercise of the remaining share options, where the exercise price of those options was lower than the average market price of the Company's shares, as their exercise would result in a decrease in loss per share..

The computation of diluted earnings per share for the year ended 31 December 2007 does not take into account for (i) the effect of share options granted because the exercise price of those options was higher than the average market price of the Company's shares and (ii) the conversion of convertible notes with principal amount of US$80 million, which was redeemed in 2007, as the effect is anti-dilutive.

13. Property, Plant and Equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST					
At 1 January 2007	39,261	13,191	21,899	8,229	82,580
Acquisition of subsidiaries	10,165	480	1,274	46	11,965
Transfer to investment properties	(34,727)	—	—	—	(34,727)
Transfer from properties for sale	32,714	—	—	—	32,714
Additions	—	4,126	3,444	676	8,246
Disposals	—	—	(1,180)	—	(1,180)
At 31 December 2007	47,413	17,797	25,437	8,951	99,598
Disposal of subsidiaries *(note 30)*	—	(54)	—	—	(54)
Transfer to investment properties	(12,744)	—	—	—	(12,744)
Additions	91,025	7,285	5,097	4,089	107,496
Disposals	—	(661)	(1,129)	(3,883)	(5,673)
At 31 December 2008	125,694	24,367	29,405	9,157	188,623
DEPRECIATION					
At 1 January 2007	10,200	11,012	16,761	3,760	41,733
Provided for the year	916	717	1,831	503	3,967
Transfer to investment properties	(9,275)	—	—	—	(9,275)
Disposals	—	—	(796)	—	(796)
At 31 December 2007	1,841	11,729	17,796	4,263	35,629
Disposal of subsidiaries *(note 30)*	—	(3)	—	—	(3)
Transfer to investment properties	(1,614)	—	—	—	(1,614)
Provided for the year	2,935	3,953	3,119	1,271	11,278
Disposals	—	(510)	(920)	(3,883)	(5,313)
At 31 December 2008	3,162	15,169	19,995	1,651	39,977
CARRYING VALUES					
At 31 December 2008	122,532	9,198	9,410	7,506	148,646
At 31 December 2007	45,572	6,068	7,641	4,688	63,969

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

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

During the year ended 31 December 2007, buildings of RMB32,714,000 were transferred from properties for sale as a result of the change in use of property. No such transfer was made during the year ended 31 December 2008.

14. Prepaid Lease Payments

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

	2008 RMB'000	2007 RMB'000
Current asset	**6,275**	6,275
Non-current asset	**18,652**	24,927
	24,927	31,202

During the year ended 31 December 2007, prepaid lease payments of RMB8,625,000 were transferred to investment properties as a result of the change in use of property while prepaid lease payments of RMB3,461,000 were transferred from properties for sales as a result of the change in use of property.

15. Investment Properties

	RMB'000
At 1 January 2007	158,124
Transfer from property, plant and equipment and prepaid lease payments	84,390
Transfer from properties for sales	90,272
Net change in fair value recognised in the consolidated income statement	20,964
At 31 December 2007	353,750
Transfer from properties for sales	109,568
Transfer from property, plant and equipment	11,130
Net change in fair value recognised in the consolidated income statement	(34,558)
At 31 December 2008	439,890

The fair values of the Group's investment properties at the date of transfer and at the balance sheet dates have been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at on the basis of capitalisation of the net income receivable amounting to approximately RMB245,060,000 and by reference to market evidence of recent transaction prices for similar properties amounting to approximately RMB194,830,000.

At 31 December 2007, investment properties of RMB52,820,000 were pledged to secure certain banking facilities granted to the Group. It was released during the year ended 31 December 2008.

The carrying value of investment properties shown above comprises:

	2008 RMB'000	2007 RMB'000
Properties situated on land with land use rights held under long lease in the PRC	**439,890**	353,750

16. Goodwill

	RMB'000
COST	
At 1 January 2007, 31 December 2007 and 31 December 2008	8,237
IMPAIRMENT	
At 1 January 2007, 31 December 2007 and 31 December 2008	8,237
CARRYING VALUES	
At 31 December 2008 and 2007	—

During the year ended 31 December 2006, the Group acquired additional interest from minority shareholders of certain subsidiaries resulting in a goodwill amounting to RMB8,237,000. These companies were inactive and the Group acquired the additional interests solely for the purpose of rationalisation of the organisation structure. The management assessed the future profitability of these companies and a full impairment loss was therefore recognised in year ended 31 December 2006.

17. Interest in a Jointly Controlled Entity

	2008 RMB'000	2007 RMB'000
Cost of investment, unlisted	**344,298**	67,050
Share of post-acquisition results	**45**	(9,070)
Unrealised profits	**(17,539)**	(28,481)
Elimination upon acquisition	**—**	(29,499)
	326,804	—

As at 31 December 2008, the Group had interest in the following jointly controlled entity:

Name of entity	Place of establishment	Proportion of registered capital held by the Group	Principal activities
Head Win Limited	BVI	50%	Investment holding of a subsidiary engaged in property development

Head Win Limited is a jointly controlled entity set up by the Group and an independent third party. During the year ended 31 December 2008, the Group disposed of its interest in certain wholly-owned subsidiaries to Head Win Limited, except one subsidiary 廣州奧譽房地產開發有限公司 where the Group retains 2% equity interest. 廣州奧譽房地產開發有限公司 is principally engaged in property development. Head Win Limited is accounted for as a jointly controlled entity of the Group as at 31 December 2008 as in accordance with the memorandum and the articles of the companies, the shareholders have contractually agreed to jointly control over these entities.

17. Interest in a Jointly Controlled Entity *(continued)*

The executive directors of the Company have performed impairment assessment on the interest in a jointly controlled entity with reference to the underlying assets held by the jointly controlled entity and determined that no impairment is required.

On 7 June 2007, the Group completed the acquisition of the remaining interest in the jointly controlled entities including 廣州南沙國奧投資有限公司, 廣州南沙國奧房地產開發有限公司 and 廣州國奧物業管理有限公司 which become subsidiaries of the Group, details of the acquisition of additional interests in these companies are set out in note 29.

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using the equity method is set out below:

	2008 RMB'000	2007 RMB'000
Current assets	**11,672**	—
Non-current assets	**340,832**	—
Current liabilities	**(32,307)**	—
Income	**45**	—
Expense	**—**	(232)

18. Properties for Sale

	2008 RMB'000	2007 RMB'000
Properties for sale comprise of:		
Completed properties	**1,076,943**	576,071
Properties under development	**3,453,153**	2,017,048
	4,530,096	2,593,119

During the year ended 31 December 2008, completed properties with aggregate carrying amount of approximately RMB21,131,000 (2007: RMB35,131,000) were transferred to investment properties. The excess of the fair value of these properties at the date of transfer and their carrying amount, amounting to approximately RMB88,437,000 (2007: RMB55,142,000), is recognised in the consolidated income statement.

During the year ended 31 December 2007, RMB32,714,000 and RMB3,461,000 were transferred to property, plant and equipment and prepaid lease payments, respectively, and no such transfer was made in the year ended 31 December 2008.

At 31 December 2008, certain of the Group's properties for sales with carrying value of approximately RMB1,204,316,000 (2007: RMB252,546,000) were pledged to secure certain banking facilities granted to the Group.

19. Other Property Interests

Other property interests relate to leasehold land and related development cost in the PRC which is held under long lease. Pursuant to the written Decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2007] No.1196)(廣州市國土資源和房屋管理局總國房地[2007]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("the Bureau of Land Resources") on 15 December 2006, the subject property will be reverted to the Guangzhou municipal government.

On 21 March 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On 2 April 2007, the Guangzhou municipal government issued its determination in Administrative Review Decision (Sui Fu Fu Zi (2008) No.67)(穗府覆字 (2008) 67號文 — 行政覆議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has confirmed that the Group can apply for refund of the land premium and other ancillary expenses the Group paid when the Group first acquired the land use right, and the compensation for the expenses the Group incurred during the reclamation process.

During the year ended 31 December 2008, the Bureau of Land Resources issued a notice to the Group(穗府房函(2008) 1751號) requesting the Group to submit a compensation proposal. According to the Group's compensation proposal submitted in November 2008, the Group requested the Bureau of Land Resources to withdraw the reclaim decision, otherwise, grant another piece of land to the Group with same value and in the same location and area. The executive Directors of the Company are of the opinion that the recoverable amount of these property interests would not be less than the carrying amount which represents the historical cost incurred. The relevant procedures of refund and compensation are still under process up to the date when the consolidated financial statements are authorised for issue.

In addition, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

20. Trade and Other Receivables

	2008 **RMB'000**	2007 RMB'000
Trade receivables	**267,891**	1,371,508
Receivable arising from disposal of property, plant and equipment	**—**	58,516
Receivable arising from disposal of investment properties	**—**	80,697
Other receivables	**291,844**	141,824
Advances to suppliers	**655,020**	381,855
Deposits for purchase of land use rights	**20,000**	259,773
Prepayments and deposits	**5,528**	5,149
	1,240,283	2,299,322

20. Trade and Other Receivables *(continued)*

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

	2008 RMB'000	2007 RMB'000
Age		
0 to 60 days	**151,582**	1,038,351
61 to 180 days	**81,719**	263,964
181 to 365 days	**7,608**	2,442
1 to 2 years	**9,579**	66,201
2 to 3 years	**17,403**	550
	267,891	1,371,508

Trade receivables mainly represent receivable from banks for mortgage sale of properties amounting to approximately RMB137,500,000 (2007: RMB220,908,000) and receivable from corporate bulk sale customers amounting to approximately RMB82,625,000 (2007: RMB1,062,292,000). Normally the average credit period on sale of properties is 60 days. For the corporate bulk sale customers, the average credit period extends to 180 days or one year. Of the trade receivables balance at 31 December 2008, approximately RMB15,616,000 and RMB62,464,000 will be received in May 2009 and May 2010 (2007: RMB303,512,000 and RMB758,780,000 will be received in June 2008 and December 2008), respectively, according to the corporate bulk sale agreements. Impairment on trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date.

Included in other receivables mainly represent temporary receivables paid in advance for reclamation of land for the Group's further property development. The directors of the Company consider that no impairment is required.

As at December 31, 2008, there were approximately RMB9,579,000 (2007: RMB66,201,000) receivable aged 1 to 2 years and RMB17,403,000 (2007: Nil) receivables aged 2 to 3 years that were past due but not impaired. Based on experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these receivables as the debtors have no history of default for balance past due or balance not past due. At the balance sheet date, trade receivables of the Group's top three customers, which are operating in the Guangdong Province and engaged in property, investment or construction businesses, amounted to RMB93,040,000 (2007: RMB1,062,292,000). The Group has reviewed the subsequent settlement, settlement history and financial position of these customers and no impairment on the receivables is required. Nonetheless, two customers were unable to settle the remaining balance payable to the Group during the year ended 31 December 2008 and therefore settled the remaining balance with the properties previously sold to them (see note 5). There are no other customers who represent more than 5% of the total balance of trade receivables. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

21. Amount Due from a Jointly Controlled Entity

Amount due from a jointly controlled entity mainly represented by advance to a jointly controlled entity for settlement of its construction fees are interest free, unsecured and not expected to be settled within twelve months from the balance sheet date.

22. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

These deposits are restricted for the payment to the construction contractors and carry variable interest rate of 0.36% (2007: 0.72%) per annum. The restricted bank deposits will be released upon the completion of the development of properties.

Bank balances and cash

The bank balances carry variable interest rate with an average interest rate from 0.54% to 1% (2007: from 0.76% to 2.36%) per annum.

23. Trade and Other Payables

	2008 RMB'000	2007 RMB'000
Trade payables	**802,685**	500,588
Other payables	**132,982**	211,137
Other taxes payable	**40,116**	112,188
	975,783	823,913

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 28.

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

	2008 RMB'000	2007 RMB'000
Age:		
0 to 60 days	**310,926**	141,419
61 to 180 days	**188,271**	195,530
181 to 365 days	**110,705**	48,353
1 to 2 years	**121,148**	48,535
2 to 3 years	**33,274**	27,537
Over 3 years	**38,361**	39,214
	802,685	500,588

23. Trade and Other Payables *(continued)*

At 31 December 2008, the balance of approximately RMB96,302,000 (2007: RMB52,193,000) with age over 1 year mainly represents the retention money of approximately 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1–3 year period.

24. Convertible Notes/Derivative Financial Instruments

On 21 November 2006, Add Hero Holding Limited ("Add Hero", a wholly owned subsidiary of the Company) and Sunrise Partners Limited Partnership ("Sunrise Partners") entered into a note purchase agreement ("Preliminary Note Purchase Agreement"), under which Add Hero agreed to issue convertible notes in aggregate principal amount of US$60,000,000 to Sunrise Partners, subject to negotiation and finalisation of the terms between the parties.

Following the negotiation between the parties, Add Hero and Sunrise Partners entered into a final note purchase agreement on 5 January 2007 ("Original Note Purchase Agreement"), whereby Add Hero issued 7.95% senior secured convertible notes ("Original Notes") in aggregate principal amount of US$60,000,000 (equivalent to approximately RMB469,264,000) due on 13 February 2012 (the "Maturity Date"). Add Hero shall on the Maturity Date pay an amount equal to the aggregate principal amount of the Original Notes outstanding on the Maturity Date, plus accrued and unpaid interest thereon.

Pursuant to another note purchase agreement (the "Note Purchase Agreement") entered by Add Hero on 9 February 2007, Add Hero issued convertible notes in aggregate principal amount of US$140,000,000 (equivalent to approximately RMB1,096,318,000) due in 13 February 2012 ("Convertible Notes") in which (i) the Convertible Notes in aggregate principal amount of US$60,000,000 were issued to Sunrise Partners in exchange for the Original Notes; and (ii) the Convertible Notes in aggregate principal amount of US$80,000,000 were issued to the investors other than Sunrise Partners (Sunrise Partners and investors other than Sunrise Partners, together "Noteholders").

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

The Convertibles Notes entitle the Noteholders to convert them into the Company's ordinary shares at any time prior to the Maturity Date at a conversion price as set out in the Note Purchase Agreement, subject to certain anti-dilutive adjustments.

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

According to the Note Purchase Agreement, the Convertible Notes are interest bearing at Interest of London Inter Bank Offer Rate ("LIBOR") plus 3% per annum as the IPO occurred by 15 July 2008.

24. Convertible Notes/Derivative Financial Instruments *(continued)*

Convertible Notes contain liability component stated at amortised cost and conversion option and issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related. Issue costs of RMB25,663,000 are apportioned between the liability component and embedded derivatives component based on their relative fair values at the date of issue. An issue cost of RMB17,603,000 relating to the liability component is included in the fair value of liability component at the date of issue. The effective interest rate of the liability component is 14.2% (2007: 19.2%).

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

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

The principal amount of convertible notes outstanding as at 31 December 2008 is US$60,000,000 (2007: US$60,000,000). The movements of the liability and derivative components of the Convertible Notes are set out as below:

	Liability component RMB'000	**Derivative components** RMB'000
Amount initially recognised	320,407	146,582
Additions	397,122	195,442
Interest charged	108,075	—
Interest paid	(62,156)	—
Redemption	(423,758)	(197,684)
Change in fair value	—	(64,289)
Exchange difference	(33,290)	—
At 31 December 2007	306,400	80,051
Interest charged	42,662	—
Interest paid	(26,074)	—
Change in fair value	—	(76,145)
Exchange difference	(18,855)	—
At 31 December 2008	304,133	3,906
Fair value at 31 December 2008	416,892	3,906

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

24. Convertible Notes/Derivative Financial Instruments (continued)

The fair value of the embedded derivatives of the Convertible Notes comprise:

(a) The fair value of option held by the Noteholders to convert the Convertible Notes into shares of the Company; and

(b) The fair value of the option held by the Company to early redeem the Convertible Notes.

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

	2008
Conversion Price	HK$5.2
Risk free rate of interest	3.15%
Time to expiration	3.12 years
Volatility	62%

	2007
Conversion Price	IPO Price of the Company is HK$5.2
Risk free rate of interest	4.36%
Time to expiration	4.12 years
Volatility	49%

Notes:

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

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

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

25. Secured Bank Loans

	2008 RMB'000	2007 RMB'000
The secured bank loans are repayable as follows:		
Within one year	**215,000**	74,912
More than one year, but not exceeding two years	**625,687**	115,000
More than two years, but not exceeding five years	**374,000**	693,900
	1,214,687	883,812
Less: Amount due within one year shown under current liabilities	**(215,000)**	(74,912)
	999,687	808,900

All the bank borrowings interest rate are agreed with the banks at inception date and are subject to negotiation on annual basis, thus exposing the Group to cash flow interest rate risk because of the re-pricing. The effective interest rates on bank borrowings for the year are 6.92% (2007: 6.90%) per annum. At 31 December 2007, certain of the Group's investment properties with an aggregate carrying value of approximately RMB52,820,000 were pledged to secure certain banking facilities granted to the Group. Such pledge of asset was released during the year ended 31 December 2008.

26. Deferred Taxation

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

	Change in fair value of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on revenue recognition and related cost of sales RMB'000	Tax losses RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2007	18,897	—	68,258	(13,137)	7,068	81,086
Charge to equity for the year	—	12,578	—	—	—	12,578
Charge to consolidated income statement *(note 9)*	5,241	13,786	111,857	8,109	38	139,031
Effect of change in tax rate *(note 9)*	(4,581)	—	(6,167)	—	(1,713)	(12,461)
At 31 December 2007	19,557	26,364	173,948	(5,028)	5,393	220,234
(Credit) charge to consolidated income statement *(note 9)*	(8,640)	22,109	(165,427)	(3,341)	(10,251)	(165,550)
At 31 December 2008	10,917	48,473	8,521	(8,369)	(4,858)	54,684

26. Deferred Taxation *(continued)*

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

	2008 RMB'000	2007 RMB'000
Deferred taxation assets	**(8,369)**	(5,939)
Deferred taxation liabilities	**63,053**	226,173
	54,684	220,234

As at 31 December 2008, the Group had unused tax losses of RMB49,477,000 (2007: RMB59,992,000) available to offset against future profits. A deferred taxation asset has been recognised in respect of RMB33,475,000 (2007: RMB28,757,000) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of RMB16,002,000 (2007: RMB31,235,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2008 RMB'000	2007 RMB'000
2008	**—**	17,562
2009	**3,156**	3,156
2010	**1,342**	1,342
2011	**3,457**	3,457
2012	**5,718**	5,718
2013	**2,329**	—
	16,002	31,235

27. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On the date of incorporation *(note a)*	38,000,000	380
Increase during the year *(note d)*	99,962,000,000	999,620
At 31 December 2007 and 2008	100,000,000,000	1,000,000
Issued and fully paid:		
Allotted and issued on the date of incorporation *(note a)*	1	—
Issue of shares upon the Group Reorganisation *(note c)*	9,999	—
Issue of shares by capitalisation *(note e)*	1,499,990,000	15,000
Issue of shares by placing and public offering *(note f)*	752,500,000	7,525
At 31 December 2007 and 2008	2,252,500,000	22,525

	Amount RMB'000
Shown in the consolidated balance sheet	
At 31 December 2007 and 2008	21,838

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

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

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

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

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

27. Share Capital *(continued)*

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

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

All the shares which were issued by the Company during the year ended 31 December 2007 rank pari passu with each other in all respects.

28. Financial Instruments

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk (interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk . The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

(i) Significant accounting policies

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

(ii) Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,102,178**	4,459,023
Financial liabilities		
Amortised cost	**2,454,487**	2,014,125
Financial liabilities through profit or loss		
— Derivative financial instruments	**3,906**	80,051

28. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iii) Market risk

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its convertible notes and bank borrowings which are subject to annual re-pricing in interest rates. The bank loans are for financing development of property projects. The interest rate of the convertible notes is determined by 6 months LIBOR plus 3%. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for secured bank loan and convertible notes at the balance sheet dates. The analysis is prepared assuming the amount of secured bank loan and convertible notes (2007: secured bank loan and convertible notes) at the balance sheet date was outstanding for the whole year. A 200 (2007: 200) basis point fluctuation is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2008 would increase/decrease by approximately RMB28,238,000 (2007: decrease/increase of post-tax profit of RMB9,711,000).

The Group's sensitivity to interest rates has increased over the years mainly due to the increase in debt instruments which are exposed to cash flow interest rate risk.

Price risk

The Group is exposed to price risk in respect of the conversion option and redemption options embedded in the Convertible Notes. The below sensitivity analysis is not representative because of the interdependence of the variable input in the valuation model.

If the volatility to the valuation model had been 5% (2007: 5%) higher/lower while all other variables were held constant, the post-tax loss for the year would increase/decrease by RMB1,176,000 (2007: decrease/increase of post-tax profit of RMB7,560,000) and RMB805,000 (2007: decrease/increase of post-tax profit of RMB3,674,000), respectively.

If the equity price had been 5% (2007: 5%) higher/lower while all other input variables of the valuation model were held constant, the post-tax loss for the year would increase/decrease by RMB722,000 (2007: decrease/increase of post-tax profit of RMB9,875,000) and RMB89,000 (2007: decrease/increase of post-tax profit of RMB5,215,000), respectively.

Foreign currency risk

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

28. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iii) Market risk *(continued)*

Foreign currency risk management

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

	2008 RMB'000	2007 RMB'000
Assets		
Hong Kong dollars	47,453	1,167,465
United States dollars	—	289,614
Liabilities		
Hong Kong dollars	20,278	31,282
United States dollars	308,038	386,451

Foreign currency sensitivity

The Group is mainly exposed to fluctuation of United States dollars and Hong Kong dollars against RMB. The following table details the Group's sensitivity to a 10% (2007: 10%) increase and decrease in the RMB against the relevant foreign currencies. The respective percentages are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes convertible notes, bank borrowings as well as bank balances denominated in foreign currencies. A positive number below indicates a decrease (2007: increase) in post-tax loss (2007: post-tax profit) for the year where RMB strengthens 10% (2007: 10%) against the relevant currency. For a 10% (2007: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax loss (2007: post-tax profit) for the year.

	2008 RMB'000	2007 RMB'000
United States dollars		
Profit or loss for the year	23,103	6,488
Hong Kong Dollars		
Profit or loss for the year	(2,308)	(76,124)

The Group's sensitivity is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year because of decrease in the exposure to bank balances denominated in Hong Kong dollars.

28. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iv) Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the balance sheet; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 32.

The Group has significant concentration of credit risk as 35% (2007: 76%) of the total trade receivables was due from the Group's top three customers as at 31 December 2008.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group provides guarantees to banks in connection with certain customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property (note 32). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and repossess the properties for resale. No such forfeiture and repossession of properties occurred during the year ended 31 December 2008 and 2007. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group.

As explained in note 19, the Group can apply for refund of the land premium and other ancillary expenses incurred during the reclamation process of a leasehold land in the PRC from the Bureau of Land Resources. Accordingly, the Group has concentration of credit risk in this regard.

(v) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity mix.

The capital structure of the Group consists of debt (which includes the convertible notes and secured bank loans disclosed in notes 24 and 25, respectively), net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

28. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(v) Capital risk management *(continued)*

The executive directors of the Company review the capital structure periodically. As part of this review, the executive directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the executive directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

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

(vi) Liquidity risk management

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

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

	Weighted average interest rate	0–60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2008									
Financial liabilities									
Non-interest bearing	—	327,483	280,700	233,916	65,497	28,071	—	935,667	935,667
Bank borrowings	7.0%	13,604	128,012	152,652	673,107	191,221	214,801	1,373,397	1,214,687
Convertible notes	4.8%	11,096	—	10,098	20,272	20,468	422,883	484,817	308,039
Total		352,183	408,712	396,666	758,876	239,760	637,684	2,793,881	2,458,393

	Weighted average interest rate	0–60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2007									
Financial liabilities									
Non-interest bearing	—	327,635	247,174	177,931	49,821	21,352	—	823,913	823,913
Bank borrowings	6.7%	83,974	18,124	27,186	165,657	584,664	148,820	1,028,425	883,812
Convertible notes	8.3%	9,633	—	18,918	38,044	38,334	496,109	601,038	386,451
Total		421,242	265,298	224,035	253,522	644,350	644,929	2,453,376	2,094,176

28. Financial Instruments *(continued)*

Fair value of financial instruments

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

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions; and

The fair value of derivative instruments is calculated based on generally accepted option pricing models.

The executive directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial information approximate their fair values except the convertible notes liability component as disclosed in note 24.

29. Acquisition of Subsidiaries

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

In May 2007, the Group entered into a sale and purchase agreement with independent third parties, South China Property International Limited and Top Plan (HK) Limited ("Top Plan"), in connection with the acquisition of the entire interest in Chongqing Chuangguan Real Estate Development Company Limited (重慶創冠房地產開發有限公司) ("Chongqing Chuangguan") through the acquisition of its Hong Kong incorporated parent company, Elite Land Development Limited (怡利發展有限公司) ("Elite Land") at a total consideration of approximately RMB381,945,000, which includes an amount of approximately RMB184,922,000 which represents the amount owed by Chongqing Chuangguan to the vendors and their related companies which would be repaid as agreed with the vendors.

On 7 June 2007, the Group completed the acquisition of the remaining 45% share in its jointly controlled entities, Nansha Guo Ao Invco and its jointly controlled entities (the "Nansha Group"). The consideration was settled by the properties for sale owned by the Nansha Group at cost of approximately RMB45,030,000.

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

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

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

29. Acquisition of Subsidiaries *(continued)*

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

	2007 RMB'000
Net assets	
Property, plant and equipment	11,965
Properties for sale	866,320
Trade and other receivables	181,253
Bank balances and cash	27,666
Trade and other payables	(626,769)
Sales deposits	(95,489)
	364,946
Interest in a jointly controlled entity	(29,499)
	335,447
Satisfied by:	
Cash	290,417
Properties held for sale	45,030
	335,447
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(290,417)
Bank balances and cash of subsidiaries acquired	27,666
	(262,751)

30. Disposal of Subsidiaries

During the year ended 31 December 2008, the Group formed a jointly controlled entity namely, Head Win Limited, with an independent third party (note 17). The Group then disposed its interest in certain wholly-owned subsidiaries to Head Win Limited, except one subsidiary 廣州奧譽房地產開發有限公司 where the Group retains 2% equity interest.

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	51
Properties for sale	700,072
Trade and other receivables	10
Bank balances and cash	146
Trade and other payables	(6,731)
Amounts due to group companies	(709,435)
	(15,887)
Gain on disposal of subsidiaries	16,713
Consideration	826
Satisfied by:	
Interest in a jointly controlled entity	826
Net cash outflow arising on disposal	
Bank balances and cash disposed of	(146)

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

31. Major Non-cash Transactions

The Group had the following major non-cash transactions during the year ended 31 December 2008 and 2007, respectively:

(i) During the year ended 31 December 2008, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, total gross consideration of the corporate bulk sales amounted to RMB156,161,000. According to the terms of the agreement, 30% of the contract price was settled upon delivery of the properties and the remaining 20%, 10% and 40% of the contract price should be settled in November 2008, May 2009 and May 2010, respectively.

(ii) During the year ended 31 December 2008, the Group capitalised the amount due from a jointly controlled entity amounting to approximately RMB330,250,000 as additional cost of investment.

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

(iv) During the year ended 31 December 2007, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, the fair value of total consideration of the corporate bulk sales amounted to RMB1,517,559,000. According to the terms of the agreements, 30% of the contract price was settled upon delivery of the properties and the remaining 20% and 50% of the contract price should be settled in June 2008 and December 2008, respectively. As disclosed in note 5, in 2008, two customers who entered into the corporate bulk sales in 2007 were unable to settle the remaining balances payable to the Group amounting to approximately RMB338,325,000 and settled by returning the properties previously sold to them.

32. Contingent Liabilities

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

	2008 RMB'000	2007 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	**646,786**	333,476

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

During the year ended 31 December 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claims the Group for compensation of approximately RMB61,096,000. Both the Group and the Vendor are in the process of collecting documents for submission to the court and the case is therefore in preliminary stage. However, no provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

33. Other Commitments

	2008 RMB'000	2007 RMB'000
Construction cost commitment contracted for but not provided for	**1,787,979**	2,783,252
Other commitments *(Notes)*	**207,827**	931,198

Notes:

(i) On 23 November 2007 and 6 December 2007, the Group entered into two sales and purchase agreements with Guangzhou Land Bureau (廣州市國土資源局) for the acquisition of two pieces of land located in Guangzhou for a total consideration of RMB1,021,290,000. At 31 December 2007, RMB90,092,000 was paid as deposit for such acquisition and the outstanding balance has been fully paid in the year ended 31 December 2008.

(ii) On 15 December 2008, the Group entered into a sales and purchase agreements with Shenyang Land Bureau (瀋陽市國土資源局) for the acquisition of a piece of land located in Shenyang for a total consideration of RMB217,827,000. At 31 December 2008, RMB10,000,000 was paid as deposit for such acquisition.

34. Operating Lease Commitments

As lessor

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

	2008 RMB'000	2007 RMB'000
Within one year	**11,176**	9,825
In the second to fifth year inclusive	**19,293**	10,865
After five years	**12,096**	6,976
	42,565	27,666

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

As lessee

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

	2008 RMB'000	2007 RMB'000
Within one year	**10,506**	7,490
In the second to fifth year inclusive	**17,219**	19,965
After five years	**—**	1,890
	27,725	29,345

34. Operating Lease Commitments *(continued)*

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

During the year ended 31 December 2007, the Group has entered into certain sales and leaseback transactions for the properties for sale. Approximately RMB4,540,000 were recognised as revenue while the relevant operating lease commitment of approximately RMB28,087,000 as at 31 December 2007 and RMB21,535,000 as at 31 December 2008 were included in the above. The lease terms range from 5 to 8 years with an option for renewal by the Group.

35. Share-Based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23 October 2007 for the primary purpose of providing incentives to directors and eligible employees.

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 60,063,200 (2007: 11,929,000), representing 2.67% (2007: 0.53%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

35. Share-Based Payment Transactions *(continued)*

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair values at grant date HK$
2007A	1,015,800	23 October 2007	23 October 2007 to the day before 2007 result announcement date	2007 result announcement date until 31 December 2008 *(Note)*	6.55	1.276
2007A	1,523,700	23 October 2007	23 October 2007 to the day before 2008 result announcement date	2008 result announcement date until 31 December 2009	6.55	1.731
2007A	2,539,500	23 October 2007	23 October 2007 to the day before 2009 result announcement date	2009 result announcement date until 31 December 2010	6.55	2.069
2007B	4,881,000	23 October 2007	23 October 2007 to 31 December 2007	1 January 2008 to 31 December 2008 (Note)	6.55	1.262
2007B	1,969,000	23 October 2007	23 October 2007 to 31 March 2008	1 April 2008 to 31 December 2008 (Note)	6.55	1.278
2008A	10,000,000	18 July 2008	None	18 July 2008 to 14 July 2011	5.2	0.16
2008A	10,000,000	18 July 2008	None	18 July 2008 to 14 July 2011	1.79	0.51
2008A	20,000,000	18 July 2008	None	18 July 2008 to 31 December 2009	1.79	0.39
2008B	10,000,000	25 September 2008	None	Anytime during the service period	0.90	0.21
2008C	3,000,000	1 December 2008	None	Anytime during the service period	2.00	0.20
2008C	3,000,000	1 December 2008	None	Anytime during the service period	0.638	0.04

Note: These share options are expired as at 31 December 2008.

35. Share-Based Payment Transactions *(continued)*

During the year end 31 December 2008, a total of 56,000,000 (2007: 11,929,000) shares options were granted and no option granted is exercised by the grantee.

These fair values were calculated using the binominal model. The inputs into the model were as follows:

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

	2008A	**2008B**	**2008C**
Weighted average share price	HK$1.73	HK$0.86	HK$0.72
Exercise price	HK$1.79 & HK$5.2	HK$0.9	HK$0.638 & HK$2
Expected volatility	60%	60%	60%
Expected life	Whole life of each share option	3 years	3 years
Risk-free rate	1.9%–2.7%	2.7%	1.2%
Expected dividend yield	1.5%	1.5%	1.5%

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

The Group recognised the total expense of RMB16,495,000 (2007: RMB11,533,000) for the year ended 31 December 2008 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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

36. Retirement Benefit Plan

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

37. Related Party Transactions

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

	2008 RMB'000	2007 RMB'000
Rental expenses	**—**	—
Rental income	**—**	3,632
Construction fee paid	**—**	16,999
Interest income	**—**	2,360

The above transactions were entered into with companies in which Mr. Guo has significant influence.

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

	2008 RMB'000	2007 RMB'000
Short-term benefits	**7,132**	4,227
Share-based payments	**2,851**	1,117
	9,983	5,344

The retirement benefit contributions of the key management during the year ended 31 December 2008 was not material.

(3) As disclosed in note 19, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

38. Particulars of Subsidiaries

Details of the Group's subsidiaries at 31 December 2008 and 2007 as follows:

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

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
Asiacity Development Limited	BVI	100%	US$100	Investment holding
Asia Prime Limited	Hong Kong	100%	HK$1	Investment holding
Asia Profit International Limited	Hong Kong	100%	HK$1	Investment holding
Auto High Management Limited	BVI	100%	US$100	Investment holding
Auto Joy Enterprises Limited	BVI	100%	US$100	Investment holding
Auto Smart Profits Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited	Hong Kong	100%	HK$1	Investment holding
CAPG Limited (Former known as China Aoyuan Property Group Limited)	Hong Kong	100%	HK$1	Investment holding
Canton Link Investment Limited	Hong Kong	100%	HK$1	Investment holding
Century Earth Limited	Hong Kong	100%	HK$1	Investment holding
Charmtex Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Channel Time International Limited	Hong Kong	100%	HK$1	Investment holding
Cheer King International Limited	Hong Kong	100%	HK$1	Investment holding
Chinaview Holdings Limited	Hong Kong	100%	HK$1	Investment holding
China Planet Limited	Hong Kong	100%	HK$1	Investment holding
Citiasia (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
East Harvest Investment Limited#	Hong Kong	50%	HK$1	Investment holding
Elite Land Development Limited	Hong Kong	100%	HK$10,000	Investment holding
Everview (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Everward Development Limited	Hong Kong	100%	HK$1	Investment holding
Fairbo International Limited	Hong Kong	100%	HK$1	Investment holding
Fullco International Limited	Hong Kong	100%	HK$1	Investment holding
Gaintime (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Gold Deluxe Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Grand Gold (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Happy Genius Management Limited	BVI	100%	US$100	Investment holding

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
Head Hero International Limited	BVI	100%	US$100	Investment holding
Herowell Enterprises Limited*	Hong Kong	100%	HK$1	Investment holding
High Hero Enterprises Limited*	BVI	100%	US$100	Investment holding
High Boom International Limited	BVI	100%	US$100	Investment holding
Joy Power Holdings Limited	BVI	100%	US$100	Investment holding
Landco Development Limited	Hong Kong	100%	HK$1	Investment holding
Mantex International Limited	Hong Kong	100%	HK$1	Investment holding
Meco Development Limited	Hong Kong	100%	HK$1	Investment holding
Merit Access Investments Limited	BVI	100%	US$100	Investment holding
Merit Route Investments Limited	BVI	100%	US$100	Investment holding
New Aoyuan City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
New Empire Holdings Limited	Hong Kong	100%	HK$1	Investment holding
New Empire International Limited	Hong Kong	100%	HK$1	Investment holding
Nice More Investments Limited	BVI	100%	US$100	Investment holding
Olympic Village Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Olympic City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Onwin Enterprises Limited	Hong Kong	100%	HK$1	Investment holding
Orient Time Development Limited	Hong Kong	100%	HK$1	Investment holding
Profits Point Holdings Limited	BVI	100%	US$100	Investment holding
Rising Bright International Limited	BVI	100%	US$100	Investment holding
Rising Fast Management Limited	BVI	100%	US$100	Investment holding
Sanbo Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Sharp Mate International Limited	BVI	100%	US$100	Investment holding
Sino Victory Development Limited	Hong Kong	100%	HK$1	Investment holding
Smart Million Holdings Limited	BVI	100%	US$100	Investment holding
Speed Rich Holdings Limited	BVI	100%	US$100	Investment holding
Speed Winner Limited	Hong Kong	100%	HK$1	Investment holding

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
Teleimon International Limited	BVI	100%	US$100	Investment holding
Time Well Investment (Group) Limited	Hong Kong	100%	HK$1	Investment holding
Trump Luck International Limited	BVI	100%	US$100	Investment holding
Top Field Group Limited	BVI	100%	US$100	Investment holding
Topfair International Limited	Hong Kong	100%	HK$1	Investment holding
United Joy Management Limited	BVI	100%	US$100	Investment holding
Vagatori International Limited	BVI	100%	US$100	Investment holding
Warren Group Limited	BVI	100%	US$100	Investment holding
Warkaville Holdings Limited	BVI	100%	US$100	Investment holding
Win Hero Group Limited	BVI	100%	US$100	Investment holding
Win Lucky Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Wisdom First Holdings Limited	BVI	100%	US$100	Investment holding
Yolinga International Limited	BVI	100%	US$100	Investment holding
重慶創冠房地產開發有限公司 (Chongqing Chuangguan Real Estate Development Company Limited)	PRC	100%	US$49,000,000	Property development
佛崗同力盛投資發展有限公司 (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州奧林匹克物業投資有限公司 (Guangzhou Olympic Properties Investment Company Limited)	PRC	100%	RMB81,000,000	Investment holding
廣州番禺奧林匹克房地產開發有限公司 (Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development
廣東奧園置業有限公司 (Guangdong Aoyuan Property Company Limited)	PRC	100%	RMB30,000,000	Provision of consultancy Services
廣州奧園複合地產管理有限公司 (Guangzhou Aoyuan Fuhe Real Estate Management Company Limited)	PRC	100%	RMB500,000	Provision of consultancy services
廣州奧林匹克置業投資有限公司 (Guangzhou Olympic Property Investment Company Limited)	PRC	100%	RMB6,000,000	Provision of consultancy services
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙奧園地產有限公司 (Guangzhou Nansha Aoyuan Real Estate Company Limited)	PRC	100%	RMB10,000,000	Property development
廣州南沙國奧房地產開發有限公司 (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,494,000	Property development
廣州國奧物業管理有限公司 (Guo Ao Properties Management Company Limited)	PRC	100%	RMB5,100,000	Property development
廣州南沙國奧投資有限公司 (Guangzhou Nansha Guo Ao Investment Company Limited)	PRC	100%	RMB100,000,000	Investment holding and project management
廣州奧園建設工程設計有限公司 (Guangzhou Aoyuan Construction Design Company Limited)	PRC	100%	RMB500,000	Property design and consultation
洛陽奧園置業有限公司 (Luoyang Aoyuan Property Company Limited)	PRC	100%	RMB10,000,000	Property development

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB23,000,000	Property development
瀋陽奧園動漫城置業有限公司 (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development
瀋陽奧園動漫城裝飾工程有限公司 (Shenyang Aoyuan Dong Man Cheng Decoration Engineering Limited)	PRC	100%	RMB20,000,000	Decoration
瀋陽南奧海景城置業有限公司 (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司 (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽都市華庭置業有限公司 (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽南奧動漫有限公司* (Shenyang Nan Ao Dong Man Company Limited)	PRC	100%	RMB500,000	Cartoon design and software development
玉林奧園房地產開發有限公司 (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司 (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development
重慶時尚置業有限公司^ (Chongqing Fashion Technology Company Limited)	PRC	100%	RMB200,000,000	Property development
江門江奧地產開發有限公司* (Jiangmen Jiangao Real Estate Development Company Limited)	PRC	51%	RMB280,000	Property development
清遠市奧園置業有限公司* (Qingyuan Aoyuan Property Company Limited)	PRC	80%	RMB50,000,000	Property development
北京北方奧園置業有限公司* (Beijing Beifang Aoyuan Property Company Limited)	PRC	100%	RMB2,000,000	Property development
玉林新力體育產業有限公司* (Yulin Xinli Sports Company Limited)	PRC	100%	US$Nil	Sports gymnasium

38. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/paid up registered share capital	Principal activities
瀋陽奧海動漫研究開發有限公司* (Shenyang Aohai Dong Man Company Limited)	PRC	100%	US$Nil	Cartoon design and software development
瀋陽奧華動漫產業開發有限公司* (Shenyang Aohua Dong Man Company Limited)	PRC	100%	US$Nil	Cartoon design and software development
贛州捷城物流有限公司* (Ganzhou Jiecheng logistics Company Limited)	PRC	100%	US$14,180,000	Logistics
重慶奧園裝飾工程有限公司* (Chongqing Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMB20,000,000	Decoration
重慶美景物流有限公司* (Chongqing Meijing logistics Company Limited)	PRC	100%	US$Nil	Logistics
廣州奧園海景城裝飾工程有限公司* (Guangzhou Aoyuan Haijingcheng Decoration Engineering Company Limited)	PRC	100%	RMBNil	Decoration
佛岡奧園裝飾工程有限公司* (Fogang Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMBNil	Decoration
廣州昌泰建築裝飾工程有限公司* (Guangzhou Changtai Construction and Decoration Engineering Company Limited)	PRC	100%	RMBNil	Construction and Decoration
廣州奧園康城房地產開發有限公司* (Guangzhou Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB125,552,000	Property development
廣州奧譽房地產開發有限公司# (Guangzhou Aoyu Real Estate Development Company Limited)	PRC	51%	RMB750,000,000	Property development

38. Particulars of Subsidiaries *(continued)*

Notes:

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

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

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

** Companies were incorporated in 2008.*

 # East Harvest Investment Limited and Guangzhou Aoyu Real Estate Development Company Limited were wholly-owned subsidiaries of the Company as at 31 December 2007. These companies become jointly controlled entities of the Company during the year ended 31 December 2008.

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

Financial Summary

Consolidated results

	Year ended 31 December				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Revenue	214,675	854,931	883,733	2,501,397	**619,941**
Profit (loss) before taxation	27,000	286,194	526,706	1,203,983	**(89,322)**
Income tax (expense) credit	(34,872)	(96,621)	(227,403)	(601,612)	**31,857**
(Loss) profit for the year	(7,872)	189,573	299,303	602,371	**(57,465)**

Consolidated assets, equity and liabilities

As of 31 December

	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Assets					
Non-current assets	548,987	487,027	276,077	448,585	**1,090,163**
Current assets	2,300,439	1,872,033	1,913,003	7,792,127	**7,258,247**
Total assets	2,849,426	2,359,060	2,189,080	8,240,712	**8,348,410**
Equity and liabilities					
Non-current liabilities	437,958	279,349	206,859	1,341,473	**1,366,873**
Current liabilities	2,146,406	1,602,067	1,153,943	1,855,133	**2,092,152**
Total liabilities	2,584,364	1,881,416	1,360,802	3,196,606	**3,459,025**
Total equity	265,062	477,644	828,278	5,044,106	**4,889,385**
Total equity and liabilities	2,849,426	2,359,060	2,189,080	8,240,712	**8,348,410**

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

This 2008 annual report, in both English and Chinese versions (the "Annual Report") is available on the Company's website at http://aoyuan.com.cn (the "Company Website") and the website of Hong Kong Exchanges and Clearing Limited at http://www.hkex.com.hk.

Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company Website may request the Annual Report in printed form. Shareholders of the Company who have received either the English version or the Chinese version of the Annual Report may request for a copy in the other language. The Annual Report in printed form and/or in the requested language will be sent free of charge by the Company upon request.

Shareholders of the Company may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders of the Company may send their request to receive the Annual Report in printed form and/or in the requested language, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East Hong Kong or by sending an email to at aoyuan.hk@aoyuangroup.com.

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