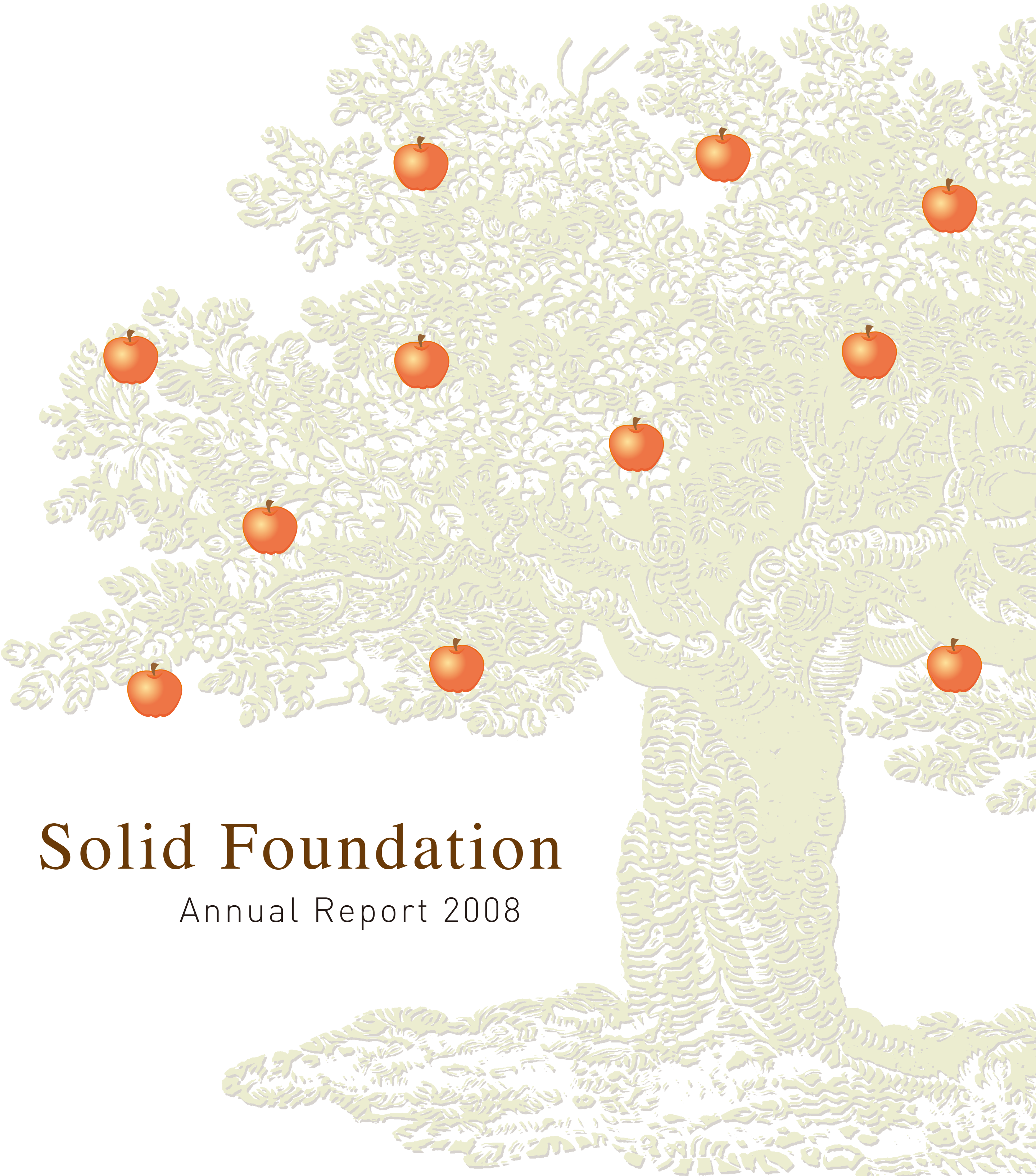
China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838



Solid Foundation

Annual Report 2008

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Remuneration Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

QUALIFIED ACCOUNTANT

Mr. Lai Siu Hung

COMPANY SECRETARY

Ms. Yu Ling Ling

Stock Code

1838

Company's Website

cpg.mydyn.net

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Hang Bank, Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISOR

Taifook Capital Limited

CHAIRMAN'S STATEMENT

To our shareholders,

According to a rating agency, the credit rating of the Group should be downgraded as the Group, so far, only engaged in property development within prime cities in China, and has not acquired any land in outlying cities such as Inner Mongolia. The Group would like to emphasize that China Properties Group Limited does not speculate in stock, does not purchase land in rural and outlying cities and does maintain low leverage. Otherwise, we shall have loads of toxic assets graded "AAA" by these credit rating agencies. On the contrary, since the Group has implemented the business model above-said, we do not have a single land packed with unsold properties during the current financial crisis. By maintaining healthy cash flow together with little debt burden, we are capable to seize opportunities in acquiring land and real estate projects at competitive prices during this global economic crisis. All of our shareholders are gratified.

As to the current operating environment, some said that the global bull market has approached. Economic data, however, indicated the opposite. The liabilities of the U.S. will exceed USD60,000 billion before the end of the year; the total losses from the global equity market and real estate have reached USD8 billion to USD10 billion; and the unemployment rates in European countries and the U.S. have exceeded 10%. China is incapable of saving the world's economy and is inevitably affected by the impact of the global economic crisis. In particular, the domestic demand in China is facing severe challenge. Concurrently, in the unprecedented economic disaster, it is more difficult to avoid the government from choking the current economic crisis by creating a new one. Therefore, the Group considers that, during the recession, we shall face the reality and explore opportunities for achievements in the coming three years rather than expecting to gain by speculating and gambling in the "bull market".

Thus, the Group will accelerate the operation and the development of the following projects:

Shanghai Concord City situated at West Nanjing Road with a total GFA of approximately 4,310,000 sq. ft., comprises two 5-star hotels, two 5-star service apartments, offices, street shops that stretching across three streets, shopping malls and entertainment center. The project is situated on top of the Shanghai Metro so that the construction process faces a lot of difficulties. However, with the assistance of various world-class consultancy firms, the Shanghai Government together with the hard work of our experienced professional team, the project is right on schedule.

Shanghai Cannes Phase 4C with a total GFA of approximately 3,230,000 sq. ft. comprises high-end residential and commercial street will commence construction this year. The existing shopping center of Shanghai Cannes are leased as it has residents approximate to 50,000 and has more than one million residents live nearby.

Chongqing Concord City situated at the center of Chongqing City with a total GFA of approximately 5,600,000 sq. ft. is currently applying for further increase of its GFA. The site is proposed to develop hotel, service apartments, office, shopping mall and high-end residential. The project is currently under construction and pre-sale should be launched within the year.

Chongqing Manhattan City situated next to the double track railway with a total GFA of approximately 23,680,000 sq. ft. is currently applying for further increase of its GFA. The site is proposed to develop hotel, office, shopping mall, entertainment center and high-end residential. Phase 1 and 2 of the project with approximately 10,770,000 sq. ft. is currently under construction and pre-sale will be launched within the year.

Part of high-end apartments of phase 1 of Shanghai Concord City at Nanjing Road will be sold within the year.

The remaining apartments of Shanghai Cannes phase 4 will be sold within the year.

The projects at Xidan Main Street of Beijing, express railway stations of Beijing, and Wuhan city center will be acquired by the Group from the substantial shareholders when appropriate pursuant to terms agreed.

The Group is making steady progress with our successful business model. Our goals are to be one of the real estate leaders in China.

We would like to express our sincere thanks to all walks of life, investors and staff of the Group for their long-term support.

Dr. Wang Shih Chang, George
Chairman

Hong Kong, April 23, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group strategies

The Group focuses on developing and creating high quality, large scale, residential and commercial projects in strategic locations in the PRC. The Group designs the properties based on themes and concepts drawn from different cultures. The properties are designed to target at the significant and growing middle- and upper-class purchasers and consumers in the PRC, who the Group believes are attracted to a modern and upscale lifestyle and atmosphere.

The Group has in the past focused, and intends to continue to focus, on developing the following:

Large-scale theme residential communities. These are residential projects that are targeted at the growing middle-class in the PRC with distinct landscape and interior design features that are based on various themes and motifs. The selected properties/sites are connected with mass transit systems and/or convenient transportation systems.

Upscale theme shopping street developments. These are typically projects located on prime retail streets in major cities in the PRC which are intended to include areas for retail, residential, entertainment, cultural and recreational uses. Our aim is to make each of these projects both a focal point for the entire district in which it is located and a day-trip destination for local and non-local residents.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

In the first 3 quarters of 2008, the property market in the PRC was growing steadily. However, the property market witnessed a downtrend in the last quarter of 2008 as the global financial crisis took its toll. The office and residential markets in Tier-1 cities, such as Shanghai and Beijing, suffered most, registering the largest drop in rent. The retail market was relatively stable.

In Beijing, Shanghai and Guangzhou, amidst the cut back in deployment of expatriates as well as their housing allowance by Multi-National Companies, rentals fell and vacancies rose. Although some stimulus policies and measures came out in the fourth quarter of 2008 to stimulate demand for residential properties, overall market performance in many provinces and cities remained mediocre with decreasing transaction volumes and selling prices.

Overview of the Mainland Property Market in Chongqing

Despite the global financial crisis, Chongqing's economy continued to grow at a high speed in 2008 generally, with a strong industrial and export performance. A large amount of foreign investment poured into Chongqing.

Real estate investment remained strong in 2008 and reached RMB99.1 billion, an increase of 16.6% year-on-year. The market supply increased compared with the same period last year, but the demand reduced due to the financial crisis.

In the fourth quarter of 2008, the overall real estate and financial market downturn had a negative impact upon the Chongqing's real estate market. Despite the fact that Chongqing is well-placed for healthy economic growth, due to its status as a direct municipality city and its strategic position in opening up of western China for development, the real estate market in Chongqing is in the adjustment phase in general. However, the city's great potential and market localization would not create a substantial adjustment. Such adjustment is expected to be relatively minor compared to Tier-1 cities such as Beijing, Shanghai and Shenzhen.

Overview of the Mainland Property Market in Shanghai

In the past few years, Shanghai has increased its role in finance, banking, and as a major destination for corporate headquarters, fueling demand for a highly educated and modernized workforce. Shanghai has recorded a double-digit growth for 15 consecutive years since 1992. In 2008, Shanghai's nominal GDP posted a 9.7% growth to RMB1.37 trillion. Real estate investment reached RMB482.9 billion, an increase of 8.3% year-on-year.

The Shanghai property market entered into a cyclical correction in 2008. The lag effect of the tightening policy implemented during 2005-2007, concomitant with intensification of the global financial crisis since last September, hastened and deepened the correction process. The policy reversal towards the loosening side in the fourth quarter helped stabilize somewhat the mass residential segment, but overall market performance remained mediocre, as the economic slowdown weighed heavily on demand.

Take-ups in all sub-sectors are expected to record sub-trend growth. The leasing market will remain lukewarm, as the widening supply-demand gap will exert further pressure on property rentals. In general, the high-end retail market is relatively stable compared to the high-end residential and office markets.

As market volatility prevails, continuous risk aversion by investors will see higher yields and hence pressure on capital value of properties. Nevertheless, the more accommodative regulatory environment and loosening liquidity in the market, coupled with increasingly attractive valuation of properties, will boost the appetite of long-term investors and hence a pick-up in activities in the second half of 2009 could be anticipated.

On the regulatory front, further policy relaxation to boost domestic demand is anticipated, but the positive impacts on the property market will likely come with a time lag. The tightening measures on foreign investment in real estate promulgated since 2006 will likely remain intact, so the government can avoid opening up the floodgates for possible capital in flows, though a more accommodative and light-handed approach will be adopted in implementation.

OUTLOOK

Looking ahead, the PRC market, especially the highly sensitive property market, may continuously be affected by global financial crisis and economic recession in the coming one or two years. However, if the global economy sees a turnaround, China will undoubtedly be the first country to recover in the market. The Group will stay focused on its existing successful business model to grasp any opportunities during this uncertain operating period and looks forward to bringing more satisfactory returns to our shareholders in 2009.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year ended December 31, 2008 amounted to HK$614.4 million (2007: HK$7,934.0 million), a decrease of 92.3% when compared with last year. The profit before taxation, excluding changes in fair value of investment properties, amounted to HK$807.3 million (2007: HK$961.9 million), a decrease of 16.1% when compared with last year.

The Group's revenue was HK$1,852.2 million (2007: HK$2,003.0 million), a decrease of 7.5% when compared with last year due mainly to decrease in revenue from property sales and property management.

Revenue from property sales was HK$1,815.7 million (2007: HK$1,948.4 million), a decrease of 6.8% when compared with last year.

The Group delivered a gross floor area ("GFA") of approximately 3,098,000 sq. ft. (2007: 3,445,000 sq. ft.), a decrease of 10.1% when compared with last year. The contribution came from Shanghai Cannes Phase 4. Although property sales slowed down in the second half of the year and the property prices fell from their peak as the world's economies experienced a downturn in the wake of the global financial crisis, the Group was not greatly affected as most of the properties delivered during the year were pre-sold either in 2007 or the first half of 2008.

In the long run, however, the PRC property market shall be on track for steady development and shall be benefit from the solid and substainable economic development in the PRC. The Group will continue to acquire prime sites with development potential at reasonable costs at the appropriate time.

Contribution from property sales for 2009 will mainly be derived from the remaining units of Shanghai Cannes Phase 4 and Shanghai Concord City Phase 1.

During the year, the Group commenced the construction of Chongqing Manhattan City and Chongqing Concord City with total GFA of approximately 29,426,000 sq. ft.. Pre-sale of residential units of Chongqing Manhattan City shall be launched in mid-2009.

Revenue from property rental was HK$28.1 million (2007: HK$28.5 million), a decrease of 1.4% when compared with last year. The leasing market slowed down as a result of the global financial crisis. The Group, however will seize this opportunity to optimize its rental mix to ensure quality and steady recurring income.

Revenue from property management was HK$8.3 million (2007: HK$20.4 million), a decrease of 59.3% when compared with last year as a result of the termination of the property management contract for Shanghai Cannes.

Other income was HK$36.9 million (2007: HK$170.9 million), a decrease of 78.4% when compared with last year. Other income comprised mainly interest from bank deposits which amounted to HK$25.8 million (2007: HK$88.0 million), a decrease of 70.7%. An Income Tax refund of HK$62.9 million was received from the PRC tax authority as a result of the reinvestment of retained profits by one of our subsidiaries in 2007.

Administrative expenses were HK$106.9 million (2007: HK$55.1 million), an increase of 94.0% when compared with last year. The increase in administrative expenses was attributed to the exchange loss of HK$38.7 million in converting US$ to RMB by our subsidiaries in the PRC as a result of appreciation of RMB, increase in staff costs, advertising and other expenses incurred in enhancing the image of the Group during the year but was partially offset by the drop in professional and other expenses in connection with the listing of the Group.

Finance costs were HK$75.7 million (2007: HK$149.7 million), a decrease of 49.4% when compared with last year. Total interest incurred was HK$282.5 million (2007: HK$207.4 million), an increase of 36.2% and was mainly derived from the fixed rate senior notes issued on April 27, 2007 and other bank loans, within which, amount capitalized in development in progress and properties under development for sales amounted to HK$206.8 million (2007: HK$57.7 million).

Increase in fair value of investment properties was HK$17.2 million (2007: HK$8,672.0 million), representing a substantial decrease of 99.8% when compared with last year. Given the current economic conditions, fair value of investment properties in Shanghai experienced a significant drop of HK$1,109.7 million since its peak in 2007. Fair value of investment properties in Chongqing experienced a gain of HK$1,126.9 million. Such gains reflected the Group's vision in acquiring prime sites with development potential at reasonable costs.

Income tax expense was HK$210.0 million (2007: HK$1,700.0 million), a decrease of 87.6% when compared with last year. In 2007 a deferred tax credit of HK$782.4 million was recorded as the tax rate used for deferred tax provision of the Group had been adjusted from 33% in 2006 to 25% in 2007 to reflect the tax rate reduction with effect from January 1, 2008 in accordance with the PRC promulgated the Law on Enterprise Income Tax by Order No. 63 of the President of the PRC.

Excluding the effect of the change in the abovementioned tax rate and the tax effect on changes in fair value of investment properties, the Group's effective income tax rate was 25.5% (2007: 32.7%), which was attributable to the reduction of PRC Enterprise Income Tax Rate from 33% in 2007 to 25% in 2008.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings when appropriate. During the year, the Group raised a new loan amounting to HK$113.1 million in the PRC, obtained advances from the major shareholder of HK$163.5 million and repaid US$ and RMB denominated loans upon maturity the total amount being HK$303.7 million.

As at the balance sheet date, the Group's senior notes, bank loans and other loans (including advance from the major shareholder) amounted to HK$2,285.0 million, HK$587.9 million and HK$163.5 million respectively, and the Group's total borrowings were HK$3,036.4 million, an increase of HK$13.0 million from the end of last year. The maturity profile is spread over a period of six years, with HK$751.4 million repayable within one year (of which a bank loan of HK$508.8 million has been renewed subsequent to the balance sheet date) and HK$2,285.0 million repayable beyond five years.

The gearing ratio of the Group at the balance sheet date was approximately 14.3%, determined as proportion of the Group's net borrowings (after deducting bank balances and bank deposit) to the shareholders' funds.

With cash in hand and banking facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

During the year, there was no material acquisition and disposal of group companies.

TREASURY POLICIES

As at the balance sheet date, approximately 75.3% of the Group's borrowings were in US$ with the balance in RMB and HK$. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ or RMB.

The bank borrowings are principally on a floating rate basis while the senior notes are on a fixed rate basis.

The functional currency of the respective group entities is RMB, the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

CHARGE ON ASSETS

As at the balance sheet date, certain subsidiaries of the Group pledged assets with an aggregate carrying value of HK$1,685.6 million (2007: HK$10,631.0 million) to secure bank loan facilities utilized.

CONTINGENT LIABILITIES

As at the balance sheet date, the Group provided guarantees to banks in connection with facilities granted to purchasers of our properties in the aggregate outstanding principal amount of HK$1,409.2 million (2007: HK$1,769.6 million). During the year, we experienced a default case involved approximately HK$0.3 million. The guarantees were secured by the Group's pledged deposits of HK$15.7 million (2007: HK$32.2 million).

EMPLOYEE AND EMOLUMENT POLICY

As at the balance sheet date, the Group employed approximately 294 employees (2007: 533 employees) for its principal business. The related employees' cost for the year amounted to approximately HK$38.7 million (2007: HK$31.4 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George, aged 75
Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the US. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 59
Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed). Mr. Wong also served on the board of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in that company.

Xu Li Chang (徐禮昌), aged 69
Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 59

Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. Mr. Kwan served in various positions with Merrill Lynch & Co. Inc. from 1982 to 1993, including as president of the Asia-Pacific Region. Mr. Kwan is currently the president of Morrison & Company Limited, a business consultancy firm; a non-executive director of JF Household Furnishings Limited; an independent non-executive director of Hutchison Telecommunications International Limited (also listed on the New York Stock Exchange), Sound Will Holdings Limited, Hutchison Harbour Ring Limited, SPG Land (Holdings) Limited and Win Hanverky Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange. Mr. Kwan is currently also an independent non-executive director of Henderson Sunlight Asset Management Limited, which manages the Sunlight Real Estate Investment Trust, and the units are listed on the Main Board of the Stock Exchange. Mr. Kwan was an independent non-executive director of Great World Company Holdings Limited (formerly known as TS Telecom Technologies Limited) until January 2008, shares of which are listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of Pacific Concord Holding Limited (de-listed), Concord Land Development Company Limited (de-listed) and was a director of Yaohan International Holdings Limited (in liquidation) from May 1997 when PCH acquired approximately a 19.867% stake in that company. From 2002 to 2005, he was a director of Winsan (Shanghai) Industrial Co. Ltd., a company which is listed on the Shanghai Stock Exchange.

Mr. Kwan was previously an executive or a non-executive director of China Medical and Bio Science Limited until May 2008, shares of which are listed on the Growth Enterprise market of the Stock Exchange. China Medical and Bio Science Limited is a company incorporated in the Cayman Islands and registered under part XI of the Companies Ordinance which is principally engaged in the development and distribution of animal feed supplements and veterinary drugs. Provisional liquidators have been appointed to that company on 3 December 2008.

Mr. Kwan holds a Bachelor Degree of Accountancy (Honours) from the University of Singapore. He is a member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. Kwan completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 69

Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee of the Company Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a fellow member of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited , both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, and is the executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

Luk Koon Hoo (陸觀豪), aged 57
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of another three companies publicly listed in Hong Kong, namely, Computime Group Limited, Hung Hing Printing Group Limited and Wheelock Properties Limited. He is also a non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of the Barristers Disciplinary Tribunal Panel and a non-official member of the Operations Review Committee of ICAC. He also served as a vice-president of the Hong Kong Institute of Bankers, a member of the Hong Kong Broadcasting Authority, a member of the Advisory Committee to the Securities and Futures Commission and a member of the Hong Kong Securities and Futures Appeals Tribunal Panel. In the past, Mr. Luk served as the deputy chairman of the Finance Committee of the Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes and the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government and Statistics Advisory Board. He was an appointed member of the Hong Kong Legislative Council from October 1992 to September 1995, and also a member of the first Election Committee of the Legislative Council. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 59
Mr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Willinge is a fellow member of the Australian Institute of Company Directors and the Hong Kong Institute of Directors. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (now known as "The Securities Institute of Australia") in 1995. Mr. Willinge had served as Director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. Mr. Willinge was the Director, Information Technology, for the Sydney Olympic Games 2000. He also serves as an Adjunct Professor of Business Studies at Curtin University of Technology in Australia. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector. In Hong Kong, Mr. Willinge serves as a member of the General Management Committee of the Hong Kong Management Association and an independent non-executive director of JF Household Furnishings Limited, shares of which are listed on the Main Board of the Stock Exchange. Mr. Willinge was an independent non-executive director of China Medical and Bio Science Limited for the period from September 2004 to October 2008, a company listed on the Growth Enterprise market of the Stock Exchange with provisional liquidator appointed on 3 December, 2008.

Cheng Chaun Kwan, Michael（鄭燦焜）, aged 78
Mr. Cheng was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Cheng is currently the joint managing director of See Won Properties (BVI) Limited, a company incorporated in the British Virgin Islands, principally engaged in property investment and development in Macau. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao（吳志高）, aged 64
Mr. Wu was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Wu is a retired lecturer and property development consultant. He holds a Bachelor Degree in Mathematics from Fudan University, Shanghai. Prior to joining the Group, he held senior academic positions at the Huadong University（華東師範大學）and Shanghai Education Institute（上海教育學院）and focused on teaching marketing, which included researches on sales and marketing of property development projects. Between 1998 to 2004, Mr. Wu served as the vice principal at the Huadong University. During that period, he also assisted in the development of a residential property project for the Huadong University. For the period from 1996 to 1997, Mr. Wu also served as a vice president for Shanghai Pingan Xinlun Property Development Co. Ltd.（上海平安欣侖物業發展有限公司）, a company which provided construction, leasing and sales of office premises, as well as property management services, to the Shanghai Education Institute.

SENIOR MANAGEMENT

Chan Kwok Wai, aged 54
Head of the Design Department. Mr. Chan has more than 20 years of experience in property development. He previously held senior positions in major international property consultancy firms and property development firms. Mr. Chan has participated in several commercial and condominium development projects from the design stage and has experience in coordinating large scale real estate development in the PRC. Mr. Chan is a licentiate member of the Chartered Institute of Building and an associate member of the Institute of Engineers and Technicians.

Leung Ka Chi, aged 41
Head of Sales and Retail Operations Department. Mr. Leung holds a Bachelor Degree in Surveying from the University of Hong Kong and has more than 14 years of sales and leasing experience in the property markets in both Hong Kong and the PRC. He worked previously in a large property consultancy firm as an associate director. Since his joining our group in 2001, he has been responsible for the strategic planning for the sales of group's residential properties, and the leasing and operations of the group's commercial properties.

Zhang Zhi Jian, aged 44
Head of Sales Department, Shanghai. Mr. Zhang obtained his Master Degree in Computer Science from South China University of Technology. He has over 15 years of experience in the property markets of New Zealand and the PRC. He has worked as a project manager in New Zealand for 6 years before joining our group in 1997.

Fan Jian Ping, aged 41
Head of Project Management for Shanghai Cannes project. Ms. Fan holds a Bachelor Degree in Industrial Economics from the Shanghai University of Finance and Economics.

Chen Xu Lin, aged 33
Senior Project Manager, Shanghai. Mr. Chen holds a Master Degree in Project Management from University of Sydney. Mr. Chen is a registered engineer with the National Administration Board of Engineering Registration (Structural) PRC. He worked previously in a construction equipment trading company in Australia.

Yu Yong Da, aged 61
Head of Internal Control Department, Shanghai. Mr. Yu is a qualified accountant in PRC and has over 20 years of experience in accounting and finance.

Xiao Li Yun, aged 38
Head of Management Accounts Department, Shanghai. Ms. Xiao obtained her Bachelor Degree in International Economics from Nankai University in Tianjin. She joined our group in 2001 and is responsible for management accounting.

Lai Siu Hung, aged 43
Qualified Accountant and Head of Corporate Accounting Department. Mr. Lai is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Lai has over 20 years of experience in auditing, finance and accounting field and has worked for an international accounting firm for ten years. Mr. Lai also holds a Master Degree in Business Administration from the University of South Australia.

Yu Ling Ling, aged 43
Company Secretary. Ms. Yu is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 15 years of experience in the company secretarial aspect.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, successful business growth, balancing of business risk and enhancing of shareholders' value.

Throughout 2008 and up to the date of this report, the Company has fully complied with all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Despite the removal of the requirement of Qualified Accountant in the Listing Rules effective from January 1, 2009, the Company continues to maintain the position of Qualified Accountant to oversee its financial reporting and other accounting-related issues.

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman & Chairman of Remuneration Committee)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith *(Chairman of Audit Committee)*
Mr. Cheng Chaun Kwan, Michael *(Member of Audit Committee)*
Mr. Luk Koon Hoo *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. Garry Alides Willinge *(Member of Audit Committee & Member of Remuneration Committee)*
Mr. Wu Zhi Gao *(Member of Audit Committee)*

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2008 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors of the Company are currently appointed with specific terms, which are subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Dr. Wang Shih Chang, George, Mr. Kwan Kai Cheong and Mr. Luk Koon Hoo shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board meets in person or by means of electronic communication, at least 4 times a year, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit and remuneration Committees during the year ended December 31, 2008 and up to the date of this report is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper 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 them 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 management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2008 Annual Report.

Meeting attendance during the year ended December 31, 2008 and up to the date of this report is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Dr. Wang Shih Chang, George	5/6	N/A	1/1
Mr. Wong Sai Chung	5/6	N/A	N/A
Mr. Xu Li Chang	3/6	N/A	N/A
Mr. Kwan Kai Cheong	5/6	N/A	N/A
Mr. Warren Talbot Beckwith	6/6	2/2	N/A
Mr. Cheng Chaun Kwan, Michael	6/6	2/2	N/A
Mr. Luk Koon Hoo	6/6	2/2	1/1
Mr. Garry Alides Willinge	6/6	2/2	1/1
Mr. Wu Zhi Gao	5/6	2/2	N/A

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The Company established an Audit Committee comprising 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statement and report, and to consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended December 31, 2008, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2008 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

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

During the year ended December 31, 2008 and up to the date of this report, the Remuneration Committee met once to review the remuneration package of directors and senior management (including granting of share options to employees).

The remuneration of the directors for the year ended December 31, 2008 was set out in note 12 to the consolidated financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

Following the amendment of the Listing Rules, the Company has also resolved to adopt the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in amended Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2008 and up to the date of this report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use of disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. In addition, the Group has exercised risk management procedures to identify and prioritise risks for the business to be addressed by management.

During the year ended December 31, 2008, the Board has conducted a review of the effectiveness of the system of internal control and is satisfied with the scope and effectiveness of the system.

Subsequent to the balance sheet date, the Board proposes to carry out a review to consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and its training programmes and budget for the year ending December 31, 2009.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2008.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 30 to 31.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2008 are set out below:

	Year ended December 31, 2008 HK$'000
Services rendered	
– Audit services	2,774
– Non-audit services	–
	2,774

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The Company endeavors to maintain a high level of transparency in communicating with shareholders and the investment community. Briefings and meetings with institutional investors and analysts are conducted as needed and required. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on its business on a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by directors and designated senior executives. The Company prepares to announce its results on a timely manner in accordance with the requirements under the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmans of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2008 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2008 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Kunshan Option, the Beijing Concord Option, the Beijing Cannes Option and the General Options (collectively the "Options")

During the year ended December 31, 2008 and up to the date of this report, no Options for the acquisition of the properties are exercised. The INEDs have considered the respective status of the Options and decided that it is not the appropriate time for the Company to exercise the Options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2008 and up to the date of this report, the Company is not entitled to the first right of refusal for the properties under Options.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2008 are set out in the consolidated income statement on page 32.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEVELOPMENT IN PROGRESS

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated income statement, amounted to HK$17,200,000.

During the year, the addition of development in progress of the Group amounted to approximately HK$1,158,579,000.

Details of these and other movements during the year in property, plant and equipment, investment properties and development in progress of the Group are set out in notes 15, 17 and 18 to the consolidated financial statements respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for each of the five years ended December 31, 2008 is set out on page 80.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 81 and 82.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2008 are set out in the consolidated statement of changes in equity on page 35.

SHARE CAPITAL

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

During the year, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in note 28 to the consolidated financial statements. The directors consider that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2008 were as follows:

	HK$'000
Share premium	7,978,564
Accumulated losses	(354,681)
	7,623,883

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:

Mr. Kwan Kai Cheong

Independent non-executive directors:

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Each of the executive directors has entered into a service agreement with the Company for a term of two years commencing February 23, 2007.

In accordance with article 87 of the Company's Articles of Association, Dr. Wang Shih Chang, George, Mr. Kwan Kai Cheong and Mr. Luk Koon Hoo will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

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

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2008, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at the date of this report, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,350,000,000 shares	74.62%	(i)

Note:

(i) These shares are held directly by Hillwealth Holdings Limited ("Hillwealth") whose entire issued capital is held by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated company	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(ii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iii)

Notes:

(ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iii) As Hillwealth owns 74.62% and being the substantial shareholder of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2008, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at December 31, 2008, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements. No share option was granted and outstanding for the year ended December 31, 2008 and December 31, 2007.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 35 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2008 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2008, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transactions

Office rental

On February 8, 2007, a license agreement ("Office License") for the use of the principal place of business of the Company in Hong Kong was entered with Frank Union Limited ("Frank Union"), an associate of Mr. Wong. The Office License is effective for a period from February 16, 2007 to July 31, 2008, which is the date of expiry of the existing lease for the premises located at 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong, held by Marnav Holdings Limited, an independent third party. The area subject to the Office License is approximately 50% of the total area covered by Frank Union's lease. Accordingly, under the Office License, the Company has agreed to share half of all rent, rates, service fee and utilities charges.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the Office License proportional to the area used; (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers; and (iii) the Company needs not at present incur the costs and inconvenience of relocation, the Directors consider the terms of the Office License to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the Office License are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, an amount of HK$1,069,000 was paid and payable for the office rental.

Other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between Marnav Holdings Limited of one part, and Frank Union and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011.

On the same date, a sharing agreement was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

During the year, an amount of HK$22,000 was paid and payable for the charges.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions in relation to the office rental of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the four option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2008 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 46.0% and 81.38% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2008, the Group had approximately 294 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately HK$38,650,000.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 22 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 37 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK$1,200,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman
Hong Kong, April 23, 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 79, which comprise the consolidated balance sheet as at December 31, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 control relevant to the entity's preparation and 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 December 31, 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, April 23, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	8	**1,852,207**	2,002,964
Business tax		**(106,183)**	(104,635)
Cost of sales		**(763,324)**	(874,204)
Gross profit		**982,700**	1,024,125
Other income	8	**36,858**	170,854
Selling expenses		**(29,735)**	(28,270)
Administrative expenses		**(106,906)**	(55,149)
Finance costs	9	**(75,660)**	(149,681)
		807,257	961,879
Changes in fair value of investment properties		**17,200**	8,672,044
Profit before taxation		**824,457**	9,633,923
Income tax expense	10	**(210,016)**	(1,699,969)
Profit for the year and attributable to the equity holders of the Company	11	**614,441**	7,933,954
Dividends recognised as distribution during the year	13	**59,953**	99,360
Basic earnings per share	14	**HK$0.33**	HK$4.51

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**74,742**	68,352
Prepaid lease payments	16	**90,931**	4,653
Investment properties	17	**22,084,161**	20,276,267
Development in progress	18	**3,281,575**	2,003,481
Pledged bank deposit	23	**–**	23,295
		25,531,409	22,376,048
Current assets			
Properties under development for sales	19	**1,821,343**	2,046,776
Properties held for sales, at cost	20	**1,182,189**	434,155
Other receivables, deposits and prepayments	21	**318,626**	564,477
Amounts due from related companies	22	**–**	–
Pledged bank deposits	23	**41,521**	32,182
Bank balances and cash	23	**305,017**	2,872,722
		3,668,696	5,950,312
Current liabilities			
Other payables and accruals	24	**677,369**	679,799
Amount due to a shareholder	24	**163,503**	–
Deposits received on sales of properties		**976,153**	1,941,865
Tax payable		**526,830**	413,245
Bank loans, secured – due within one year	25	**587,903**	193,979
		2,931,758	3,228,888
Net current assets		**736,938**	2,721,424
Total assets less current liabilities		**26,268,347**	25,097,472
Non-current liabilities			
Bank loans, secured – due after one year	25	**–**	554,667
Fixed rate senior notes	26	**2,285,033**	2,274,742
Deferred tax liabilities	27	**5,127,793**	4,826,013
		7,412,826	7,655,422
Net assets		**18,855,521**	17,442,050

CONSOLIDATED BALANCE SHEET

As at December 31, 2008

	NOTE	**2008** **HK$'000**	2007 HK$'000
Capital and reserves			
Share capital	28	**180,907**	189,686
Share premium and reserves		**18,674,614**	17,252,364
Total equity		**18,855,521**	17,442,050

The consolidated financial statements on pages 32 to 79 were approved and authorized for issue by the Board of Directors on April 23, 2009 and are signed on its behalf by:

Dr. Wang Shih Chang, George
DIRECTOR

Wong Sai Chung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Special reserve * HK$'000	Other reserve ** HK$'000	General reserve *** HK$'000	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At January 1, 2007	100	375,020	–	778,662	2,455,562	–	77,076	3,512,842	7,199,262
Exchange differences arising on translation	–	–	–	–	–	–	840,510	–	840,510
Surplus on revaluation of property, plant and equipment	–	–	6,410	–	–	–	–	–	6,410
Income recognized directly in equity	–	–	6,410	–	–	–	840,510	–	846,920
Profit for the year	–	–	–	–	–	–	–	7,933,954	7,933,954
Total recognized income for the year	–	–	6,410	–	–	–	840,510	7,933,954	8,780,874
Transfer to general reserve	–	–	–	–	–	47,408	–	(47,408)	–
Dividend paid	–	(99,360)	–	–	–	–	–	–	(99,360)
Shares repurchased	(5)	(429,694)	–	–	–	–	–	–	(429,699)
Issue of shares by capitalization	134,905	(134,905)	–	–	–	–	–	–	–
Shares issued through an initial public offering	45,654	1,597,880	–	–	–	–	–	–	1,643,534
Issue of shares through placement and top-up subscription	9,032	436,280	–	–	–	–	–	–	445,312
Share issue expenses	–	(97,873)	–	–	–	–	–	–	(97,873)
	189,586	1,272,328	–	–	–	47,408	–	(47,408)	1,461,914
At December 31, 2007	189,686	1,647,348	6,410	778,662	2,455,562	47,408	917,586	11,399,388	17,442,050
Exchange differences arising on translation	–	–	–	–	–	–	1,076,714	–	1,076,714
Profit for the year	–	–	–	–	–	–	–	614,441	614,441
Total recognized income for the year	–	–	–	–	–	–	1,076,714	614,441	1,691,155
Dividend paid	–	(59,953)	–	–	–	–	–	–	(59,953)
Shares repurchased	(8,779)	(208,952)	–	–	–	–	–	–	(217,731)
	(8,779)	(268,905)	–	–	–	–	–	–	(277,684)
At December 31, 2008	180,907	1,378,443	6,410	778,662	2,455,562	47,408	1,994,300	12,013,829	18,855,521

* Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganization ("Corporate Reorganization") to rationalize the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

** Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporation Reorganization.

*** As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") the subsidiaries established in the PRC shall set aside 10% of their net profit to the general reserve before the distribution of the net profit each year. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**824,457**	9,633,923
Adjustments for:		
Net gain from change in fair value of held for trading investments	**(7,566)**	–
Amortization of prepaid lease payments	**50**	239
Depreciation of property, plant and equipment	**3,106**	1,493
Changes in fair value of investment properties	**(17,200)**	(8,672,044)
Finance costs	**75,660**	149,681
Interest income	**(25,828)**	(87,989)
Loss on disposal of property, plant and equipment	**4**	1,323
Operating cash flows before movements in working capital	**852,683**	1,026,626
Increase in properties under development for sales	**(885,306)**	(796,934)
Decrease in properties held for sales	**588,703**	850,095
Decrease (increase) in other receivables	**350,964**	(343,887)
(Decrease) increase in other payables and accruals	**(38,987)**	308,471
Decrease in deposits received on sales of properties	**(1,082,070)**	(1,046,470)
Increase in held for trading investments	**7,566**	–
Cash used in operations	**(206,447)**	(2,099)
PRC taxes paid	**(167,259)**	(265,587)
NET CASH USED IN OPERATING ACTIVITIES	**(373,706)**	(267,686)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(7,850)**	(3,710)
Additions to prepaid lease payments	**(87,377)**	–
Additions to investment properties	**(559,536)**	–
Additions to development in progress	**(1,062,765)**	(190,465)
Decrease in pledged bank deposits	**17,280**	42,698
Interest received	**25,828**	87,989
Proceeds from disposal of property, plant and equipment	**875**	–
NET CASH USED IN INVESTING ACTIVITIES	**(1,673,545)**	(63,488)

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	2,088,846
Payments on repurchase of shares	(217,731)	–
Share issue expenses	–	(97,873)
Interest paid	(235,630)	(164,461)
Payment on redemption of loan issued upon repurchase of shares	–	(429,699)
Proceeds from issue of fixed rate senior notes	–	2,340,000
Fixed rate senior notes issue expenses	–	(56,849)
Dividend paid	(59,953)	(99,360)
New bank loans raised	113,058	455,816
Repayment to related companies	–	(332,915)
Advance from a shareholder	163,503	–
Repayments of bank loans	(303,728)	(530,315)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(540,481)	3,173,190
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,587,732)	2,842,016
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,872,722	28,686
Effect of foreign exchange rate changes	20,027	2,020
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	305,017	2,872,722

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange. Its ultimate and immediate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 36.

The functional currency of the Company and the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) – INT 13	Customer loyalty programmes [5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) – INT 18	Transfer of assets from customers [7]

[1] Effective for accounting periods beginning on or after January 1, 2009 except for the amendments to HKFRS 5, effective for accounting periods beginning on or after July 1, 2009.
[2] Effective for accounting periods beginning on or after January 1, 2009.
[3] Effective for accounting periods beginning on or after July 1, 2009.
[4] Effective for accounting periods ending on or after June 30, 2009.
[5] Effective for accounting periods beginning on or after July 1, 2008.
[6] Effective for accounting periods beginning on or after October 1, 2008.
[7] Effective for transfers on or after July 1, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 from the effective date of acquisition or up to the effective date of disposal as appropriate.

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.

Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognized when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

Rental income from properties under operating leases is recognized in the consolidated income statement on a straight-line basis over the terms of the relevant leases.

Service income is recognized when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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 assets' net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings originally classified as investment property carried at fair value is transferred to property, plant and equipment at a deemed cost equal to its fair value at the date of change in use.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognized 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 derecognized.

Where an item of property, plant and equipment is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Prepaid lease payments

Prepaid lease payments are carried at cost and amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. Where property interest including prepaid lease payment is transferred to an investment property, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties 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 year in which they arise.

Leasehold land under and held for construction of properties for rental purpose is classified as an investment property and is stated at fair value. Changes in fair value of the leasehold land under and held for construction of properties for rental purpose are recognized directly in profit or loss for the year in which changes take place. Costs for construction of investment properties, which comprise construction costs, borrowing costs capitalized and other directly attributable cost, are classified as development in progress and are stated at cost less any identified impairment losses until construction is complete, at which time they are reclassified to investment properties (see accounting policy for development in progress below).

Development in progress

Development in progress, representing costs for construction of investment properties and properties for future owner-occupied purpose, is carried at cost less any identified impairment losses. Costs comprise construction costs, borrowing costs capitalized, amortization of leasehold land held for construction of properties for future owner-occupied purpose and directly attributable cost incurred during the development period. Upon completion of construction, costs for the construction of investment properties and owner occupied properties are transferred to investment properties and property, plant and equipment respectively.

When the leasehold land and buildings are in the course of development for owner-occupied purpose, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease terms. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under development. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realizable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realizable value takes into account the price ultimately expected to be realized, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalized according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognized on the 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 recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets held for trading and 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.

Interest is recognized on an effective interest basis for debt instruments.

Financial assets held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 other receivables, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of loans and receivables

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

For loans and receivables, 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.

For financial assets carried at amortised cost, an impairment loss is recognized 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 the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an other 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.

For financial assets measured at amortised cost, 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 recognized, the previously recognized 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 recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a 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 recognized on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including bank loans, other payables and amount due to a shareholder are subsequently measured at amortized 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.

For ordinary shares repurchased by the Company, the issued share capital of the Company was reduced by the nominal value of those shares and the difference between the consideration paid and the nominal value of those shares is recognised in share premium.

Fixed rate senior notes

The notes issued by the Group that contain both liability and early redemption option components whose economic characteristics and risk are not closely related to those of the host liability contract are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognized at fair value.

In subsequent periods, the liability component of the notes is carried at amortized cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognized in the consolidated income statement 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 notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized 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. The resulting gain or loss is recognized in the consolidated income statement immediately.

Embedded derivatives

Derivatives embedded in other financial instruments or other 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 contacts are not measured at fair value with changes in fair value recognized in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of 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 recognized directly in equity is recognized in profit or loss.

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

Impairment losses on assets

At each balance sheet date, the Group reviews the carrying amounts of its 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 recognized as an expense immediately.

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

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.

The Group as lessor

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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 recognized as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Income tax expense

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

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 and expenses that are taxable or deductible in other years, and it further excludes items of income and expenses that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax 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 tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the year 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 except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the entities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the exchange reserve). Such exchange differences are recognized in profit or loss in the year in which a foreign operation is disposed of.

Retirement benefits costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months or significantly affect the amounts recognized in the consolidated financial statements are disclosed below.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimate of fair value of investment properties

As described in note 17, investment properties were mainly revalued as at December 31, 2008 on a residual method use by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group's management considers information from current prices and rental yield in an active market for potential sales proceeds and rental income to be generated by the completed investment properties deducting the development costs and required profits from the investment properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date. Where there are any changes in the assumptions on the market conditions in the PRC, the estimate of fair value of investment properties may be affected.

Valuation of properties under development for sales and properties held for sales

Properties under development for sales and properties held for sales are stated at the lower of the cost and net realizable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realizable value is estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price that arising from any changes to the market conditions in the PRC, there may be impairment loss recognised on the properties under development for sales and properties held for sales.

Land appreciation tax

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 borrowing costs and all property development expenditures.

The Group is subject to land appreciation tax in the PRC which has been included in income tax of the Group. Significant judgement is required in determining the amount of land appreciation and its related tax. The Group recognizes these liabilities based on management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

5. 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 maximizing the return to shareholders through the optimization of the debt and equity balances.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 25 and 26, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payments of dividends, new share issues, shares buy-backs and the issue of new debt or the redemption of the existing debt.

The Group's overall strategy remains unchanged during the current year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**537,668**	3,214,326
Financial liabilities		
Amortised cost	**3,620,991**	3,680,247

Financial risk management objectives and policies

The Group's major financial instruments include bank balances, pledged bank deposits, bank borrowings, other receivables, other payables, amount due to a shareholder and fixed rate senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Market risks

Foreign currency risk

The Group's transactions are mainly denominated in RMB, (which is the functional currency of respective group entities), except for certain bank balances, bank borrowings, fixed rate senior notes and amount due to a shareholder which are denominated in Hong Kong dollars and United States dollars as disclosed in respective disclosure notes. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation in the RMB against United States dollars and Hong Kong dollars may have a material impact on the Group's results.

As at each balance sheet date, certain financial assets and financial liabilities of the Group were denominated in Hong Kong dollars and United States dollars which is the currency other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	Hong Kong dollars		United States dollars	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Bank balances and cash	**204,403**	853,546	**32,346**	1,974,079
Bank borrowings	**–**	–	**–**	151,312
Fixed rate senior notes	**–**	–	**2,285,033**	2,274,742
Amount due to a shareholder	**93,626**	–	**–**	–

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the currency of Hong Kong dollars and United States dollars and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2007: 5%) change in foreign currency rates. 5% (2007: 5%) is the sensitivity rate 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.

If the exchange rate of RMB against Hong Kong dollars and United States dollars has been appreciated/ depreciated by 5%, the Group's post-tax profit for the year ended December 31, 2008 would increase/ decrease by approximately:

	Hong Kong dollars impact		**United States dollars impact**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Profit for the year	**6,709**	42,677	**112,634**	20,707

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings (see note 25 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits and fixed rate senior notes (see note 26 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should need arises. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption options for the fixed rate senior notes if necessary.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Market risks (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the balance sheet date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 1% (2007: 1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% (2007: 1%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2008 would decrease/increase by approximately HK$4,409,000 (2007: HK$5,017,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Liquidity risk

The directors of the Company expect the Group to have adequate source of funding to finance the Group and manage the liquidity position. To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalent to fulfill the normal liquidity needs and to keep banking facilities available to the Group to prevent temporary liquidity shortfall.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2008						
Amount due to a shareholder	**N/A**	**163,503**	**–**	**–**	**163,503**	**163,503**
Other payables	**N/A**	**584,552**	**–**	**–**	**584,552**	**584,552**
Fixed rate senior notes	**9.125%**	**213,525**	**854,100**	**2,411,955**	**3,479,580**	**2,285,033**
Variable interest rates borrowings	**5.94%**	**595,365**	**–**	**–**	**595,365**	**587,903**
		1,556,945	**854,100**	**2,411,955**	**4,823,000**	**3,620,991**
As at December 31, 2007						
Other payables	N/A	656,859	–	–	656,859	656,859
Fixed rate senior notes	9.125%	213,525	854,100	2,625,886	3,693,511	2,274,742
Variable interest rates borrowings	7.36%	244,981	604,562	–	849,543	748,646
		1,115,365	1,458,662	2,625,886	5,199,913	3,680,247

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

As at December 31, 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 recognized financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 29.

In order to minimize the credit risk, 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 receivable 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.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values except for the fixed rate senior notes of which the fair value is disclosed in note 26.

7. SEGMENT INFORMATION

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
Other – hotel operation, provision of building management and construction consultancy services

Consolidated income statement

For the year ended December 31, 2008

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
External sales	**1,815,730**	**28,129**	**8,348**	**–**	**1,852,207**
Inter-segment sales	**–**	**–**	**321,674**	**(321,674)**	**–**
Total	**1,815,730**	**28,129**	**330,022**	**(321,674)**	**1,852,207**
Inter-segment sales are charged at prevailing market rates.					
Segment result	**929,799**	**37,409**	**(1,064)**		**966,144**
Unallocated other income					**36,858**
Unallocated corporate expenses					**(102,885)**
Finance costs					**(75,660)**
Profit before taxation					**824,457**
Income tax expense					**(210,016)**
Profit for the year					**614,441**

7. SEGMENT INFORMATION (CONTINUED)

Consolidated balance sheet

As at December 31, 2008

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Total HK$'000
ASSETS				
Segment assets	3,010,568	25,258,113	247,022	28,515,703
Unallocated corporate assets				684,402
Total assets				29,200,105
LIABILITIES				
Segment liabilities	1,525,513	5,934	11,259	1,542,706
Unallocated corporate liabilities				8,801,878
Total liabilities				10,344,584

Other information

For the year ended December 31, 2008

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Unallocated HK$'000	Total HK$'000
Changes in fair value of investment properties	–	17,200	–	–	17,200
Capital additions	–	1,702,026	16,089	7,850	1,725,965
Additions of prepaid lease payments	–	–	87,377	–	87,377
Depreciation of property, plant and equipment	–	1,498	–	3,106	4,604
Amortization of prepaid lease payments	–	–	1,313	50	1,363
Loss on disposal of property, plant and equipment	–	–	–	4	4

7. SEGMENT INFORMATION (CONTINUED)

Consolidated income statement

For the year ended December 31, 2007

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
External sales	1,948,363	28,458	26,143	–	2,002,964
Inter-segment sales	–	–	256,599	(256,599)	–
Total	1,948,363	28,458	282,742	(256,599)	2,002,964
Inter-segment sales are charged at prevailing market rates.					
Segment result	964,340	8,692,263	(3,217)		9,653,386
Unallocated other income					170,854
Unallocated corporate expenses					(40,636)
Finance costs					(149,681)
Profit before taxation					9,633,923
Income tax expense					(1,699,969)
Profit for the year					7,933,954

Consolidated balance sheet

As at December 31, 2007

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Total HK$'000
ASSETS				
Segment assets	2,872,012	22,278,680	135,243	25,285,935
Unallocated corporate assets				3,040,425
Total assets				28,326,360
LIABILITIES				
Segment liabilities	2,493,866	5,682	9,512	2,509,060
Unallocated corporate liabilities				8,375,250
Total liabilities				10,884,310

7. SEGMENT INFORMATION (CONTINUED)

Other information

For the year ended December 31, 2007

	Property development HK$'000	Property investment HK$'000	Other HK$'000	Unallocated HK$'000	Total HK$'000
Changes in fair value of investment properties	–	8,672,044	–	–	8,672,044
Capital additions	–	241,332	2,829	3,710	247,871
Depreciation of property, plant and equipment	–	2,764	–	1,493	4,257
Amortization of prepaid lease payments	–	–	194	45	239
Loss on disposal of property, plant and equipment	–	–	–	1,323	1,323

As all of the revenue and operating results of the Group are derived in the PRC, an analysis of revenue and operating results of the Group by geographical location is not presented.

All significant identifiable assets and liabilities of the Group are located in the PRC. Accordingly, no geographical segmental analysis is presented.

8. REVENUE AND OTHER INCOME

	2008 HK$'000	2007 HK$'000
Revenue		
Sales of properties	**1,815,730**	1,948,363
Property rental income	**28,129**	28,458
Property management income	**8,348**	20,379
Construction consultancy services income	**–**	5,764
	1,852,207	2,002,964
Other income		
Net gain from change in fair value of held for trading investments	**7,566**	–
Interest on bank deposits	**25,828**	87,989
Net exchange gains	**–**	14,783
Tax refund (Note)	**–**	62,857
Others	**3,464**	5,225
	36,858	170,854
Total income	**1,889,065**	2,173,818

Note: Pursuant to the relevant laws and regulations in the PRC, a tax refund was granted to a subsidiary for capitalizing its accumulated profits.

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**58,663**	52,284
Loans from related companies	**–**	5,488
Effective interest expense on fixed rate senior notes	**223,816**	147,941
Other borrowing costs	**–**	1,667
Total borrowing costs	**282,479**	207,380
Less: Amount capitalized in development in progress and properties under development for sales	**(206,819)**	(57,699)
	75,660	149,681

Borrowing costs capitalized during the year arose on the specified borrowings.

10. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax		
Enterprise income tax in the PRC	**108,127**	309,261
Land appreciation tax ("LAT") in the PRC	**93,430**	142,900
	201,557	452,161
Deferred tax (note 27)		
Current year	**8,459**	2,030,253
Attributable to a change in tax rate	**–**	(782,445)
	8,459	1,247,808
	210,016	1,699,969

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from January 1, 2008. The deferred tax balance has been adjusted to reflect the tax rates that were expected to apply to the respective periods when the asset is realized or the liability is settled, resulting in a deferred tax credit of approximately HK$782,445,000 reported in the year ended December 31, 2007.

In accordance with the applicable enterprise income tax law of the PRC and the relevant rules promulgated by the Shanghai municipal government, the subsidiaries, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Jingan Concord"), Shanghai Minhang Concord Property Development Co., Ltd. ("Minhang Concord") and Shanghai Yingduoli Property Management Company Limited ("Property Management Co"), are subject to a tax rate of 25% on their assessable profits for year 2008.

10. INCOME TAX EXPENSE (CONTINUED)

Pursuant to the relevant laws and regulations in the PRC, Shanghai Baili Construction Management and Consultancy Company Limited ("Construction Management Co") is exempted from PRC enterprise income tax for two financial years starting from April 4, 2005 (date of its establishment), followed by a 50% reduction for the next three years. Construction Management Co is subject to tax rate of 12.5% for year 2008.

Pursuant to the letters issued by the relevant PRC tax authority on July 25, 2006, Shanghai Zhengtian Construction Management and Consultancy Company Limited ("Construction Consultancy Co"), under article 8 of "Rule of the PRC on Enterprises Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment for Foreign Enterprises" (中華人民共和國外商投資企業和外國企業所得税法實施細則), is exempted from PRC enterprise income tax for two financial years, starting from the first profit making year, followed by a 50% reduction for the next three years, provided that more than 50% of the revenue of Construction Consultancy Co is generated from productive services pursuant to the "Notice in respect of the Preferential Tax Treatment applicable to Foreign Investment Enterprise which engages in both Productive and Non-Productive Services" (國家税務總局關於外商投資企業兼營生產性和非生產性業務如何享受税收優惠問題的通知). The first profit making year of Construction Consultancy Co is 2006. Construction Consultancy Co is subject to tax rate of 12.5% for year 2008.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT 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 borrowings costs and all property development expenditures.

On June 28, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008-2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**824,457**	9,633,923
Tax at PRC enterprise income tax rate of 25% (2007: 33%)	**206,114**	3,179,195
Tax effect of expenses not deductible for tax purpose	**1,703**	6,661
Tax effect of income not taxable for tax purpose	**(6,457)**	(20,743)
LAT	**93,430**	142,900
Tax effect of LAT	**(23,358)**	(47,157)
Effect of tax exemptions granted to a PRC subsidiary	**–**	(84,677)
Income taxed at concessionary rate	**(61,416)**	–
Decreasing in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(782,445)
Differential tax rate on temporary difference of subsidiaries	**–**	(693,765)
Tax expense for the year	**210,016**	1,699,969

11. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**1,530**	1,339
Other staff costs	**37,120**	30,039
Total staff costs	**38,650**	31,378
Less: Amount capitalized in development in progress and properties under development for sales	**(15,913)**	(12,341)
	22,737	19,037
Auditor's remuneration	**2,774**	2,403
Amortization of prepaid lease payments	**1,363**	239
Less: Amount capitalized in development in progress	**(1,313)**	–
	50	239
Depreciation of property, plant and equipment	**4,604**	4,257
Less: Amount capitalized in development in progress	**(1,498)**	(2,764)
	3,106	1,493
Loss on disposal of property, plant and equipment	**4**	1,323
Cost of properties sold (included in cost of sales)	**752,311**	852,896
Professional and other expenses incurred relating to the listing (Note)	**–**	3,340
Compensation to purchasers of properties (included in administrative expenses)	**4,676**	3,784
Net exchange loss	**38,682**	–
Gross rental income from investment properties	**(28,129)**	(28,458)
Less: Direct operating expenses from investment properties that generated rental income during the year	**7,920**	8,239
	(20,209)	(20,219)

Note: Pursuant to Hong Kong Accounting Standard 32, the transaction costs of an equity transaction were accounted for as deduction from equity to the extent they were directly attributable to the issuing of new shares in 2007 as disclosed in note 28. The remaining costs were recognized as an expense when incurred.

12. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2008 HK$'000	2007 HK$'000
Fees	**1,254**	1,063
Salaries and allowances	**276**	276
Retirement benefit scheme contribution	**–**	–
	1,530	1,339

The emoluments paid to the directors were as follows:

For the year ended December 31, 2008

	Fees HK$'000	**Salaries and allowances HK$'000**	**Discretionary bonus HK$'000**	**Retirement benefits scheme contribution HK$'000**	**Total HK$'000**
Executive directors:					
Dr. Wang Shih Chang, George	**–**	**–**	**–**	**–**	**–**
Mr. Wong	**–**	**–**	**–**	**–**	**–**
Mr. Xu Li Chang	**–**	**276**	**–**	**–**	**276**
	–	**276**	**–**	**–**	**276**
Non-executive director:					
Mr. Kwan Kai Cheong	**240**	**–**	**–**	**–**	**240**
Independent non-executive directors:					
Mr. Warren Talbot Beckwith	**240**	**–**	**–**	**–**	**240**
Mr. Cheng Chaun Kwan, Michael	**240**	**–**	**–**	**–**	**240**
Mr. Luk Koon Hoo	**240**	**–**	**–**	**–**	**240**
Mr. Garry Alides Willinge	**240**	**–**	**–**	**–**	**240**
Mr. Wu Zhi Gao	**54**	**–**	**–**	**–**	**54**
	1,014	**–**	**–**	**–**	**1,014**
	1,254	**276**	**–**	**–**	**1,530**

12. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2007

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors:					
Dr. Wang Shih Chang, George	–	–	–	–	–
Mr. Wong	–	–	–	–	–
Mr. Xu Li Chang	–	276	–	–	276
	–	276	–	–	276
Non-executive director:					
Mr. Kwan Kai Cheong	204	–	–	–	204
Independent non-executive directors:					
Mr. Warren Talbot Beckwith	204	–	–	–	204
Mr. Cheng Chaun Kwan, Michael	204	–	–	–	204
Mr. Luk Koon Hoo	204	–	–	–	204
Mr. Garry Alides Willinge	204	–	–	–	204
Mr. Wu Zhi Gao	43	–	–	–	43
	859	–	–	–	859
	1,063	276	–	–	1,339

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2007: five) were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**4,957**	2,995
Retirement benefit scheme contributions	**99**	43
	5,056	3,038

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**3**	1
	5	5

During both years, no remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
2007 interim dividend, paid HK 5.5 cents	**–**	99,360
2007 final dividend, paid HK 3.2 cents	**59,953**	–

The dividend paid during 2008 was HK$59,953,000 (2007: HK$99,360,000). No final dividend was proposed subsequent to December 31, 2008 (2007: proposed a final dividend of HK3.2 cents per share).

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**614,441**	7,933,954

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,855,895**	1,760,321

For the year ended December 31, 2007, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the capitalization issue of 1,349,048,700 shares on February 22, 2007. The details of the capitalization issue are set out in note 28.

There was no diluted earnings per share as there were no potential ordinary shares outstanding during the year and as at the balance sheet date.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000 (Note)	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At January 1, 2007	53,295	18,339	1,143	12,530	5,342	90,649
Exchange adjustments	3,854	854	35	906	386	6,035
Additions	–	–	–	1,052	2,658	3,710
Transfer to investment properties	–	(6,540)	–	–	–	(6,540)
Disposals	–	–	(1,133)	(899)	–	(2,032)
At December 31, 2007	57,149	12,653	45	13,589	8,386	91,822
Exchange adjustments	3,425	759	2	800	490	5,476
Additions	–	5,386	–	799	1,665	7,850
Disposals	–	–	–	(5,801)	(299)	(6,100)
At December 31, 2008	60,574	18,798	47	9,387	10,242	99,048
DEPRECIATION						
At January 1, 2007	5,330	4,124	731	7,129	2,601	19,915
Exchange adjustments	442	215	23	574	225	1,479
Provided for the year	1,372	547	–	1,412	926	4,257
Transfer to investment properties	–	(1,472)	–	–	–	(1,472)
Disposals	–	–	(709)	–	–	(709)
At December 31, 2007	7,144	3,414	45	9,115	3,752	23,470
Exchange adjustments	444	212	2	557	238	1,453
Provided for the year	1,498	602	–	1,154	1,350	4,604
Disposals	–	–	–	(5,219)	(2)	(5,221)
At December 31, 2008	9,086	4,228	47	5,607	5,338	24,306
CARRYING VALUES						
At December 31, 2008	51,488	14,570	–	3,780	4,904	74,742
At December 31, 2007	50,005	9,239	–	4,474	4,634	68,352

Note: On initial recognition, the leasehold land was classified as investment properties carried at fair value, the leasehold land was subsequently transferred to property, plant and equipment during the year ended December 31, 2003.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	4.5%
Others	18% – 19%

The leasehold land is located in the PRC under medium-term lease.

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises land use rights in the PRC as follows:

	2008 HK$'000	2007 HK$'000
Long lease	**762**	766
Medium-term lease	**90,169**	3,887
	90,931	4,653

As at December 31, 2008, the Group was in the process of obtaining the State-owned Land Use Rights Certificates for the Chongqing project sites. The carrying amounts of the prepaid lease payments, investment properties and properties under development for sales in the process of obtaining the State-owned Land Use Rights Certificates amounted to approximately HK$86,264,000 (2007: Nil), HK$1,698,722,000 (2007: Nil) and HK$1,397,817,000 (2007: Nil) respectively.

17. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
FAIR VALUE		
Properties held for rental purpose		
At the beginning of the year	**1,751,467**	1,006,700
Exchange adjustments	**103,221**	99,650
Transfer from property, plant and equipment and prepaid lease payments	**–**	14,300
Transfer from development in progress	**16,348**	71,988
Transfer from leasehold land under and held for construction of properties for rental purpose	**25,360**	42,500
Net changes in fair value recognized in the consolidated income statement	**(125,904)**	516,329
At the end of the year	**1,770,492**	1,751,467
Leasehold land under and held for construction of properties for rental purpose		
At the beginning of the year	**18,524,800**	9,395,500
Exchange adjustments	**1,111,589**	1,016,085
Additions	**559,536**	–
Transfer to properties held for rental purpose	**(25,360)**	(42,500)
Net changes in fair value recognized in the consolidated income statement	**143,104**	8,155,715
At the end of the year	**20,313,669**	18,524,800
Total	**22,084,161**	20,276,267

17. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties as at December 31, 2008 and 2007 were arrived at on the basis of a valuation carried out on those dates by Jones Lang Lasalle Sallmanns Limited in respect of the properties situated in Shanghai, the PRC, and Colliers International (Hong Kong) Limited in respect of the properties situated in Chongqing, the PRC. Jones Lang Lasalle Sallmanns Limited and Colliers International (Hong Kong) Limited are independent qualified professional valuers not connected with the Group, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation methods were mainly based on residual method by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties and deducting the development costs and required profits from the investment properties, which are derived from the interpretation of prevailing investor requirements or expectations. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

The carrying value of investment properties shown above is situated on leasehold land in the PRC as follows:

	2008 **HK$'000**	2007 HK$'000
Long lease	**2,968,106**	3,097,600
Medium-term lease	**19,116,055**	17,178,667
	22,084,161	20,276,267

Certain of the Group's investment properties with a carrying value of approximately HK$1,356,902,000 (2007: HK$7,233,086,000) were pledged to secure certain banking facilities granted to the Group.

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. DEVELOPMENT IN PROGRESS

	2008 **HK$'000**	2007 HK$'000
At cost		
At the beginning of the year	**2,003,481**	1,738,947
Exchange adjustments	**135,863**	92,361
Additions	**1,158,579**	244,161
Transfer to properties held for rental purpose	**(16,348)**	(71,988)
At the end of the year	**3,281,575**	2,003,481

As at December 31, 2007, certain of the Group's development in progress with a carrying value of approximately HK$1,086,410,000 were pledged to secure certain banking facilities granted to the Group. The pledged development in progress was released upon the settlement of the borrowing during the year ended December 31, 2008. As at December 31, 2008, no development in progress was pledged to bank.

19. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2008 HK$'000	2007 HK$'000
At cost		
At the beginning of the year	**2,046,776**	1,122,413
Exchange adjustments	**87,368**	120,664
Additions	**999,123**	803,699
Transfer to properties held for sales	**(1,311,924)**	–
At the end of the year	**1,821,343**	2,046,776
Properties under development for sales of which:		
– will be realized within twelve months	**–**	1,930,760
– will not be realized within twelve months	**1,821,343**	116,016
	1,821,343	2,046,776

As at December 31, 2007, certain of the Group's properties under development for sales with a carrying value of approximately HK$1,985,121,000 were pledged to secure certain banking facilities granted to the Group. The pledged properties under development for sales was released upon the settlement of the borrowings during the year ended December 31, 2008. As at December 31, 2008, no properties under development for sales was pledged to bank.

The carrying amount of properties under development for sales is situated on land use rights in the PRC as follows:

	2008 HK$'000	2007 HK$'000
Long lease	**173,532**	1,930,760
Medium-term lease	**1,647,811**	116,016
	1,821,343	2,046,776

20. PROPERTIES HELD FOR SALES

Certain of the Group's properties held for sales with a carrying value of approximately HK$287,148,000 (2007: HK$270,914,000) were pledged to secure certain banking facilities granted to the Group.

The properties held for sales will be realized within twelve months.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Consideration in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers. There was no trade receivables as at December 31, 2007 and 2008.

	2008 **HK$'000**	2007 HK$'000
Prepayment of business tax and other PRC taxes	**88,988**	177,214
Other receivables, deposits and prepayments (Note)	**229,638**	387,263
	318,626	564,477

Note: The amount included deposits on purchase of leasehold land of approximately HK$180,893,000 (2007: HK$277,333,000). The amount was fully refunded subsequent to December 31, 2008.

22. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from Pacific Concord Holding Limited ("PCH") and its subsidiaries (the "PCH Group"), fully settled during the year ended December 31, 2007, were non-trade nature, interest-free and unsecured.

Particulars of the amounts due from PCH Group are as follows:

	2008 **HK$'000**	2007 HK$'000
Balances at the beginning of the year	**–**	1,517,546
Balances at the end of the year	**–**	–
Maximum balances outstanding during the year	**–**	1,517,546

The ultimate shareholder of PCH is Mr. Wong.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES

The following bank deposits have been pledged to secure:

	2008 **HK$'000**	2007 HK$'000
Bank loans of the Group	**25,829**	23,295
Bank loans procured by the purchasers of the Group's properties under development for sales (note 29(b))	**15,692**	32,182
	41,521	55,477

23. PLEDGED BANK DEPOSITS AND BANK BALANCES (CONTINUED)

As at December 31, 2008, bank deposits with an aggregate amount of HK$25,829,000 were pledged to secure short-term bank loans of HK$587,903,000. As at December 31, 2007, bank deposits with an aggregate amount of HK$23,295,000 were pledged to secure long-term bank loans of HK$554,667,000. The pledged bank deposits as at December 31, 2007 were classified as non-current.

The pledged bank deposits carry effective interest rates which range from 0.36% to 1.88% (2007: 0.72% to 2.88%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Bank balances carry interest at market rates which range from 0.01% to 4.35% (2007: 0.72% to 6.0%) per annum.

The aggregate amount of pledged bank deposits, bank balances and cash amounting to approximately HK$109,788,000 (2007: HK$100,553,000) as at December 31, 2008 were denominated in RMB which is not freely convertible into other currencies.

24. OTHER CURRENT LIABILITIES

	2008 HK$'000	2007 HK$'000
Other payables and accruals		
Accruals for construction costs	**533,551**	540,956
Other payables and accruals	**143,818**	138,843
	677,369	679,799

Amount due to a shareholder was non-trade nature, unsecured, interest-free and repayable on demand.

25. BANK LOANS, SECURED

	2008 HK$'000	2007 HK$'000
The variable rate bank loans are repayable as follows:		
On demand or within one year	**587,903**	193,979
More than one year, but not exceeding two years	**–**	554,667
	587,903	748,646
Less: Amount due within one year shown under current liabilities	**(587,903)**	(193,979)
	–	554,667

The Group has variable rate borrowings which carry interest at London Inter-Bank Offered Rate plus 2% and the People's Bank of China 1-3 year loan base rate multiply by 110%. Interest is repriced every three months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are ranged from 5.94% to 8.31% (2007: 6.93% to 8.31%) per annum.

25. BANK LOANS, SECURED (CONTINUED)

As at December 31, 2008, the Group's borrowings were all denominated in RMB which are under the same functional currency of the relevant group entities. As at December 31, 2007, the Group's borrowings were all denominated in RMB except for the bank loans of approximately HK$151,312,000 which were denominated in United States dollars other than the functional currency of the relevant group entities.

26. FIXED RATE SENIOR NOTES

On April 27, 2007, the Company issued approximately US$300,000,000 (approximately HK$2,340,000,000) in aggregate principal amount of the fixed rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at the fixed rate of 9.125% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 9.675% (2007: 9.675%) per annum. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by the Company's subsidiaries other than those established under the laws of the PRC.

At any time before May 4, 2011, the Company may redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 4, 2010, the Company may redeem up to 35% of the principal amount of the notes using net cash proceeds from certain equity offerings at a redemption price of 109.125% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date.

On or after May 4, 2011, the Company may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period commencing on May 4 of the years indicated below:

12-month period commencing in the year	**Percentage**
2011	104.56250%
2012	102.28125%
2013 and thereafter	100.00000%

The directors of the Company consider that the fair value of the redemption options at the date of issuance of the notes and at December 31, 2008 and 2007 is insignificant.

The notes have been listed on the Singapore Exchange Limited since May 4, 2007. The market value of the notes as at December 31, 2008 was US$129,750,000 (approximately HK$1,012,050,000) (2007: US$253,500,000 (approximately HK$1,977,300,000)).

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the current and prior years:

	Fair value adjustment of investment properties HK$'000	Other temporary differences HK$'000	Total HK$'000
At January 1, 2007	2,964,582	263,005	3,227,587
Exchange adjustments	331,596	19,022	350,618
Attributable to a change in tax rate	(718,687)	(63,758)	(782,445)
Charge (credit) to consolidated income statement (note 10)	2,168,011	(137,758)	2,030,253
At December 31, 2007	4,745,502	80,511	4,826,013
Exchange adjustments	288,497	4,824	293,321
Charge to consolidated income statement (note 10)	4,300	4,159	8,459
At December 31, 2008	5,038,299	89,494	5,127,793

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalized in development in progress, properties under development for sale and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the two years ended December 31, 2008 and at the balance sheet dates.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$50,046,000 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.

28. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2007	3,800,000	380
Increase of authorized share capital on February 5, 2007 (Note a)	4,996,200,000	499,620
At December 31, 2007 and December 31, 2008	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2007	1,000,000	100
Shares repurchased (Note b)	(48,700)	(5)
Issue by capitalization of the share premium account (Note c)	1,349,048,700	134,905
Issue of shares through initial public offering (Note d)	456,537,000	45,654
Issue of shares through placement and top-up subscription (Note e)	90,327,000	9,032
At December 31, 2007	1,896,864,000	189,686
Shares repurchased (Note f)	(87,787,000)	(8,779)
At December 31, 2008	1,809,077,000	180,907

Notes:

(a) On February 5, 2007, the Company passed a resolution such that the authorized share capital of the Company was to be increased by creation of a further 4,996,200,000 new ordinary shares of HK$0.1 each.

(b) On February 5, 2007, the Company and Indopark Holdings Limited ("Indopark"), an independent third party, entered into an agreement pursuant to which the Company agreed to repurchase and Indopark agreed to sell a total of 48,700 shares of HK$0.1 each of the Company at a total repurchase price of US$55,000,000 (approximately HK$429,699,000) which was satisfied by the issue of a loan note in the same amount to Indopark. The loan note was guaranteed by Pacific Concord Holding Limited ("PCH"), a company in which Mr. Wong has a controlling interest. On February 15, 2007, the Company cancelled those shares repurchased from Indopark and Indopark ceased to be a shareholder of the Company. The loan note guaranteed by PCH was released and settled on the listing date.

(c) Pursuant to a written resolution of the shareholders of the Company passed on February 5, 2007, the directors were authorized to capitalize an amount of HK$134,904,870 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,048,700 shares of HK$0.1 each for allotment and issue to Hillwealth.

(d) On February 22, 2007, 450,000,000 new ordinary shares of the Company of HK$0.1 each were issued at HK$3.6 per share for cash through an initial public offering by way of placement and public offer.

On March 21, 2007, the over-allotment option was exercised and 6,537,000 new ordinary shares of the Company of HK$0.1 each were issued at HK$3.6 per share for cash.

28. SHARE CAPITAL (CONTINUED)

Notes: (continued)

(e) On October 3, 2007, pursuant to a placing and subscription agreement, Hillwealth placed 90,327,000 shares of the Company to an independent private investment fund at the price of HK$4.93 per share (the "Placement") and the Company agreed to issue a total of 90,327,000 new shares of HK$0.1 each at a price of HK$4.93 per share to Hillwealth (the "Subscription"). The new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on May 15, 2007 and rank pari passu with other shares in issue in all aspects. The Placement and the Subscription was completed on October 15, 2007.

(f) During the year ended December 31, 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Lowest	Aggregate consideration
	'000	HK$	HK$	HK$'000
January	8,290	4.42	3.81	34,681
February	6,500	4.30	4.04	27,521
March	8,545	4.15	4.04	35,504
June	300	3.50	3.38	1,039
July	25,135	2.95	2.73	74,415
October	33,820	1.39	0.91	39,650
November	5,107	1.03	0.90	4,839
December	90	0.90	0.90	82
	87,787			217,731

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

29. CONTINGENT LIABILITIES

As at the balance sheet date, the contingent liabilities of the Group were as follows:

	2008	2007
	HK$'000	HK$'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**1,409,230**	1,769,556

Notes:

(a) The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated balance sheet.

(b) The guarantees were secured by the Group's pledged deposits of HK$15,692,000 (2007: HK$32,182,000).

30. OTHER COMMITMENTS

	2008 HK$'000	2007 HK$'000
Construction commitment contracted for but not provided in respect of property, plant and equipment and investment properties	**164,957**	152,888
Capital expenditure in respect of the acquisition of land authorized but not contracted for	**–**	1,310,933

31. OPERATING LEASE COMMITMENTS

As lessor

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

	2008 HK$'000	2007 HK$'000
Within one year	**10,575**	20,496
In the second to fifth year inclusive	**30,757**	81,699
After five years	**–**	20,960
	41,332	123,155

The properties are expected to generate rental yields of average 2% (2007: 1% to 4%) on an ongoing basis. All the properties held have committed tenants from 1 to 7 years.

As lessee

Minimum lease payments paid under operating lease during the year:

	2008 HK$'000	2007 HK$'000
Office premises	**1,444**	–

31. OPERATING LEASE COMMITMENTS (CONTINUED)

As lessee (continued)

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

	2008 HK$'000	2007 HK$'000
Within one year	**3,466**	–
In the second to fifth year inclusive	**5,488**	–
	8,954	–

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

32. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$20,000) and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately HK$4,490,000 (2007: HK$3,799,000).

33. SHARE OPTION SCHEMES

PCH operated a share option scheme (the "PCH Share Option Scheme") since February 28, 1997 for the purpose of providing incentive and rewards to eligible participants who contribute to the success of PCH and its subsidiaries (including the Group). Options were granted to certain directors of the Company and employees of the Group. During the period from January 1, 2002 to October 22, 2003, no options were granted or exercised by the option holders. Pursuant to a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance, all the outstanding options under the PCH Share Option Scheme were cancelled on October 22, 2003. No further options have been granted under the PCH Share Option Scheme since October 22, 2003. On February 25, 2006, PCH terminated the PCH Share Option Scheme.

33. SHARE OPTION SCHEMES (CONTINUED)

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period 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 in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No option has been granted since the adoption of the Scheme.

34. MAJOR NON-CASH TRANSACTIONS

Prior to the listing and during the year ended December 31, 2007, the Group has set off the amounts due from related companies of approximately HK$1,517,546,000 with loans from related companies.

35. RELATED PARTY TRANSACTIONS

The Group had material transactions during the year with the PCH Group as follows:

Nature of transactions	Notes	2008 HK$'000	2007 HK$'000
Recharge of administrative expenses	(a)	–	1,119
Interest expenses	(b)	–	5,488
Office premises expenses	(c)	1,091	1,588

Notes:

(a) The expenses mainly comprise staff costs, office rent, rate and building service charges, utilities, travelling cost and other sundry administrative expenses. The expenses were recharged to the Group based on the estimated time of the directors and employees of the PCH Group spent on each of the projects.

(b) This represents interest charged on the loans from PCH Group, the loans were fully settled during the year ended December 31, 2007.

(c) On February 8, 2007, the Group has entered into an office licence agreement with a subsidiary of PCH (the "Lessor") to share half of all rent, rates, service fee and utility charges of an office premises. The agreement is effective from February 16, 2007 to July 31, 2008. The Group has the right to terminate the agreement on one month's prior notice.

Further, on July 31, 2008, the Group has entered into a new tenancy agreement and a sharing agreement with a subsidiary of PCH to share half of all rent, rates, service fee and utility charges of an office premises with effective from August 1, 2008 to July 31, 2011.

Compensation of key management personnel

The remuneration of the executive directors during the year was set out in note 12.

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors.

36. LIST OF SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of the subsidiary	Country/place of incorporation/ establishment	Paid up issued/ registered share capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			2008	2007	
Jingan Concord#	PRC	US$68,000,000 (Note 1)	100%	100%	Property development and investment
Minhang Concord#	PRC	US$99,600,000 (Note 2)	100%	100%	Property development and investment
Property Management Co##	PRC	RMB500,000	100%	100%	Property management service
Construction Management Co#	PRC	US$500,000	100%	100%	Provision of construction consultancy service
Construction Consultancy Co#	PRC	US$500,000	100%	100%	Provision of construction consultancy service
Chongqing Ace Blossom Real Estate Co., Ltd. ("CQ ACE Blossom")#	PRC	US$50,000,000 (Note 3)	100%	100%	Property development and investment
Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC	US$50,000,000	100%	100%	Property development and investment
Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	US$50,000,000	100%	100%	Property development and investment
Chongqing Promate Real Estate Co., Ltd. ("CQ Promate")#	PRC	US$99,000,000 (Note 4)	100%	–	Property development and investment
Chongqing Riverside Real Estate Co., Ltd. ("CQ Riverside")#	PRC	US$50,000,000 (Note 5)	100%	100%	Property development and investment
Chongqing Yangtze-Jialing River Real Estate Co., Ltd. ("CQ Yangtze-Jialing")#	PRC	US$50,000,000 (Note 6)	100%	100%	Property development and investment
Shanghai Shengba Construction Co##	PRC	RMB30,000,000	100%	–	Provision of construction consultancy service

36. LIST OF SUBSIDIARIES (CONTINUED)

Note:

(1) The total registered capital of Jingan Concord is US$68,000,000. At December 31, 2006, there was unpaid registered capital of US$17,000,000. Pursuant to the approval issued by 上海市外國投資工作委員會 (translated in English as Shanghai Foreign Investment Committee ("SFIC")) on March 18, 2005, the unpaid registered capital of US$17,000,000 should be paid on or before March 15, 2008. Its shareholders contributed the required registered capital of US$15,400,000 and US$1,600,000 on June 5, 2007 and June 7, 2007 respectively.

(2) The total registered capital of Minhang Concord as at December 31, 2006 was US$30,070,000. On June 11, 2007, the total registered capital was increased to US$45,150,000. Its shareholder contributed the registered capital of US$15,080,000 into Minhang Concord on June 15, 2007. On July 15, 2007, the total registered capital of Minhang Concord was further increased to US$99,600,000 by capitalization of its undistributed profits of US$54,450,000.

(3) The total registered capital of CQ ACE Blossom is US$50,000,000. As at December 31, 2007, there was unpaid registered capital of US$50,000,000. Pursuant to the approval issued by 重慶市對外貿易經濟委員會 on September 4, 2007, the unpaid registered capital should be paid within 90 days after the issuance of Certificate of Incorporation for CQ ACE Blossom. Its shareholder contributed the required registered capital of US$7,500,000 and US$42,500,000 on January 29, 2008 and March 12, 2008 respectively.

(4) The total registered capital of CQ Promate is US$99,000,000. As at December 31, 2008, there was unpaid registered capital of US$74,500,000. Pursuant to the approval issued by 重慶市對外貿易經濟委員會 on December 25, 2007, the unpaid registered capital should be paid within two years after the issuance of Certificate of Incorporation for CQ Promate.

(5) The total registered capital of CQ Riverside is US$50,000,000. As at December 31, 2007, there was unpaid registered capital of US$50,000,000. Pursuant to the approval issued by 重慶市對外貿易經濟委員會 on September 4, 2007, the unpaid registered capital should be paid within 90 days after the issuance of Certificate of Incorporation for CQ Riverside. Its shareholder contributed the required registered capital of US$12,000,000 and US$38,000,000 on February 13, 2008 and March 7, 2008 respectively.

(6) The total registered capital of CQ Yangtze-Jialing is US$50,000,000. As at December 31, 2007, there was unpaid registered capital of US$50,000,000. Pursuant to the approval issued by 重慶市對外貿易經濟委員會 on September 4, 2007, the unpaid registered capital should be paid within 90 days after the issuance of Certificate of Incorporation for CQ Yangtze-Jialing. Its shareholder contributed the required registered capital of US$7,500,000 and US$42,500,000 on January 29, 2008 and March 12, 2008 respectively.

\# Wholly foreign owned enterprises registered in the PRC.

\## A limited liability company registered in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

37. POST BALANCE SHEET EVENTS

The following events took place subsequent to December 31, 2008:

(i) On March 16, 2009, the Group renewed a bank loan of approximately HK$508,800,000 for a further two years from March 22, 2009 to March 21, 2011.

(ii) On March 10, 2009, the Group entered into agreements with an independent third party for the disposal of a wholly owned subsidiary established in PRC, which owns a piece of leasehold land in Chongqing, with an aggregate consideration of approximately HK$207,300,000. The leasehold land is included in the properties held for sales as at the balance sheet date.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	252,705	1,248,290	903,335	2,002,964	**1,852,207**
Profit before taxation	1,873,102	329,013	415,196	9,633,923	**824,457**
Taxation	(644,890)	(183,672)	(207,701)	(1,699,969)	**(210,016)**
Profit for the year	1,228,212	145,341	207,495	7,933,954	**614,441**
Attributable to:					
Equity holders of the Company	1,137,430	137,899	207,495	7,933,954	**614,441**
Minority interests	90,782	7,442	–	–	**–**
	1,228,212	145,341	207,495	7,933,954	**614,441**
Earnings per share					
Basic	HK$0.88	HK$0.11	HK$0.16	HK$4.51	**HK$0.33**

ASSETS AND LIABILITIES

	As at December 31,				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	15,022,205	15,186,153	16,409,051	28,326,360	**29,200,105**
Total liabilities	(8,201,988)	(8,598,163)	(9,209,789)	(10,884,310)	**(10,344,584)**
	6,820,217	6,587,990	7,199,262	17,442,050	**18,855,521**
Equity attributable to equity holders of the Company	6,400,571	6,587,990	7,199,262	17,442,050	**18,855,521**
Minority interests	419,646	–	–	–	**–**
	6,820,217	6,587,990	7,199,262	17,442,050	**18,855,521**

Note: The results of the Group for each of the two years ended December 31, 2005 and the assets and liabilities of the Group as at December 31, 2004 and 2005 are extracted from the Company's prospectus dated February 9, 2007.

PARTICULARS OF MAJOR PROPERTIES

As at December 31, 2008

Properties held by the Group as at December 31, 2008 are as follows:

Location	Type	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Portion of Phases 1, 2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R&C	408,777	100	Completed	N/A
Portion of Phase 4C of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R&C	293,815	100	Under planning	2010-2011
Portion of Phase 1 of Concord City located at Yong Yuan Road and West of Nanjing Road Jing'an District Shanghai The PRC	R&C	52,794	100	Completed	N/A
The whole of Phase 2 of Concord City located at Yong Yuan Road and West of Nanjing Road Jing'an District Shanghai The PRC	R&C	338,074	100	Construction in progress	2010-2011
Huashan Building No. 2004 West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2010

PARTICULARS OF MAJOR PROPERTIES

As at December 31, 2008

Location	Type	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Phase 1 of Chongqing Concord City located at the southern side of Nan Bin Road Nan An District Chongqing The PRC	R	150,000	100	Construction in progress	2010-2011
Phase 2 of Chongqing Concord City located at the southern side of Nan Bin Road Nan An District Chongqing The PRC	R&C	370,000	100	Under planning	2011-2012
Phase 1 of Chongqing Manhattan City located at the southern side of Lijiu Road Li Jia Tuo Ba Nan District Chongqing The PRC	R	500,000	100	Construction in progress	2010
Phase 2 of Chongqing Manhattan City located at the southern side of Lijiu Road Li Jia Tuo Ba Nan District Chongqing The PRC	R	500,000	100	Under planning	2010-2011
Phase 3 and 4 of Chongqing Manhattan City located at the southern side of Lijiu Road Li Jia Tuo Ba Nan District Chongqing The PRC	R&C	1,213,314	100	Land bank	2012-2013

Notes:

Types of properties: R-Residential, C-Commercial
N/A: Not applicable