2007 Annual Report

远洋地产

SINO-OCEAN

遠洋地產控股有限公司

Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 03377)

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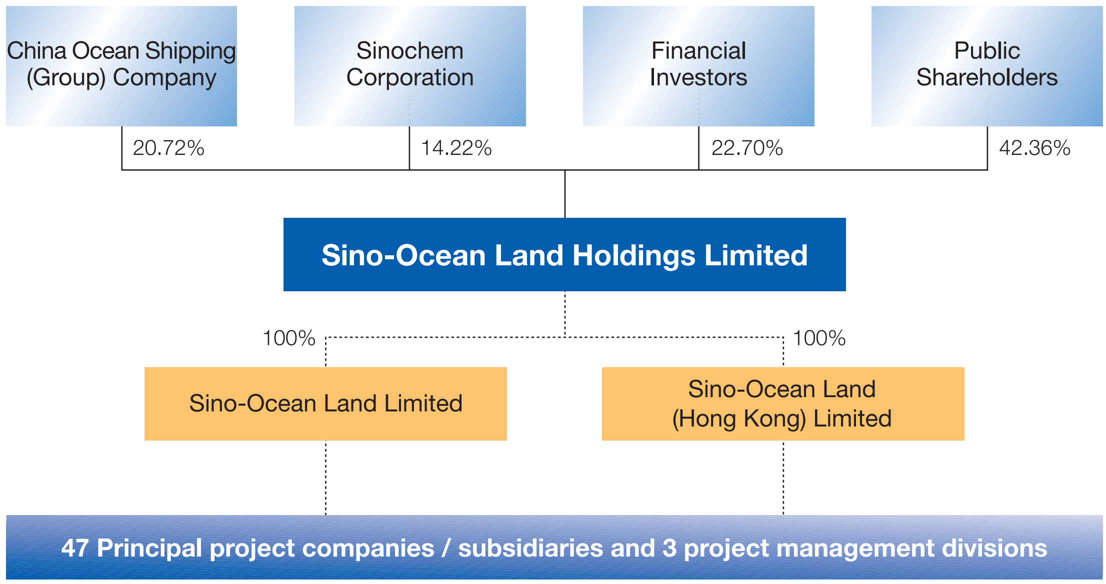
Corporate Profile

Set forth below is the shareholding structure of the Group as at 31 December 2007:



Sino-Ocean Land Holdings Limited ("Sino-Ocean Land" or the "Company") was established in Hong Kong on 12 March 2007. Sino-Ocean Land and its subsidiaries (together referred to as the "Group") trace our roots to 1993, when our predecessor COSCO Real Estate Development Corporation was established. After years of steady development and growth, Sino-Ocean Land's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 September 2007 after restructuring. In March 2008, Sino-Ocean Land was selected by Hang Seng Indexes Company Limited as a constituent of Hang Seng Composite Index and Hang Seng China-Affiliated Corporations Index. Sino-Ocean Land wholly owns Sino-Ocean Land Limited in the People's Republic of China ("the PRC") and Sino-Ocean Land (Hong Kong) Limited in Hong Kong, and 47 principal project companies/subsidiaries and 3 project management divisions.

The Group is one of the largest real estate companies in Beijing and has a diversified portfolio of development projects and investment properties. Leveraging on the experience and capabilities of the Group while solidifying its leading position in Beijing, the Group is able to expand into other high economic growth areas in the PRC including the Pan-Bohai Rim, the Yangtze River Delta region, and the Pearl River Delta region. With 15 years of experience in the PRC real estate industry, the Group has acquired an in-depth knowledge of PRC's property market. The Group primarily develops medium to high-end residential properties, premium grade office buildings, retail spaces, serviced apartments and has accomplished 8 quality property projects in Beijing. Meanwhile, the Group also has 24 projects at various stages of development in Beijing, Tianjin, Shenyang and Dalian of Liaoning Province, Hangzhou of Zhejiang Province, and Zhongshan of Guangdong Province. With reference to the successful history, the Group has proved its ability to serve a wide range of clients, including affluent urban middle class, internationally renowned real estate investors, multi-national corporations, leading domestic enterprises, etc. The Group believes that its track record has firmly established "Sino-Ocean Land" as a reputable brand name.

Financial Highights

Key financial figures for the recent 4 years

	For the year ended 31 December RMB million			
Profit and loss	**2007**	2006	2005	2004
Revenue	**5,750**	3,708	2,711	1,892
Gross profit	**1,907**	1,089	625	428
Profit before income tax	**2,857**	1,029	623	202
Profit for the year	**1,792**	597	428	110
Profit attributable to equity holders of the Company	**1,722**	570	374	94
Minority interests	**70**	27	54	16
Earnings per share (RMB)				
– Basic	**0.512**	N/A	N/A	N/A
– Diluted	**0.511**	N/A	N/A	N/A

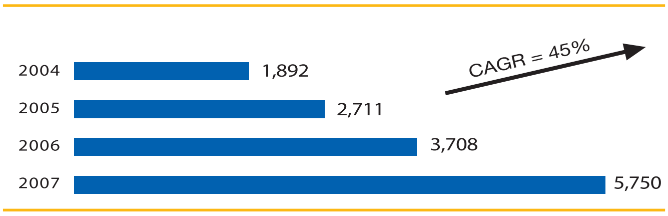
	As at 31 December RMB million			
Assets and liabilities	**2007**	2006	2005	2004
Non-current assets	**4,170**	2,033	1,408	924
Current assets	**33,596**	14,769	7,749	5,281
Total assets	**37,766**	16,802	9,157	6,205
Equity holders of the Company	**15,824**	3,526	1,434	1,135
Minority interests	**1,054**	541	516	129
Total equity	**16,878**	4,067	1,950	1,264
Non-current liabilities	**9,079**	4,431	1,978	1,445
Current liabilities	**11,809**	8,304	5,229	3,496
Total equity and liabilities	**37,766**	16,802	9,157	6,205

Key financial ratios

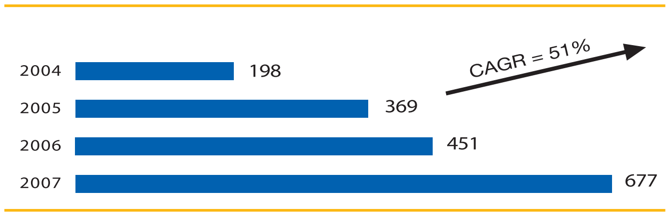
	2007	2006
Return on equity holders of the Company	**17.8%**	23.0%
Return on total assets	**7.1%**	5.3%
Gross margin	**33.2%**	29.4%
Profit margin	**31.2%**	16.1%
Net assets growth	**315.0%**	108.6%
Debt to shareholders' equity	**71.3%**	197.2%

Financial trends for the recent 4 years:

Revenue
(RMB in Millions)

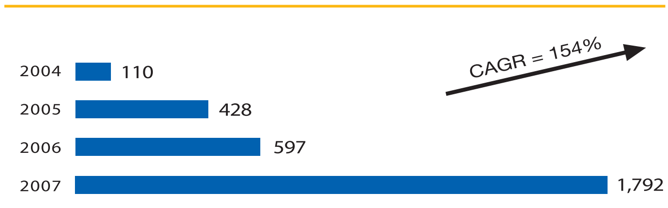


GFA sold and delivered
(sq.m. '000)

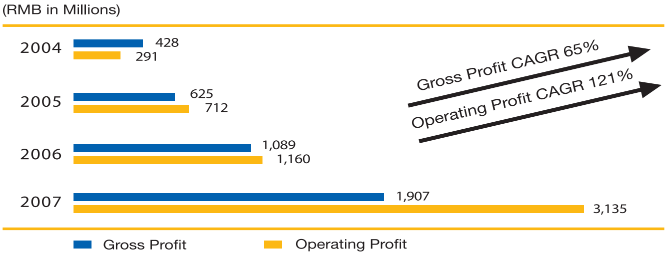


Gross margin

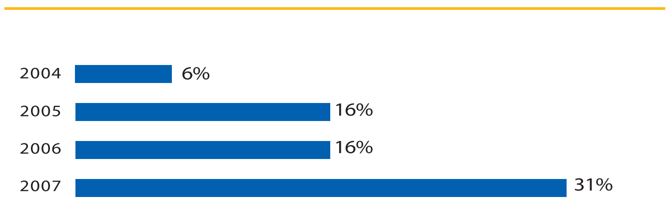
Profit for the year
(RMB in Millions)



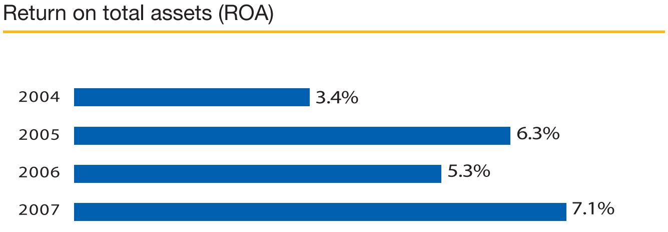
Gross and Operating profit
(RMB in Millions)



Profit margin

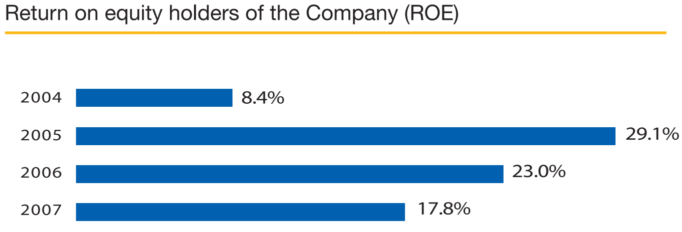


Return on total assets (ROA)



ROA = (Profit for the year + Tax adjusted finance costs)/Average total assets

Return on equity holders of the Company (ROE)



ROE = Profit for the year attributable to equity holders of the Company/ Average shareholders' equity

Notes: Equity injection by financial investors in 2006

The Company successfully listed on the Stock Exchange in 2007

Chairman's Statement

" The Group has adopted a steady and systematic development strategy to further strengthen its presence in the Pan-Bohai Rim and to gradually expand into other regions with rapid growth in properties demand…"

LI Jianhong

It is my honor and pleasure to present herewith to shareholders the first annual report of Sino-Ocean Land Holdings Limited since its listing on the Stock Exchange on 28 September 2007. For the year ended 31 December 2007, the Group achieved satisfactory growth in its businesses, and further solidfied its leading position in the PRC real estate industry.

- **Annual results**

  For the year ended 31 December 2007, the Group's revenue reached RMB5.75 billion and gross profit reached RMB1.91 billion, representing an increase of 55.0% and 75.2%, respectively, over 2006. Profit attributable to equity holders of the Company in 2007 was RMB1.72 billion, an increase of 201.8% over 2006. Basic earnings per share were RMB0.512. The Board of Directors ("the Board") proposed a final dividend of HKD0.12 per share for the year ended 31 December 2007.

- **Important milestone**

  2007 was a fruitful year for the Group, and represented an important milestone in its development history. The Company's shares were successfully listed on the Stock Exchange on 28 September 2007. The proceeds from the initial public offering (the "IPO") have significantly strengthened the Group's position of financial resources, and provided funding for the Group's future development plans, thereby laying a solid foundation for sustainable growth in the Group's future earnings.

- **Development strategy**

  The Group has adopted a steady and systematic development strategy to further strengthen its presence in the Pan-Bohai Rim, and to gradually expand into other regions with rapid growth in properties demand. Through developing a diversified product mix, optimizing revenue combination, exploring various financing channels, increasing the percentage of investment properties held, and strengthening cost control and operation efficiency, the Group aims at enhancing its profitability, strengthening "Sino-Ocean Land" brand and adding value to its products.

Chairman's Statement

- **Corporate Governance**

  Since its successful listing on the Stock Exchange, the Company's shareholder base has been further diversified. Shareholders include not only members from the Top 500 enterprises in the PRC (China Ocean Shipping (Group) Company and Sinochem Corporation), but also include a number of reputable international financial investors, such as SSF Livingston Holdings Limited (an affiliate company of Morgan Stanley), Standard Chartered Private Equity Limited, RECP TERA Investors LLC (a company indirectly controlled by Credit Suisse Group), and Indopark Holdings Limited (an indirectly wholly owned subsidiary of Merrill Lynch & Co. Inc.). A diversified shareholder base has helped continuous improvement of the Company's corporate governance structure.

  The Group has for a long time attached great importance to corporate governance. With a well-developed corporate governance structure, the Group can make full use of the wisdom and expertise of the directors and senior management so that the management team can effectively execute the strategy set by the Board.

- **Company's mission**

  The Group puts emphasis on achieving a win-win result by maximizing its staff 's capabilities and creating a harmonious operating environment. Through continuous innovation and good corporate culture, the Group has taken its social responsibilities into account, strengthened its competitive advantages, and continued to achieve outstanding results for its shareholders, employees and the society as a whole.

- **Appreciation**

  Last but not least, I would like to express my heartfelt gratitude to the members of the Board and the management team for their highly efficient performance, to shareholders, business partners and the local government for their long-term support and trust, as well as to all our dedicated staff for their hard work!

LI Jianhong
Chairman

Hong Kong, China, 27 March 2008

Chief Executive Officer's Report

"I am confident that the Group can fully capitalize on the opportunities brought about by the rapid economic growth and rapid urbanization of the PRC. The Group will consolidated its position in the PRC real estate industry…"

LI Ming

I am pleased to present herewith to shareholders the 2007 annual report of the Group. The Company's shares were successfully listed on the Stock Exchange on 28 September2007 and were selected by Hang Seng Indexes Company Limited as a constituent of Hang Seng China-Affiliated Corporations Index, Hang Seng Composite Index and Hang Seng Mainland Composite Index on 10 March 2008.

• Financial review

The Group has been able to sustain a compound annual growth rate ("CAGR") over 50% for the past 4 years since 2004 in terms of profit for the year. The Group's revenue as at 31 December 2007 amounted to RMB5.75 billion, representing an increase of 55.0% over RMB3.71 billion in 2006. Gross profit amounted to RMB 1.91 billion, an increase of 75.2% over RMB 1.09 billion in 2006. Gross margin increased by 3.8% from 29.4% in 2006 to 33.2% in 2007. Profit for the year amounted to RMB1.79 billion, an increase of 198.3% over RMB 0.60 billion in 2006.

The Group has been consistently adopting a prudent approach in its financial planning when shaping the blueprint of its long term development programme. As at 31 December 2007, the Group's total cash and cash equivalents amounted to RMB8.47 billion, representing 22.4% of its total assets. As at 31 December 2007, total borrowings from financial institutions were approximately RMB9.69 billion, and 2-year 3% coupon rate convertible bonds were approximately RMB1.40 billion. Other borrowings were approximately RMB 0.19 billion. Debt to shareholders' equity ratio was 71.3%. Current ratio in 2007 was 2.85 as compared to 1.78 in 2006.

• Business review

Property development

The Group's revenue from property development in 2007 amounted to RMB5.43 billion, an increase of 54.3% over 2006. Excluding the sales of car parks, the gross floor area ("GFA") sold and delivered amounted to 677,301 sq.m., an increase of 50.3% over 2006, The price per sq.m. was approximately RMB8,010, a moderate increase of 2.7% over 2006. During the year, a GFA of 985,025 sq.m. was completed. Currently, there are 9 projects of a GFA of approximately 4.3 million sq.m. under development, located in Beijing, Tianjin, Dalian, Shenyang and Zhongshan, respectively, which are to be completed between 2008 and 2011. There were another 11 projects to be developed, with a GFA of approximately 5.9 million sq.m. located in the Pan-Bohai Rim, Zhongshan and Hongzhou.

Chief Executive Officer's Report

Property investment

The leasing of Ocean Plaza and Ocean International Center Block A in Beijing was satisfactory, and the rental income for 2007 amounted to RMB71.3 million, representing an increase of 29.4% over 2006. The total GFA of investment properties reached 112,226 sq.m.. During the year, Ocean International Center Block A (Beijing) was still at its initial stage of leasing and is expected to enter into its mature stage by 2009, which will bring about growth in rental income.

Other operations

Revenue from property management in 2007 amounted to RMB145 million, an increase of 70.6% over 2006. The number of households covered by its services reached 16,234 in 2007 and the Group's property management services covered a GFA of approximately 2.35 million sq.m..

Revenue from other real estate related operations for 2007 amounted to RMB103 million.

• Current situation of land banks

As at 31December2007, the Group's land banks consisted of altogether 24 projects, including 4 completed held for sale projects, 9 under development projects and 11 planned for future development projects. These projects are located in Beijing, Tianjin, Dalian, Shenyang, Zhongshan and Hangzhou respectively , with a GFA of approximately 10.2 million sq.m.. Out of these projects , 7.3 million sq.m. have been granted the land use certificates, representing 71.6% of the land banks. It is anticipated that the Group's existing land banks can satisfy its high CAGR growth in the coming 3 to 4 years.

In 2007, the Group successfully acquired land of a total GFA of approximately 4.67 million sq.m. in Beijing, Tianjin, Hangzhou, Dalian, Shenyang and Zhongshan through public auctions, bidding, etc..

• Market overview

During the reporting period, the spending power of residents in cities and towns in the PRC maintained steady growth. Per capita disposable income and per capita savings were maintained rapid growth. The steady growth of the GDP and urbanization process will provide continuous momentum to the real estate market.

In 2007, sales in the real estate market nationwide maintained its momentum of rapid growth, especially the sales price of commercial and residential properties. The Central Government has introduced a series of macroeconomic control measures to ensure that the demand of low-to-medium-income classes' for housing can be satisfied and to slow down the sales price growth of properties. The relevant policies mainly include:

1. Taxation policy: strengthen the administration and the settlement of land appreciation tax payable by real estate developers, and significantly increase urban land use tax.
2. Foreign capital policy: restrict foreign investment in the real estate industry, tighten the establishment and foreign exchange settlement of foreign real estate enterprises, and remove residential property development from the list of encouraged foreign investments.
3. Land policy: strengthen the administrative control over idle land, regulate the transfer of state-owned construction land and adopt restrictive measures against large scale land banks.
4. Monetary policy: repeatedly increase the benchmark interest rate and bank reserve rate, increase the proportion of down payment for the second residential unit and commercial properties, and strictly control housing loans for real estate development.
5. Housing protection policy: emphasize the solving of the housing difficulties faced by low income group as a major mission of the government, through ensuring sufficient land supply for policy-related housing, and regulating the application for and trading of affordable housing.

I am of the opinion that the above macroeconomic control measures are, all in all, beneficial to the long-term healthy development of the real estate industry, and the results of the control measures will gradually emerge in 2008. It is expected that in 2008, the real estate market will continue to see strong demand, but the increase in the housing price, in particular, for newly completed residential properties, will slow down. At the same time, the level of consolidation in the industry will gradually increase, and large real estate enterprises will face new development opportunities.

Furthermore, the appreciation of Renminbi makes Renminbi denominated assets more attractive, and overseas investors are optimistic about the long-term prospects of investing in the PRC real estate market.

- **Future plans**

The Company was successfully listed on the Stock Exchange in 2007, which laid a solid foundation for the Group's future development. In 2008, the Group will be dedicated to accomplishing the following tasks:

Operation efficiency

The Group will continue to maximize its operation efficiency and to improve the Company's corporate governance structure. The Group will optimize its cash flow management, enhance the efficiency and quality of investment decision making, implement well structured operation and management plans, tighten the control of operation risks, and operate in a highly disciplined manner.

Optimization of the structure

In 2008, the Group will map out its third-phase development strategy, including gradually enhancing its regional presence, enhancing the goodwill of the "Sino-Ocean Land" brand in the Pan-Bohai Rim and further expanding to other cities in the PRC, optimizing the industry supply chain, and increasing investment property portfolio. In so doing, we will strive to make our products the best in the PRC in the market of medium-to-high end residences, office buildings, retail spaces, serviced apartments and hotels products, and provide quality products and services to our customers. The Group will make appropriate investments in decoration and construction related industries, and continue to enhance the Group's profitability.

Capability enhancement

As one of the largest real estate companies in Beijing, and leveraging on our strength and 15 years of experience in the PRC real estate industry, the Group has gathered a large pool of expertises. The Group will continue to strengthen its internal management and corporate governance, pay attention to the change in the external environment and improve investment decision making and assets management capabilities. In respect of internal management, the Group will continue to optimize the performance appraisal mechanism, enhance teamwork and efficiency, and expedite assets turnover. In respect of external cooperation, the Group will consolidate resources, and enhance collaboration and coordination.

Continuous development

In 2008, the Group will focus on sales and cash inflow management in the existing projects so as to increase the investment return. The Group will continue to explore local and overseas financing channels and will positively try various financing means. The Group will focus on investing in first tier and second tier well-developed cities with a strong residential demand, and minimize the impact of individual local market fluctuations on the Group.

By leveraging on the Group's experience and strengthing in the PRC real estate industry, and taking benefit of the economic growth in the PRC in 2008, I am confident that the Group can fully capitalize on the opportunities brought about by the economic growth and rapid urbanization of the PRC. The Group will consolidate its position in the PRC real estate industry, and continue to enhance its capability to create value for its customers and shareholders.

LI Ming
Chief Executive Officer

Hong Kong, China, 27 March 2008

Management Discussion and Analysis

FINANCIAL REVIEW

• Revenue

The Group's revenue is mainly derived from its property development, property investment and other real estate related businesses (including property management). In 2007, the Group's revenue reached RMB5.75 billion, representing an increase of 55.0% over RMB3.71 billion in 2006. Revenue from various operations is set out below:

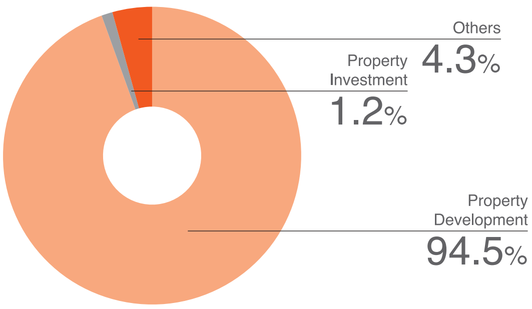
	2007 (RMB million)	2006 (RMB million)	Year-on-year Growth (%)
Revenue	**5,750**	3,708	55%
Including:			
Property development	**5,431**	3,521	54%
Property investment	**71**	55	29%
Others	**248**	132	88%

Among the Group's 2007 revenue, property development accounted for 94.5%; property investment accounted for 1.2% and other real estate related businesses accounted for 4.3%.

In 2007, the Group's revenue from property development (excluding sales of car parks) was approximately RMB5.43 billion, representing an increase of 54.7% over RMB3.51 billion in 2006. Such revenue in 2007 was mainly derived from 3 flagship projects in Beijing and Tianjin, namely, Ocean Landscape (Beijing), Ocean Seasons (Beijing) and Ocean Paradise (Tianjin), which together generated revenue of RMB4.59 billion, and individually represented 44%, 18% and 22% of the overall revenue from this sector.

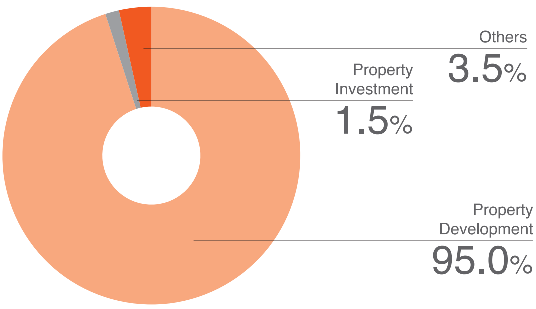
Revenue from different operations proportionate to the Group's revenue in 2007 and 2006 is as follows:

2007 revenue by operations



2007 total revenue: RMB5.75 billion

2006 revenue by operations



2006 total revenue: RMB3.71 billion

Rental income from investment properties in 2007 amounted to RMB71.3 million, representing an increase of 29.4% over 2006. The increase in rental income during the year was mainly attributable to Ocean International Center Block A, located in Chaoyang District, Beijing, which started generating rental income in July 2007. In 2007, revenue from other real estate related businesses amounted to RMB248 million, representing an increase of 87.9% over 2006.

Management Discussion and Analysis

- **Gross profit, other operating income and profit attributable to equity holders of the Company**

  In 2007, gross profit amounted to RMB1.91 billion, representing an increase of 75.2% over 2006. Gross margin also increased to 33.2% in 2007 from 29.4% in 2006. This is mainly attributable to the effective cost control of the Group resulting in the growth in average cost per sq.m. of property development below the growth in the average selling price per sq.m..

  Fair value gain on investment properties mainly comprised of appreciation from the revaluation of Ocean Plaza (Beijing), which was valued by independent valuer, DTZ Debenham Tie Leung Limited ("DTZ Debenham") at RMB724 million as at 31 December 2007, representing an increase in fair value of RMB53 million in 2007, and Ocean International Center Block A (Beijing), which was valued by DTZ Debenham at RMB1,260 million as at 31 December 2007, representing an increase in fair value of RMB365 million in 2007. Appreciation from the revaluation of these two investment properties in 2007 amounted to RMB418 million.

  In 2007, the Group benefited from the contribution of other income and gain on disposal of a jointly controlled entity. Other income mainly represented interest income generated from the frozen funds during the IPO of the Company in September 2007 and other interest income, which altogether amounted to RMB321 million. Gain on disposal of a jointly controlled entity (RMB910 million) represented the disposal of the entire interest in Beijing Chemsunny Property Co., Ltd. ("Beijing Chemsunny") to Sinochem Hong Kong (Group) Company Ltd ("Sinochem Hong Kong").

  Profit attributable to equity holders of the Company in 2007 was RMB1,722 million, representing a significant increase of 202.1% over RMB570 million in 2006 and grew at a CAGR of 163.6% from 2004 to 2007.

- **Cost of sales**

  In 2007, the Group's cost of sales amounted to RMB3.84 billion, representing an increase of 46.6% over RMB2.62 billion in 2006. Cost of sales mainly comprised of the land costs, construction costs, and capitalized interest expenses. Land appreciation tax, which was previously included in cost of sales has now been reclassified to taxation in the income statement. In 2007, cost of properties and land use rights sold represented 88.3% (88.5% in 2006) of the Group's cost of sales, amounting to RMB3.39 billion, an increase of 46.1% over RMB2.32 billion in 2006. As a result of stringent cost control, the increase in cost of sales was slower than growth in revenue (which had a growth rate of 55.0%). Looking forwards, the Group will focus on monitoring and controlling the land and construction cost in order to further improve the gross margin.

- **Operating expenses**

  In 2007, selling and marketing costs amounted to RMB129 million, representing an increase of 51.8% over RMB85 million in 2006. While increasing selling and marketing costs in order to drive the revenue growth, the Group was able to keep it at about 2% of the total revenue.

  Administrative expenses in 2007 increased by 74.6% to RMB302 million from RMB173 million in 2006. The increase in administrative expenses was mainly due to the increase in the number of employees in 2007, following the Group's development plan. As a result, the salaries, wages and bonuses expenses increased by 81.1% from RMB90 million in 2006 to RMB163 million in 2007. The Group believes that its team comprises of members who have a wealth of experience and talents in the real estate industry and this is an invaluable asset for driving the future development of the Group.

- **Finance costs**

  As a result of the Group's rapid development in 2007 and the IPO proceeds made available at the beginning of the fourth quarter in 2007, the Group's 2007 result was partly set off by the increase in finance costs. Finance costs in 2007 amounted to RMB214 million, representing an increase of 62.1% over RMB132 million in 2006. This was mainly attributable to the increase in the Group's total borrowings (from RMB6.96 billion in 2006 to RMB11.28 billion in 2007) and several upward adjustments to the PRC bank lending rate during 2007.

- **Taxation**

Income tax in 2007 was RMB804 million (including RMB40 million deferred tax and RMB764 million enterprise income tax), representing an increase of 130.4% over RMB349 million in 2006. Such increase was in line with the increase in profit before income tax in 2007.

Land appreciation tax in 2007 was RMB260 million, representing an increase of 209.5% over RMB84 million in 2006, which was mainly attributable to the increase in profitability of the property development projects sold by the Group in 2007 as compared to the year of 2006.

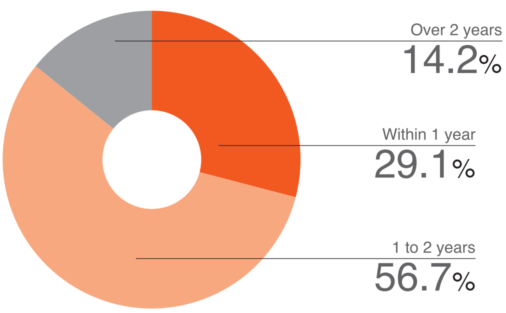
The effective income tax rate (deferred tax plus enterprise income tax divided by profit before income tax) was moderately reduced to 28.2% in 2007 from 33.9% in 2006. This was mainly because part of the income was not subjected to enterprise income tax, including interest income generated during the IPO, and the tax rate on fair vaule gain was lower than that of enterprise income tax (the deferred tax rate on fair value gain on investment property was only 25%).

- **Liquidity and financial resources**

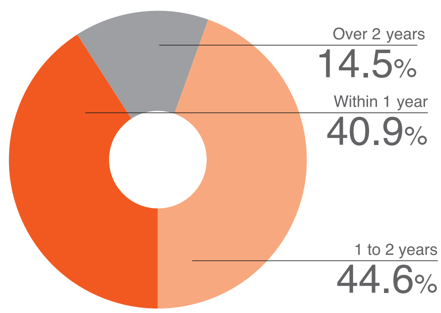
The Group's funding was mainly derived from the income from its business operations, bank loans and cash raised from the IPO. These sources financed the Group's business operations as well as investment and future development. As at 31 December 2007, the total amount of cash and cash equivalents of the Group was RMB8.47 billion, and the current ratio improved from 1.78 times in 2006 to 2.85 times in 2007. As at 31 December 2007, the total assets and shareholders' equity of the Group amounted to RMB37.77 billion and RMB15.82 billion respectively, representing an increase of 124.8% and 348.2% over 2006.

As at 31 December 2007, the Group's total borrowings amounted to RMB11.28 billion, of which 1 to 2 years borrowings represented 56.7% of the total borrowings, or being RMB6.40 billion (including RMB1.40 billion convertible bonds); borrowings to be repaid within 1 year amounted to RMB3.28 billion, representing 29.1% of the total borrowings (including RMB0.13 billion entrusted loan); and borrowings over 2 years amounted to RMB1.60 billion. Net debt (total borrowings deducted by cash and cash equivalent) to net capital (net debt plus total equity) ratio significantly improved from 51.8% in 2006 to 14.3% in 2007.

Borrowings as at 31 December 2007



Borrowings as at 31 December 2006



As at 31 December 2007 and 2006, the repayment schedule of the Group's borrowings was as follows:

	2007 (RMB million)	2006 (RMB million)
Within 1 year	**3,281**	2,848
1 to 2 years	**6,403**	3,099
Over 2 years	**1,600**	1,010
Total	**11,284**	6,957

Note: As at 31 December 2007, 1 to 2 years borrowings include RMB1.40 billion convertible bonds, and the borrowings within 1 year include RMB 0.13 billion entrusted loans.

Management Discussion and Analysis

- ## Financial guarantees and pledge of assets

As at 31 December 2007, the guarantees provided by the Group to the banks for mortgages extended to some property buyers before completion of the mortgage of registration were moderately reduced to RMB1.73 billion in 2007 from RMB1.81 billion in 2006.

As at 31 December 2007, the Group has pledged part of its land use rights, properties under development, completed properties held for sale, etc. to secure short-term bank loans of RMB0.80 billion and long-term bank loans of RMB3.53 billion.

- ## Capital commitments

Agreements were entered into in respect of land acquisition and property development. As at 31 December 2007, the Group had total capital commitments of RMB10.23 billion.

- ## Contingent liabilities

As at 31 December 2007, the Group has provided a guarantee in respect of banking facilities given to an associate (Beijing Central Business District Development and Construction Co., Limited), involving a total amount of RMB600 million.

According to the prevailing commercial practice in the PRC, the Group has to provide guarantees for mortgages extended to some property buyers before completion of the mortgage registration. As at 31 December 2007, the total amount of guarantees involved was RMB1.73 billion. In the past, the Group had not incurred any material losses from such guarantees because the guarantees had been given as transitional arrangements until the completion of the mortgage registration and the guarantees were secured by the properties.

- ## Use of proceeds from the IPO

The Group's net proceeds (after taking into account interest income from the frozen funds during the IPO and netting off the listing expenses) from the IPO were approximately HKD11.35 billion. Up till 31 December 2007, the Company had spent approximately HKD8.21 billion on the existing development projects and loan repayments. The relevant deployment of funds was in line with the designated uses of the proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus (the "Prospectus") of the Company. As at 31 December 2007, the balance of approximately HKD3.14 billion was retained as bank deposits.

BUSINESS REVIEW

• Property development and contracted pre-sales

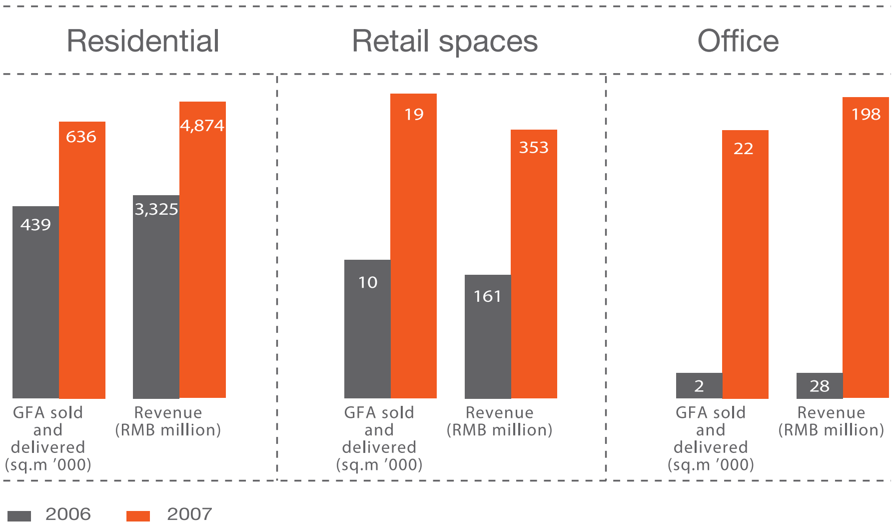
Leveraging on the public recognition of the "Sino-Ocean Land" brand, the Group's operation in property development has continued to grow for the past 4 years. GFA sold and delivered grew at a CAGR of 50.7% from 197,814 sq.m. in 2004 to 677,301 sq.m. in 2007.

The total GFA sold and delivered reached 677,301 sq.m. in 2007, or 50.3% higher than the 450,587 sq.m. in 2006. The average selling price per sq.m. increased by 2.7% to RMB8,010 in 2007 from RMB7,798 in 2006. The following table presents the figures of GFA sold and delivered (excluding sales of car parks), and the corresponding information for each project in 2007:

Project	Type	GFA sold and delivered (sq.m.)	Revenue (RMB million)	Average selling price (RMB/sq.m.)	Interest attributable to the Group (%)
Beijing					
Ocean Cityscape	Residential, retail spaces	2,443	22	9,005	100%
Ocean Express	Residential, retail spaces	12,192	200	16,404	75%
Ocean Landscape	Residential, retail spaces	339,206	2,396	7,064	100%
Ocean Paradise	Residential	41,435	611	14,746	100%
Ocean Seasons	Residential, retail spaces, office	133,807	1,002	7,488	70%
Tianjin					
Ocean Paradise Phase I (formerly named Haihe New Skyline)	Residential, retail spaces	148,218	1,194	8,056	96.99%
Total		**677,301**	**5,425**	**8,010**	

Management Discussion and Analysis

Results of property development by property types in 2006 and 2007 were as follows:



For the year ended 31 December 2007, the Group completed the development of projects with a GFA of 985,025 sq.m., representing an increase of 25.5% over 2006.

Project	Type	GFA completed (sq.m.)	Interest attributable to the Group (%)
Beijing			
Ocean International Center	Residential, office, retail spaces	85,335	100%
Ocean Landscape Phase I, II	Residential, retail spaces	10,127	100%
Ocean Landscape Phase III, IV	Residential, retail spaces	489,161	100%
Ocean Office Park	Residential, office, retail spaces	99,615	80%
Ocean Seasons	Residential, office, retail spaces	119,812	70%
Tianjin			
Ocean Paradise Phase I (formerly named Haihe New Skyline)	Residential, retail spaces	180,975	96.99%
Total		**985,025**	

The contracted pre-sales amount is also a key performance index of the Group's property development business. For the year ended 31 December 2007, the contracted pre-sales amount was RMB6.17 billion, of which RMB4.01 billion will be recorded as revenue in next financial year (corresponding to the GFA sold through contracted pre-sales of 337,440 sq.m.). As at 31 December 2007, the Group's outstanding contracted pre-sales amounts were derived from 9 projects located in 4 cities, including 5 in Beijing, 2 in Tianjin, 1 in Dalian and 1 in Zhongshan accounting for 82%, 3%, 8% and 7% respectively of the total contracted pre-sales amount.

Details of outstanding contracted pre-sales amounts and GFA by projects as at 31 December 2007 are set out as follows:

Project	GFA sold through contracted pre-sales (sq.m.)	Contracted pre-sales amount (RMB million)	Percentage of interest attributable to the Group (%)
Beijing			
Ocean Landscape Phase I & II	5,252	55.9	100%
Ocean Landscape Phase III & IV	133,823	1,504.9	100%
Ocean Office Park	38,234	776.8	80%
Ocean Paradise	77	0.6	100%
Ocean Seasons	21,134	224.4	70%
Poetry of River (formerly named Ocean Yifang)	60,621	715.0	100%
Tianjin			
Ocean Express	393	6.1	97.05%
Ocean Paradise Phase I (formerly named Haihe New Skyline)	10,656	121.2	96.99%
Dalian			
Ocean Prospect	24,201	312.5	100%
Zhongshan			
Ocean City	43,049	291.7	100%
Total	**337,440**	**4,009.1**	

Management Discussion and Analysis

- ## Properties under development

As at 31 December 2007, the Group had a total of 9 properties under development located in 5 cities, including Beijing, Tianjin, Dalian, Shenyang and Zhongshan. The Group plans to complete a total GFA of approximately 1.4 million sq.m. in 2008. The Group will fully capitalize on its understanding of the demand in the local market and customer preferences, and will leverage on its expertise in project management and cost control, so as to increase the efficiency of the project development process, and to focus on providing quality properties to its customers.

As at 31 December 2007, the Group had a total of 9 properties under development in various regions, details of which are as follows:

Project	Usage/Planned usage	Estimated completion date	Estimated GFA (sq.m.)	Estimated Saleable area (sq.m.)	Aggregate area sold and delivered (sq.m.)	Interest attributable to the Group (%)
Beijing						
Ocean Honored Chateau (formerly named Ocean Express PhaseII)	Residential	December 2008	52,091	38,269	—	75% (note)
Ocean Landscape Phase III & IV	Residential, retail spaces	May 2008	692,629	595,375	282,926	100%
Ocean Office Park	Residential, office, retail spaces	May 2008	174,557	38,234	—	80%
Ocean Seasons	Residential, office, retail spaces	June 2009	243,303	219,118	159,356	70%
Poetry of River (formerly named Ocean Yifang)	Residential	December 2009	296,995	260,723	—	100%
Tianjin						
Ocean Express	Residential, office, retail spaces	December 2010	377,498	346,613	—	97.05%
Dalian						
Ocean Prospect	Residential, retail spaces	December 2008	181,210	164,288	—	100%
Shenyang						
Ocean Paradise	Residential, retail spaces	December 2011	846,009	800,080	—	100%
Zhongshan						
Ocean City	Residential, office, retail spaces	December 2011	1,442,494	1,377,314	—	100%
Total			**4,306,786**	**3,840,014**	**442,282**	

Note: As at 31 December 2007, the Group held 75% equity interest in Ocean Honored Chateau (Beijing). The Group acquired the remaining 25% equity interest of this project in February 2008.

The above properties under development have a GFA of approximately 4.3 million sq.m. and a saleable area of about 3.8 million sq.m., of which 34% of the total GFA is located in Beijing, 9% in Tianjin, 4% in Dalian, 20% in Shenyang and 33% in Zhongshan. The above projects are expected to be completed in stages from 2008 to 2011.

- **Land banks**

As at 31 December 2007, the Group's land banks were located in six cities in the PRC, namely Beijing, Tianjin, Dalian, Shenyang, Hangzhou and Zhongshan, with an aggregate GFA of 10.2 million sq.m., representing an increase of 61.9% over 2006, and an attributable GFA to the Group of 8.8 million sq.m.. The above land banks can satisfy the Group's development needs in the next 3 to 4 years. In addition, of the existing land banks, 75% are located in the Pan-Bohai Rim, including 24% in Beijing. Outside the Pan-Bohai Rim, there are 7% located in the Yangtze River Delta regions, and 18% located in the Pearl River Delta regions. It is expected that these high quality land banks will help to ensure the Group's continuous high CAGR growth in the future.

Subsequent to the Company's listing, the Group has devoted more efforts towards the acquisition of new projects, and has successively secured a number of high quality development projects in the Pan-Bohai Rim, Yangtze River Delta regions and Pearl River Delta regions. These acquisitions further strengthened the Group's core strategic position in the Pan-Bohai Rim, as well as its strategic presence in other high economic growth regions. For the year ended 31 December 2007, the Group newly secured 7 projects, through public auction, bidding etc. The total land costs for these 7 projects attributable to the Group amounted to RMB 8.42 billion, with a total GFA of approximately 4.7 million sq.m. in aggregate and a GFA attributable to the Group of 3.6 million sq.m.. The average land cost attributable to the Group is about RMB 2,368 per sq.m.. These projects include Ocean City (Tianjin), Red Star (Dalian), Hang Yimian (Hangzhou), Cannal Commercial District (Hangzhou), Xiao'aoxi (Zhongshan), Tongzhou Yuqiao (Beijing), and Changbai (Shenyang). All these 7 projects have already received proper land use rights or proper documents certifying successful bidding.

As at 31 December 2007, the development of the Group's land banks is as follows:

City	Project	Usage/ Planned usage	Total GFA (sq.m.)	Saleable area (sq.m.)	Aggregate GFA sold (sq.m.)	Remaining GFA (sq.m.)	Interest attributable to the Group (%)
Completed properties held for sale							
Beijing	Ocean Paradise	Residential	551,037	426,450	422,598	128,439	100%
Beijing	Ocean Landscape Phase I & II	Residential, retail spaces	706,333	597,805	551,882	154,451	100%
Beijing	Ocean Express	Residential, retail spaces	191,028	154,778	148,495	42,533	75% (note 1)
Tianjin	Ocean Paradise Phase I (formerly named Haihe New Skyline)	Residential, retail spaces	309,643	257,618	222,018	87,625	96.99%
Sub-total			**1,758,041**	**1,436,651**	**1,344,993**	**413,048**	
Properties under development (note 2)							
Beijing	Ocean Landscape Phase III & IV	Residential, retail spaces	692,629	595,375	282,926	409,703	100%
Beijing	Ocean Seasons	Residential, office, retail spaces	243,303	219,118	159,356	83,947	70%
Beijing	Ocean Office Park	Residential, office, retail spaces	174,557	38,234	—	174,557	80%
Beijing	Poetry of River (formerly named Ocean Yifang)	Residential	296,995	260,723	—	296,995	100%
Beijing	Ocean Honored Chateau (formerly named Ocean Express Phase II)	Residential	52,091	38,269	—	52,091	75% (note 1)
Tianjin	Ocean Express	Residential, office, retail spaces	377,498	346,613	—	377,498	97.05%
Dalian	Ocean Prospect	Residential, retail spaces	181,210	164,288	—	181,210	100%
Shenyang	Ocean Paradise	Residential, retail spaces	846,009	800,080	—	846,009	100%
Zhongshan	Ocean City	Residential, office, retail spaces	1,442,494	1,377,314	—	1,442,494	100%
Sub-total			**4,306,786**	**3,840,014**	**442,282**	**3,864,504**	

Management Discussion and Analysis

City	Project	Usage/ Planned usage	Total GFA (sq.m.)	Saleable area (sq.m.)	Aggregate GFA sold (sq.m.)	Remaining GFA (sq.m.)	Interest attributable to the Group (%)
Properties to be developed (note 2)							
Beijing	Ocean Great Harmony (formerly named North Fourth Ring Road Project)	Residential, retail spaces	446,931	338,383	—	446,931	100%
Beijing	Ocean Garden (formerly named Ocean Donglong Villa)	Residential	208,000	136,334	—	208,000	85.72%
Beijing	Business SORED (formerly named Ocean Jiangtai Business Center)	Office, hotel, retail spaces	306,462	254,132	—	306,462	50%
Beijing	Tongzhou Yuqiao	Residential, retail spaces	178,600	158,900	—	178,600	90%
Tianjin	Ocean Paradise Phase II (formerly named Haihe New Skyline)	Office, hotel, retail spaces	263,576	199,678	—	263,576	96.99%
Tianjin	Ocean City (formerly named Pulida Project)	Residential, retail spaces	1,765,255	1,731,967	—	1,765,255	100%
Dalian	Red Star	Residential, hotel, retail spaces	1,541,638	1,513,220	—	1,541,638	51%
Shenyang	Changbai	Residential, retail spaces	91,496	88,896	—	91,496	100%
Zhongshan	Xiao'aoxi	Residential, retail spaces	340,000	295,651	—	340,000	100%
Hangzhou	Hang Yimian	Residential	143,000	140,300	—	143,000	70%
Hangzhou	Cannel Commercial District	Residential, retail spaces, office	615,000	611,024		615,000	51%
Sub-total			**5,899,958**	**5,468,485**	**—**	**5,899,958**	
Total Land Banks			**11,964,785**	**10,745,150**	**1,787,275**	**10,177,510**	

Note:

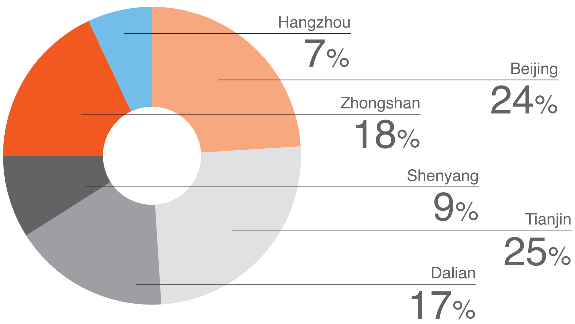
1 As at 31 December 2007, the Group held 75% equity interest in Ocean Express (Beijing) and Ocean Honored Chateau (Beijing). The Group acquired the remaining 25% equity interest of these two projects in February 2008.

2 GFA and saleable area for each project of properties under development and properties to be developed are expected area to be built.

3 The above land banks do not include 5 projects which the Group has signed memorandums of understanding for acquiring in Beijing and Shenyang. These 5 projects have a total GFA of approximately 2.5 million sq.m..

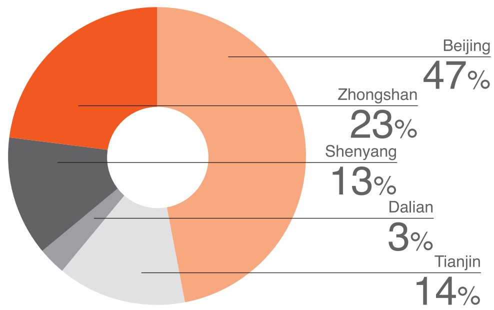
Distribution of land banks by cities

Land bank by city as at 31 December 2007



2007 total land banks: 10.2 million sq.m.

Land bank by city as at 31 December 2006



2006 total land banks: 6.3 million sq.m.

In view of the PRC real estate market's potentials for long-term development, the Group will continue to increase land banks in prime locations. The Group expects to focus its resources on those projects with a high return of cash inflow in 2008, so as to enhance the Group's assets turnover.

- **Properties Investment**

For the year ended 31 December 2007, the Group converted part of its completed projects held for sale into investment properties, which has a GFA of 4,307 sq.m.. The investment properties held by the Group in 2007 had a total GFA of 112,226 sq.m.. In addition, benefiting from the continuous economic growth in the PRC, which leads to strong demands for high-end office premises, the Group was able to maintain high occupation rates and satisfactory rental income for its investment properties in 2007. Ocean International Center Block A which was classified as investment property at the end of 2006, started generating rental income in July 2007.

The investment property portfolio of the Group as at 31 December 2007 is as follows:

Project	Location	Total GFA (sq.m.)	Office building (sq.m.)	Retail spaces (sq.m.)	Other area (sq.m.)	Interest attributable to the Group (%)
Ocean Plaza	Beijing	31,157	26,209	1,167	3,781	70%
Ocean International Center Block A	Beijing	81,069	76,762	4,307	—	100%
Total		**112,226**	**102,971**	**5,474**	**3,781**	

During the reporting period, the Ocean Plaza was valued by DTZ at RMB724 million, while Ocean International Center Block A was valued at RMB1,260 million. In 2007, these two investment properties were revalued with an appreciation of RMB418 million.

Management Discussion and Analysis

In addition, the Group has also planned to selectively enlarge its investment properties portfolio in the PRC. Currently, the Group is focusing on core districts in Beijing for developing premium office buildings and shopping centers where investment returns are higher.

The Group recognizes that stable rental income derived from investment properties helps to balance the operation risks from seasonal fluctuation and is important to the continued development of the Group. In forthcoming years, the Group will gradually increase the investment amount and scale on investment properties so as to increase the income contributed from this sector.

- **Property management**

  Provision of quality property management services to the residents has always been the Group's value added services to its customers. By creating a harmonious and well-designed residential environment for its customers, the Group is committed to improving its quality of service so as to further enhance customer satisfaction and loyalty.

  For the year ended 31 December 2007, the Group's income from the provision of property management service amounted to RMB145 million, representing an increase of 70.6% over 2006. The number of households covered by the Group's services reached 16,234 and there were 127,900 cases of property owners using its services. As at 31 December 2007, the total GFA in respect of which the Group provided property management services was approximately 2.35 million sq.m..

PROSPECTS

The concern of the PRC Central Government about the over-heated economy, in particular the real estate market, has caused the introduction of various macroeconomic control policies directed towards the scale of fixed assets investments, availability of banking facilities, land usage requirement, and utilization of foreign capital. These will lead to a healthy consolidation in this industry in the PRC. The Group takes the view that after appropriate market adjustments, market demand will then stabilize and offer good opportunities to those financially well managed property developers.

Given the anticipated enforcement of macroeconomic control measures, it is expected that land price will be subjected to tight scrutiny in 2008, and opportunities for land acquisitions at more reasonable price levels will increase. The Group will implement its development plan in response to the rapidly changing environment. In 2008, the Group will focus its resources on those projects with a high return of cash inflow, so as to improve the Group's assets turnover. The Group primarily aims at prime land resources in developed cities, while keeping searching for quality projects in cities with rapid development and strong housing demand. The Group takes the view that long term growth will only be sustained by achieving a good balance between the ability to generate current revenue and the ability to identify and secure high potential projects.

The Group has adopted a steady development strategy by further strengthening its leading position in Beijing, and gradually expanding its presence in other high economic growth regions. The Group will continue to develop a diversified business portfolio and optimize its revenue mix, while prudently employing various financing channels. The Group will rationalize the proportion of investment properties held, strengthen the "Sino-Ocean Land" brand name and add value to the shareholders.

OTHER INFORMATION

- **Risk exposure to exchange rate fluctuations and related hedging**

  The Group has no investments in hedging or speculative derivatives. Considering the potential changes in the exchange rates of Renminbi, the Group will prudently consider whether or not to arrange for monetary and interest rate swaps at appropriate times, so as to avoid the corresponding risks.

- **Employees and remuneration policy**

  As at 31 December 2007, the Group had 3,108 full-time employees. Among them, 369 employees were at the headquarters, with an average age of 34.8 and with 81% being university graduates or above. As was the case in previous years, the Group's staff turnover remained stable at 3.4%, which was believed to be lower than the average rate in the market. The Group has provided staff with different training courses for the improvement of techniques and skills so as to benefit the long term development of the Group.

  In July 2007, the Group conducted an annual salary review. Having made comprehensive consideration on market remuneration level and the staff performance, an average salary increment of approximately 5.7% was made to the Group's employees. The Group believed that attractive remuneration package would be crucial in maintaining quality staff of the Group.

  In addition, a share option scheme was adopted to attract and retain qualified employees to serve the Group, details of which are set out on note 24.

Project Overview

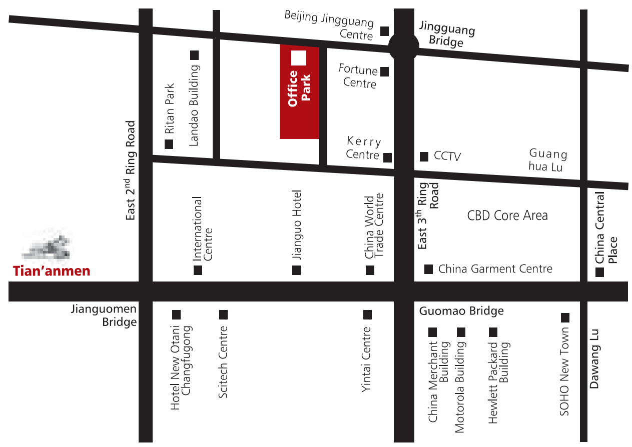
PROPERTIES UNDER DEVELOPMENT

(A) Beijing

(i) Ocean Office Park (Beijing)

Location: In the heart of Beijing's Central Business District
GFA: 174,557 sq.m.
Estimated completion date: May 2008

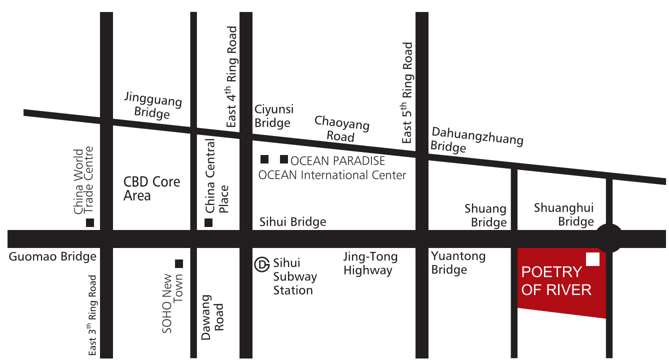
Ocean Office Park (Beijing) is a project which comprises of office, serviced apartment and retail spaces. It is within a short walk from China World Trade Center and the embassy area. The Group owns 80% attributable interest in this development.



(ii) Poetry of River (Beijing)

Location: Outskirts of Beijing adjacent to East Fifth Ring Road.
GFA: 296,995 sq.m.
Estimated completion date: December 2009

Poetry of River (Beijing) (formerly named Ocean Yifang) is a low density residential project near the riverside, with convenient transportation. The Group wholly owns this development.



Project Overview

(iii) Ocean Landscape (Beijing)

Location: Along the western extension of Xi Chang'an Avenue
GFA: 1,398,962 sq.m.
Estimated completion date: May 2008

Ocean Landscape (Beijing) is a large-scale residential and retail spaces property development with convenient transportation network. The Group wholly owns this development.

(iv) Ocean Seasons (Beijing)

Location: Between the South Third Ring Road and the South Fourth Ring Road
GFA: 243,303 sq.m.
Estimated completion date: June 2009

Ocean Seasons (Beijing) is a well designed residential property development with a public park and a primary school as part of this project. A subway station is currently under construction and will be situated nearby. The Group holds 70% attributable interest in this development.

(v) Ocean Honored Chateau (Beijing)

Location: Lufthansa commercial district
GFA: 52,091 sq.m.
Estimated completion date: December 2008

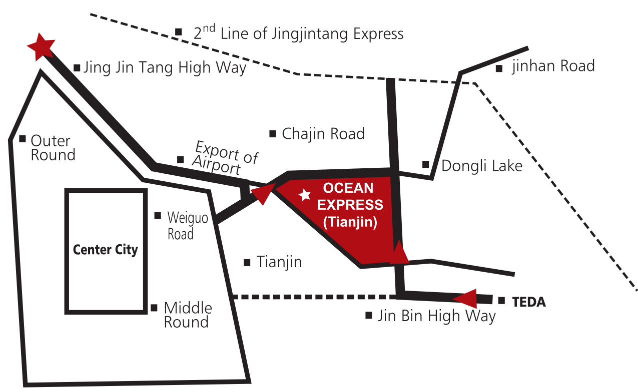
Ocean Honored Chateau (Beijing) (formerly named Ocean Express Phase II) is a serviced apartment with a special designed sky garden with convenient transportation. As at 31 December 2007, the Group held 75% attributable interest in this development. The Group acquires the remaining 25% equity interest of this development in February 2008.

(B) Tianjin

Ocean Express (Tianjin)

Location: In the airport logistics processing area in Binhai New District.
GFA: 377,498 sq.m.
Estimated completion date: December 2010

Ocean Express (Tianjin) is a low density residential, office and retail spaces complex specifically targeting business people. The Group owns 97.05% attributable interest in this development.



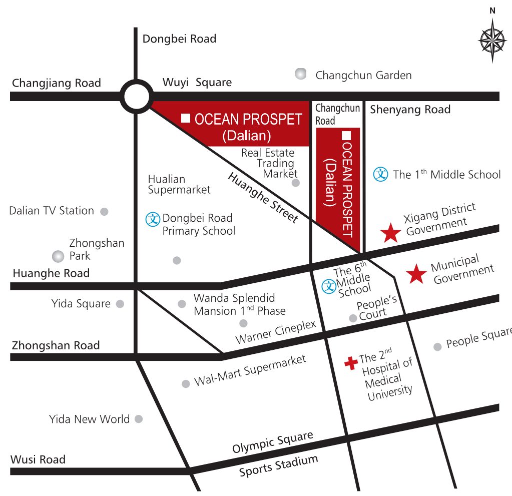
Project Overview

(C) Dalian

Ocean Prospect (Dalian)

Location: At the administration center of Dalian
GFA: 181,210 sq.m.
Estimated completion date: December 2008

Ocean Prospect (Dalian) is a residential and retail spaces property situated in Fuxingli district, a famous business area, in where most of the middle-class are living. The Group wholly owns this development.



(D) Shenyang

Ocean Paradise (Shenyang)

Location: At the administrative district adjacent to the intersection of the main finance street and tourist area.
GFA: 846,009 sq.m.
Estimated completion date: December 2011

Ocean Paradise (Shenyang) is a residential and retail spaces property with about 100,000 sq.m. cultural and humanity ecological landscape garden. The Group wholly owns this development.

(E) Zhongshan

Ocean City (Zhongshan)

Location: Central district in Zhongshan
GFA: 1,442,494 sq.m.
Estimated completion date: December 2011

Ocean City (Zhongshan) is a large scale residential project with ancillary commercial facilities of 170,000 sq.m., including a 100,000 sq.m. large shopping center, and 70,000 sq.m. high-end office buildings and a five-star hotel. The Group wholly owns this development.

Project Overview

INVESTMENT PROPERTIES

(A) Ocean International Center Block A

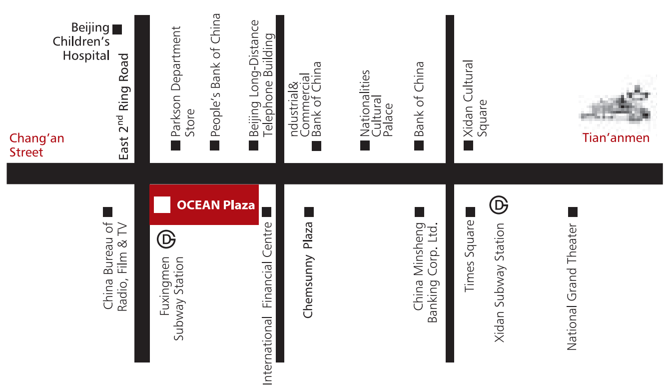
Location: At the intersection of Beijing's East Fourth Ring Road and the eastern extension of Chang'an Avenue
GFA of investment property: 81,069 sq.m.

Situated in close proximity to the Central Business District and adjacent to a subway station, Ocean International Center Block A is a commercial project which comprises of premium office block and ancillary retail spaces. The Group wholly owns this investment property.

(B) Ocean Plaza(Beijing)

Location: On the Chang'an Avenue, the main east-west artery of Beijing
GFA of investment property: 31,157 sq.m.

Ocean Plaza (Beijing) is a premium office building situated close to Beijing's Finance Street and opposite to the headquarters of the People's Bank of China. Ocean Plaza was completed in 2001 and the average occupancy rate in 2007 was over 95%. The Group holds 70% equity interest in this investment property.



Biographies of Directors and Senior Management

(Second row from left) Mr. ZHENG Yi, Mr. TSANG Hing Lun, Mr. HAN Xiaojing, Mr. CHEN Runfu, Mr. GU Yunchang, Mr. ZHAO Kang.
(Front row from left) Mr. LI Ming, Mr. LUO Dongjiang, Mr. LI Jianhong, Mr. LIANG Yanfeng.

Non-Executive Director and Chairman

Mr. LI Jianhong (李建紅), aged 51, is a Non-executive Director of the Company and Chairman of the Board. Mr. Li joined the Group in January 2002. Mr. Li also serves in a senior management capacity in several companies, including acting as the vice president of China Ocean Shipping (Group) Company, a non-executive director of China COSCO Holdings Company Limited, a company listed on the Stock Exchange, the vice-chairman and a director of China International Marine Containers (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange in the PRC, an executive director of COSCO International, a company listed on the Stock Exchange, an executive director of COSCO Pacific Limited, a company listed on the Stock Exchange and a non-executive director of COSCO Corporation (Singapore) Limited, a company listed in Singapore. Mr. Li obtained a diploma in Industrial Enterprise Management from Wuhan University of Water Transportation Engineering in July 1983, a Master's Degree in Economics and Management from Jilin University in June 1998 and a Master of Business Administration Degree from the University of East London in October 2000. Mr. Li was appointed by the COSCO and its subsidiaries.

Non-Executive Director and Vice Chairman

Mr. LUO Dongjiang (羅東江), aged 53, is the Vice Chairman of the Board and a Non-executive Director. He joined the Group in January 2002. Mr. Luo is also a director of a number of our subsidiaries, the chairman and a non-executive director of Sinochem International (Holding) Co., Ltd., and the chief legal counsel of Sinochem Corporation and its subsidiaries. Previously, Mr. Luo served as a general manager of the planning department of China National Chemicals Import & Export Corporation, a general manager of the Sinochem International Rubber Company, an executive assistant general manager of China Foreign Economy and Trade Trust & Investment Co., Ltd., a general manager of Sinochem Asia Group, a director of China Jin Mao Group Co., Ltd., a general manager of the business development department and an assistant general manager of China National Chemicals Import & Export Corporation. Mr. Luo obtained a Bachelor's Degree in Planning and Statistics from Xiamen University in January 1982. Mr. Luo was appointed by the Sinochem Group.

Executive Director and Chief Executive Officer

Mr. LI Ming (李明), aged 44, is an Executive Director of the Board and Chief Executive Officer. Mr. Li joined the Group as a general manager in July 1997 and became our Chief Executive Officer in August 2006. Mr. Li also serves as the chairman, a general manager or a director of a number of our subsidiaries and project companies. With over 10 years' experience in property development and property investment, Mr. Li is primarily responsible for our Company's overall strategic planning, business management and property development projects across different cities. Before joining the Group, Mr. Li held a senior management position in the COSCO Group. Mr. Li obtained a Bachelor's degree in Motor Vehicle Transportation from Jilin Industrial University in July 1985 and an Executive Master of Business Administration Degree from the China Europe International Business School in May 1998. Mr. Li is currently a member of the Eleventh Committee of Chinese People's Policy-related Consultation Conference of the Beijing Municipality, a member of the Fourteenth People's Congress of the Chaoyang District of the Beijing Municipality and an executive director of the China Real Estate Association. Mr. Li was awarded "Influential Person of the Chinese Real Estate Industry" in 2006, "Leading Person of Brand Name Real Estate Developers in China" in 2006, "Ten Outstanding Persons in the Chinese Real Estate Industry" in 2006 and "Ten Entrepreneurs of the Chinese Real Estate Industry" in 2005 by various organizations.

Non-executive Directors

Mr. LIANG Yanfeng (梁岩峰), aged 42, is a Non-executive Director of the Company. Mr. Liang joined the Group in January 2002. Mr. Liang is also the managing director of COSCO International, a company listed on the Stock Exchange and the non-executive vice-chairman of Soundwill Holdings Limited, a company listed on the Stock Exchange. Mr. Liang obtained a Master's Degree in Law from Tsinghua University in July 1991 and an Executive Master of Business Administration Degree from Tsinghua University in January 2005. Mr. Liang was appointed by the COSCO Group.

Executive Director and Vice President

Mr. CHEN Runfu (陳潤福), aged 43, is an Executive Director and the Executive Vice President of the Company. Mr. Chen has been an Executive Director since June 2007. Mr. Chen is responsible for formulating the overall management of the Group's various project developments. Mr. Chen joined the Group in 1995. Since Mr. Chen joined the Group, he has been in charge of the development of Ocean Express (Beijing), Ocean Paradise (Beijing), Ocean Plaza (Beijing) and Ocean Office Park (Beijing) and is responsible for our Company's land reserve. Mr. Chen also serves as the chairman, legal representative or a director for a number of our subsidiaries and project companies. With over 11 years' experience in property development and property investment, Mr. Chen assists our Chief Executive Officer in the operation of the Group. Mr. Chen obtained a Bachelor's Degree in Harbour and Channel Engineering from the Dalian Institute of Technology (currently the Dalian University of Technology) in July 1986 and an Executive Master in Business Administration from the China Europe International Business School in September 2005.

Non-executive Director

Mr. ZHENG Yi (鄭奕), aged 47, is a Non-executive Director of the Company. Mr. Zheng joined the Group in December 2006. Mr. Zheng has been a managing director of Pacific Alliance Investment Management Limited ("PAIM") since November 2002. PAIM is the investment manager of Pacific Alliance Asia Opportunity Fund, a US$275 million fund focused on private equity investments in China. As managing director of PAIM, Mr. Zheng has extensive experience in sourcing, executing, closing and managing investments in China, especially in the real estate, manufacturing and infrastructure sectors. Mr. Zheng obtained a Bachelor's Degree in Mathematics from Tsinghua University in July 1982.

Biographies of Directors and Senior Management

Independent Non-executive Directors

Mr. TSANG Hing Lun (曾慶麟), aged 58, is an Independent Non-executive Director of the Company. He joined the Group in June 2007. Mr. Tsang is also the Chief Executive Officer of Influential Consultants Ltd, a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration in October 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. After working in the UOB Group, Mr. Tsang also acted as an executive director of China Champ Group in 1994, as an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang also acts as an executive director of DigiTel Group Limited, a company listed on the Stock Exchange and as an independent non-executive director of Beijing Media Corporation Limited, and International Financial Network Holdings Ltd., companies listed on the Stock Exchange.

Mr. GU Yunchang (顧雲昌), aged 63, is an Independent Non-executive Director of the Company. He joined the Group in June 2007. He joined the Ministry of Construction in 1979 and has over 26 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as the Secretary-General of the China Residential Property Issues Research Institute and held this position for a period of 10 years. Between 1986 and 1998, he participated in the research and formulation of the national housing policy reform and in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. Mr. Gu has participated in state level research projects such as "2000 China" and "National Xiaokang Residential Property Technological Industry Project". Mr. Gu has been awarded the First Class National Science Technology Advance Award in China twice. Mr. Gu was appointed the Vice-President and the Secretary-General of the China Real Estate Association from August 1998 to March 2006, and since 1998 has been involved in promoting the development of the China real estate industry as well as undertaking research and analysis of the China real estate market. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu currently serves as an independent non-executive director on Shimao Property Holdings Limited, a company listed on the Stock Exchange.

Mr. HAN Xiaojing (韓小京), aged 53, is an Independent Non-executive Director of the Company. He joined the Group in June 2007. Mr. Han is the founding partner of Commerce & Finance Law Office and an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange in the PRC. Mr. Han obtained a Master's Degree in Law from the China University of Policy-related Science and Law. He has over 20 years' experience in corporate and securities law in China, especially in the restructuring of large-scale state-owned enterprises and private companies and the offshore listing of Chinese companies.

Mr. ZHAO Kang (趙康), aged 59, is an Independent Non-executive Director of the Company. He jointed the Group in June 2007. Mr. Zhao is a member of the Eleventh Committee of Chinese People's Policy-related Consultative Conference of the Beijing Municipal and is an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC since November 2002 and the honorary chairman and a director of Beijing Capital Development Holding (Group) Co., Ltd. since November 2005. After he graduated from the Department of Construction of Tsinghua University in December 1975, Mr. Zhao became a deputy chief of the planning division of Beijing Huairou District Construction Bureau in January 1976, and then joined Beijing Municipal Construction Committee in May 1978. In May 1983, Mr. Zhao joined Beijing Urban Development Corporation as a deputy general manager and became the general manager of Beijing Urban Development (Group) Co., Ltd. in April 1994. As the honorary chairman and a director of Beijing Capital Development Holding (Group) Co. Ltd., Mr. Zhao is now in charge of the development of the 2008 Beijing Olympics Village and the National Gymnasium in Beijing.

SENIOR MANAGEMENT

Ms. ZHOU Tong (周彤), aged 44, is the Vice President of the Group and is primarily responsible for the Group's marketing and sales management. Ms. Zhou joined the Group in August 2003 and has over 20 years' experience in property design, property development and property investment. Ms. Zhou serves as the chairman, a general manager or a director for a number of our subsidiaries and project companies. Ms. Zhou obtained a Bachelor's Degree in Architecture from Tongji University in July 1986.

Mr. XU Li (徐立), aged 46, is the Vice President of the Group and is primarily responsible for managing our project developments. Mr. Xu first joined the Group in October 1997 and has over 16 years' experience in property construction and property development. Mr. Xu also serves as a director and a general manager for a number of our subsidiaries and project companies. Mr. Xu obtained a diploma in industrial and residential construction from the Liaoning Radio and Television University in December 1992.

Mr. ZHU Yunchun (朱雲春), aged 50, is the Vice President of the Group and is primarily responsible for the Group's internal controls and property management. Mr. Zhu first joined the Group in May 2002. Mr. Zhu also serves as the chairman, director and supervisor for a number of our subsidiaries. Mr. Zhu obtained a diploma and a Master's Degree in Transportation Planning and Management from the Dalian Maritime University in July 1986 and March 2002, respectively.

Mr. SUM Pui Ying, Adrian (沈培英), aged 46, is the Chief Financial Officer and company secretary of the Company. Mr. Sum joined the Group in May 2007. He has over 14 years' experience in companies listed on the Stock Exchange. Mr. Sum is mainly responsible for the overall financial management of the Group, company secretarial and compliance issues of the Group. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in June 1988, a Master of Business Administration Degree from the University of Wales in December 1991 and a Diploma in Legal Studies from the University of Hong Kong in July 1996. Mr. Sum is a fellow member of the Hong Kong Institute of CPA and the Chartered Association of Certified Accountants.

Ms. ZHANG Hongxia (張紅霞), aged 47, is the general manager of our risk management department and our financial controller. Ms. Zhang joined the Group in January 1998. Ms. Zhang also serves as the chairman, a director and a supervisor for a number of our subsidiaries and project companies. Ms. Zhang is primarily responsible for project contract management and cost control of our Company. Ms. Zhang obtained a Bachelor's Degree in Accounting for Road Transportation from the Xi An Highway Institute (now Chang An University) in July 1982 and an Executive MBA Degree from the China Europe International Business School in September 2006.

Mr. CHEN Lei (陳雷), aged 45, is our deputy General Manager. Mr. Chen joined the Group in August 1995. Mr. Chen also serves as the director and manager for a number of our subsidiaries and project companies. Mr. Chen is responsible for managing various development projects designated by the Chief Executive Officer. Mr. Chen obtained a Bachelor's Degree in Business Administration from Tianjin University in July 1985 and an MBA Degree from a joint program conducted by Tsinghua University and Australian National University in September 2006.

Mr. CHEN Zuyuan (諶祖元), aged 46, is our deputy General Manager. Mr. Chen joined the Group in February 2003. Currently Mr. Chen also serves as a director and a manager for a number of our subsidiaries and project companies. Mr. Chen has over 19 years' experience in property development and is primarily responsible for managing various development projects designated by the Chief Executive Officer. Mr. Chen obtained a Bachelor's Degree in Industrial and Civil Construction from the Hunan University in July 1983 and an Executive MBA Degree from the China Europe International Business School in September 2006.

Mr. ZHAO Zehui (趙澤輝), aged 37, is our deputy General Manager. Mr. Zhao joined the Group in October 1998. Mr. Zhao also serves as an executive vice president and a director for a number of our subsidiaries and project companies. Mr. Zhao is primarily responsible for land development and acquisitions of land development projects. Mr. Zhao obtained a Bachelor's Degree in Economics in July 1994 from the Beijing Economic College (now the Capital University of Economics and Business) in July 1994 and an Executive MBA Degree from the China Europe International Business School in November 2004.

Mr. LI Zhenyu (李振宇), aged 36, general manager of the secretary administration department and Board secretary, office supervisor of Sino-Ocean Land. Mr. Li joined the Group in May 2007, and mainly in charge of the matters relating with the board meetings of the Company, the Company's external affairs and public relations. Prior to joining the Group, Mr. Li has taken various positions in the COSCO Group since July 1994. Mr. Li obtained a Bachelor degree from the Central University of Finance and Economics in June 1994.

Biographies of Directors and Senior Management

Mr. ZHANG Yun (張耘), aged 34, is the General Manager of our Investment Management Department and Deputy General Manager of Sino-Ocean Land (Hong Kong) Limited. Mr. Zhang joined the Group in May 2002. He has over 9 years' experience in infrastructure and real estate investment and management. Prior to joining the Group, Mr. Zhang worked for COSCO International Holdings Limited and COSCO Pacific Limited, both of which are listed on the Stock Exchange. Mr. Zhang is mainly responsible for corporate finance and overall asset management of our Company. Mr. Zhang also serves as a vice president and a director for a number of our subsidiaries. Mr. Zhang obtained a Bachelor's Degree in Economics from Dongbei University of Finance and Economics in July 1994, an Advanced Certificate in Construction Studies (Management) from the Hong Kong Construction Industry Training Authority in August 1999, and an Executive MBA Degree from Peking University in January 2005.

Mr. LI Hongbo (李洪波), aged 40, is the General Manager of our Finance Department. Mr. Li joined the Group in 2002. Mr. Li also serves as a director for a number of our project companies and subsidiaries. With over 13 years' experience as an accountant, Mr. Li assists our Chief Financial Officer in the overall financial management of our Company. Mr. Li obtained a Bachelor's Degree in Engineering from the Xi An Highway Institute (now Chang An University) in July 1989.

Ms. GAO Jie (高潔), aged 34, is the General Manager of our Human Resources Department. Ms. Gao joined the Group in April 1998. Ms. Gao is mainly responsible for the overall human resources management of our Company, and also serves as a director of one of our subsidiaries. Ms. Gao obtained a Bachelor's Degree in Economics from the Capital Economic and Trade University in July 1996.

Report of the Directors

The Board is pleased to present herewith the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2007.

Principal operations

The Company is an investment holding company. Its subsidiaries are mainly engaged in the real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses. The Group is one of the largest real estate companies in Beijing.

The Group's breakdown of annual revenue and operating results analysis by major operation activities are set out in note 6 of the Group's consolidated financial statements.

Subsidiaries, Jointly controlled entities and Associates

The Company was incorporated in Hong Kong on 12 March 2007 and became a holding company of the Group after the reorganization. It was listed on the Stock Exchange on 28 September 2007. Particulars of the Company's subsidiaries, the Group's jointly controlled entities and associates as at 31 December 2007 are set out in note 11, note 12 and note 13, respectively, to the consolidated financial statements of the Group.

Results

Results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement of the Group on page 58.

Dividends

For the year ended 31 December 2006, the Group has distributed dividends of approximately RMB103,952,000 to its then shareholders. Subsequent to 31 December 2006, the Group has declared and paid distributable profits of approximately RMB248,794,000 to its then shareholders as special dividends prior to the listing of the Company on 28 September 2007.

The Group will endeavor to achieving a sustainable, steadily increasing dividend over the longer term, with a view to generating the best possible return for shareholders.

Share Capital

Details of and changes in the share capital of the Group during the year ended and at 31 December 2007 are set out in note 24 of the Group's consolidated financial statements.

Fixed Assets

Details of the Group's fixed assets are set out in note 7 of the Group's consolidated financial statements.

Borrowings and capitalization of interests

Details of borrowings are set out in note 27 of the Group's consolidated financial statements. Details of the Group's capitalized interests expenses and other borrowing costs during the year are set out in note 35 of the Group's consolidated financial statements.

Reserves

Details of changes in the reserves during the year are set out in note 25 of the Group's consolidated financial statements. The Company's total distributable reserves as at 31 December 2007 amounted to RMB0.62 billion.

Report of the Directors

Use of the net proceeds from the Company's IPO

The Company was listed on the Stock Exchange on 28 September 2007. Net proceeds from the IPO (after taking into account interest income from the frozen funds during the IPO and netting off the listing expense) were approximately HKD11.35 billion. For the year ended 31 December 2007, the Company has applied approximately HKD8.21 billion to existing development projects and loan repayments, which are in compliance with the intended use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Directors

The table below sets out certain information on the members of the Board during the financial year:

Name	Position
LI Jianhong	Chairman and Non-executive Director
LUO Dongjiang	Vice Chairman and Non-executive Director
LI Ming	Executive Director and Chief Executive Officer
LIANG Yanfeng	Non-executive Director
CHEN Runfu	Executive Director
ZHENG Yi	Non-executive Director
YANG Lin	Non-executive Director (resigned on 5 October 2007)
TSANG Hing Lun	Independent Non-executive Director
GU Yunchang	Independent Non-executive Director
HAN Xiaojing	Independent Non-executive Director
ZHAO Kang	Independent Non-executive Director

In accordance with the Company's Memorandum and Articles of Association (the "Articles of Association"), at least one-third or, if the number is not a multiple by three, the nearest number to one-third, of the directors are subject to retirement by rotation and re-election at its annual general meetings, provided that every director shall retire from office at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as director throughout the meeting at which he retires.

None of our Directors has or is proposed to have a service contract with any member of our Company (other than contract expiring or determinable by employer within one year without the payment of compensation other than statutory compensation).

Directors' rights to purchase Shares or Debentures

Save as the share options granted by the share option scheme (the "Share Option Scheme") of the Company as set out below, at no time during the year of 2007, the Company or any of its subsidiaries was a party had any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

Interests of Directors and chief executives in Shares and underlying Shares

Interests of Directors and chief executives in Shares and underlying Shares for the year ended 31 December 2007 under section 352 of Part XV of the Securities and Futures Ordinance ("SFO") are as follows:

Name	Nature of interest	Shares of ordinary shares held (long position)	Note	Share options	Total	Percentage in the Company's issued share capital
LI Ming	Interests of controlled corporation	124,490,520	note (i)	4,280,000 note (ii)	128,770,520	2.88%
LIANG Yanfeng				1,430,000 note (ii)	1,430,000	0.032%
CHEN Runfu				1,710,000 note (ii)	1,710,000	0.038%

Notes:

i. The 124,490,520 shares were registered in the name and were beneficially owned by Fair Top Management Limited and Eagle Raider Management Limited, Mr. Li Ming, a director of the Company, was interested 100% in both of the companies, which was deemed to be interested in the 124,490,520 shares by virtue of the SFO.

ii. The share options were granted pursuant to the Share Option Scheme of the Company. Details of which are set out on page 43.

Apart from those disclosed above, none of the directors nor the chief executive of the Company had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) that is required to be recorded and kept in the register of the Company in accordance with section 352 of the SFO.

Report of the Directors

Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2007, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the directors and chief executive of the Company.

Name of shareholders	Capacity	Long / short position	Number of ordinary shares held	Percentage
China Ocean Shipping (Group) Company *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
COSCO (Hong Kong) Group Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
True Smart International Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
COSCO International Holdings Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
COSCO (BVI) Holdings Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
COSCO International Land (BVI) Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
COSCO International Land Limited *(Note i)*	Interest of controlled corporation	L	927,151,000	20.72%
Sunny Wealth Investments Limited *(Note i)*	Beneficial owner	L	927,151,000	20.72%
Sinochem Corporation *(Note ii)*	Interest of controlled corporation	L	636,420,000	14.22%
Sinochem Hong Kong (Group) Co Ltd *(Note ii)*	Beneficial owner	L	636,420,000	14.22%
Morgan Stanley Real Estate Special Situations III-GP, LLC *(Note iii)*	Investment manager	L	297,000,000	6.64%
Morgan Stanley Real Estate Special Situations Fund III, L.P. *(Note iii)*	Investment manager	L	297,000,000	6.64%
SSF Livingston *(Note iii)*	Beneficial owner	L	297,000,000	6.64%
Goldman Sachs (Asia) LLC	Beneficial owner	L	232,680,000	5.20%

Notes:

(i) The 927,151,000 shares were registered in the name of and were beneficially owned by Sunny Wealth Investments Limited which was a wholly owned subsidiary of COSCO International Land Limited. COSCO International Land Limited was a wholly owned subsidiary of COSCO International Land (BVI) Limited which in turn was wholly owned by COSCO (BVI) Holdings Limited. True Smart International Limited interested in 56.34% of COSCO International Holdings Limited which wholly owned COSCO (BVI) Holdings Limited. True Smart International Limited was wholly owned by COSCO (Hong Kong) Group Limited which in turn wholly owned by China Ocean Shipping (Group) Company ("COSCO").

(ii) The 636,420,000 shares were registered in name and beneficially owned by Sinochem Hong Kong (Group) Co Ltd which was wholly owned by Sinochem Corporation.

(iii) The 297,000,000 shares were registered in name and beneficially owned by SSF Livingston which was wholly owned by Morgan Stanley Real Estate Special Situations Fund III-LP, which is controlled and managed by Morgan Stanley Real Estate Special Situations III-GP, LLC..

Apart from the foregoing, as at 31 December 2007, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of or any short position in the issued share capital of the Company.

Directors' interests in contracts of significance

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company 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 financial year or at any time during the financial year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Share Option Scheme

Share options have been granted to directors and senior management of the Group under the share option scheme approved by the shareholders' written resolutions dated 3 September 2007 (the "Scheme"), which is valid and effective for a period of 10 years commencing from the adoption date subject to fulfillment of all the conditions to the Scheme, to 27 September 2017, unless it is terminated early in accordance with the provisions of the Scheme.

As set out in the Prospectus, the purpose of the Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of our shareholders and to compensate employees of the Group for their contribution based on their individual performance and that of the Company.

The Board of the Company may grant options to eligible employees and directors. As at 31 December 2007 the number of shares in respect of which options had been granted under the Scheme was 69,820,000, representing 1.56% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 447,554,000, representing 10% of the total number of shares of the Company as at the listing date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue at any relevant point of time without prior approval from the Company's shareholders. Without prior approval from the Company's shareholders, the number of share options in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time. The exercise price of the options granted during the year under review is equal to HKD7.70, in which 40% of the options become exercisable 1 year from the grant date; 70% of the options become exercisable 2 years from the grant date, and all options become exercisable 3 years from the grant date. The options have a contractual option term of 5 years. A consideration of HKD1 is payable on the grant of an option. Options are exercisable at a price that is determined by the directors of the Company, which will not be less than the higher of the closing price of the Company's shares on the date of granting, and the average closing prices of the shares for the five business days immediately proceeding the date of granting.

Report of the Directors

Details of the share option granted are as follows:-

No. of share options granted	69,820,000
No. of shares exercised during the year	0
No. of shares available to issue	377,734,000

As stated in the note 24 to the consolidated financial statements, the number of the options granted by the Company yet to be exercised is 69,820,000 and the fair value for the share options granted during the financial year was HKD2.99 per share option. The options granted have a fair value of HKD2.99 per option which was determined at the date of granting using the Binomial Lattice Model:-

(i) The volatility is 47.90%

(ii) The expected dividend yield is 1.38%;

(iii) The expected life of the option is up to 27 September 2012;

(iv) The annual risk-free interest rate is 4.09% from the date of granting the share options.

Purchase, sale and repurchase of Shares

For the year ended 31 December 2007, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the listed Shares of the Company.

Competing interests

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

Major suppliers and customers

The Group's principal operation is the property development. During the year under review, the Group's purchases from the top five suppliers (excluding land supply) amounted to RMB770 million, representing 11.6% of the Group's total annual purchases in the whole year.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, which involves a relatively large number of customers. The percentage ratio of the revenue from the five major customers is about 11.4%, of which Tianjin Oceanus Property Co. Ltd. accounted for 6.8% of the turnover.

As far as the directors are aware and save as disclosed hereunder, neither th directors, their associates, nor those substantial shareholders had any interest in the five largest customers and suppliers of the Group.

Connected transactions

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions required disclosure in the annual report of the Company. The connected transactions which also constitute related party transactions are set out in note 43 to the consolidated financial statements.

(A) Discontinued connected transactions

1. **Financial Assistance**

   Our principal entity, Sino-Ocean Land Limited ("SOLL"), was held as a joint venture enterprise between COSCO Group and Sinochem Group. COSCO Finance Company Limited, a wholly owned subsidiary of COSCO, and China Foreign Economic and Trade Trust & Investment Co., Ltd, a wholly owned subsidiary of Sinochem Corporation ("Sinochem"), provided a number of loans to the Group. The total outstanding loans as at 31 December 2006 and 31 March 2007 were approximately RMB500 million. All such loans had been settled in full using internal funds before 28 September 2007, the date of listing of the Company's shares on the Stock Exchange.

2. **Property Management Services Provided by COSCO Hotel and Property Management Co. Ltd. to Beijing Chemsunny**

   Our subsidiary, COSCO Hotel and Property Management Co., Ltd ("COSCO Hotel and Property Management") has been engaged by Beijing Chemsunny to provide preliminary-stage property management services and security and cleaning services to Chemsunny World Trade Center (Beijing) in accordance with three engagement agreements dated 10 November 2006, 6 December 2004 and 30 December 2006 (the "Beijing Chemsunny Agreements") respectively. Beijing Chemsunny is a connected person of our Company as it is an associate of Sinochem. The Beijing Chemsunny Agreements expired on 30 June 2007. The management fees paid to COSCO Hotel and Property Management for year 2007 were about RMB0.32 million.

3. **Chemsunny World Trade Center (Beijing) Sales and Leasing Agency Agreement**

   Beijing Chemsunny is an associate of Sinochem, a substantial shareholder of the Company, and Beijing Sino-Ocean Jiaye Real Estate Brokerage Co., Ltd. ("Beijing Jiaye") entered into a sales and leasing agency agreement on 4 January 2007. Pursuant to a supplemental agreement dated 31 May 2007, the sales and leasing agency agreement was terminated on May 31, 2007, which was originally to expire on 31 December 2007.

   The commissions payable by Beijing Chemsunny to Beijing Jiaye are 3% of any sale of Chemsunny World Trade Center (Beijing); and 2 month rental for each lease transaction.

   The total commission paid by Beijing Chemsunny to Beijing Jiaye is RMB14.9 million.

4. **Provision of Property Management Services by Chemsunny Property Management Co. Ltd.**

   Beijing Chemsunny, a wholly-owned subsidiary of Sinochem, entered into a property management services agreement dated 22 May 2007 with Chemsunny Property Management Co. Ltd, a subsidiary of the Group, and a supplemental agreement on 16 July 2007. Pursuant to these two agreements, Chemsunny Property Management agreed to provide property management services to Beijing Chemsunny in respect of Chemsunny World Trade Center (Beijing) from 26 January 2007. The property management agreements are on normal commercial terms and will expire on 31 December 2009.

   The property management ceased to be a connected transaction of the Group since the Group disposed of the entire 60% equity interest in Chemsunny Property Management at a consideration of RMB3.2 million on 21 September 2007.

Report of the Directors

B. Existing one off connected transaction

1. Put Option granted to Beijing Jasmine I Ltd.

The wholly owned subsidiaries of the Company, Sino-Ocean Land (Hong Kong) Limited ("SOL (HK)") and Tech Power International Investment Limited ("Tech Power"), entered into a subscription and shareholders' agreement with Beijing Jasmine I Ltd. ("Jasmine") on 29 December 2005, in connection with the subscription of 143,870,191 preference shares of HKD1.00 each and 3,572 B shares of HKD1.00 each (the "Sale Shares") by Jasmine in Tak Shing International Investment Limited ("Tak Shing"), under which Jasmine has been granted a put option to require Tech Power to purchase the Sale Shares under the terms and conditions contemplated therein. Jasmine is a connected person of our Company as it holds 35.72% equity interest in Tak Shing, which is a subsidiary of the Company. As at 31 December 2007, the put option is still not yet exercised by Jasmine.

2. Agreement for the Sale of Beijing Chemsunny

The Group disposed of its entire equity interest in Shing Wing International Investment Limited which indirectly holds 50% equity interest in Beijing Chemsunny, to a subsidiary of Sinochem for a consideration of RMB954.5 million. This transaction was completed on 28 June 2007.

3. Agreement for the Sale of Chemsunny Property Management Co. Ltd

An agreement was entered into on 29 August 2007 pursuant which the 60% equity interest owned by the Group in Chemsunny Property Management Co. Ltd was sold to Beijing Chemsunny, a subsidiary of Sinochem in consideration of RMB3.2 million. This transaction completed on 21 September 2007.

4. Non-Competition Undertaking

COSCO has executed in favor of the Group a non-competition undertaking dated 30 August 2007 ("Non-Competition Undertaking") in respect of its conduct of the property business activities in the PRC. Under the Non-Competition Undertaking, COSCO undertook, among others, that it would not, and would procure that none of its associates will, at any time, either on their own behalf or as an agent directly or indirectly, be engaged in any business which competes or will potentially compete with the property business or be interested in companies or entities that carry out these businesses during the validity of the Non-Competing Undertaking. The Non-Competition Undertaking will terminate whichever earlier when COSCO ceases to control 15% or more of the Company's shares, or the date of the Company's shares ceasing to be listed on any stock exchange.

C. Continuing connected transactions exempt from the independent shareholders' approval requirements

The following continuing connected transactions have been reviewed by the Independent Non-executive Directors ("INEDs"). The INEDs have confirmed that in the year 2007 the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A. 38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the continuing connected transaction of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to their factual findings on these procedures to the Board of Directors and confirmed that for the year of 2007 the continuing connected transactions (i) have received the approval of the Board of Directors of the Company; (ii) are in accordance with the pricing polices of the Group where provision of services by the Group is involved; (iii) have been entered into in accordance with the relevant agreement governing such transactions; and (iv) have not exceeded the relevant cap amount for the financial year ended 31 December 2007 as set out in the Prospectus.

1. Property Lease Agreements

(a) Property Lease between Beijing Yuanyang Building Co. Ltd. and COSCO Hotel and Property Management

One of our subsidiaries, COSCO Hotel and Property Management entered into a one year lease with Beijing Yuanyang Building Co., Ltd. ("Beijing Yuanyang Building") on 1 January 2006 which was extended to 31 December 2007, pursuant to which Beijing Yuanyang Building has agreed to let the part of the mezzanine part of floor B1 of Ocean Plaza (Beijing) to COSCO Hotel and Property Management. The total amount of the rental payable by COSCO Hotel and Property Management for the year of 2007 was RMB1.2 million. The maximum cap is RMB3.1 million for the year ended 31 December 2007.

Beijing Yuanyang Building is a connected person of our Company as it is 28% owned by Xiangyuan (Beijing) Investment Co, Ltd., an associate of our substantial shareholder, COSCO.

(b) Property Lease between Beijing Yuanyang Building and China Ocean Shipping (Group) Company

One of our subsidiaries, Beijing Yuanyang Building entered into a renewable lease agreement with China Ocean Shipping (Group) Company on 29 December 2005, pursuant to which Beijing Yuanyang Building has agreed to let part of the premises of Ocean Plaza (Beijing) with a total floor area of 1,069 sq.m. to China Ocean Shipping (Group) Company for a total rental of RMB3.9 million for the year of 2007. The cap of the amount for 2007 is RMB3.9 million.

Beijing Yuanyang Building is a connected person of our Company as it is 28% owned by Xiangyuan Beijing Investment Co., Ltd, an associate of our substantial shareholder, COSCO.

Pursuant to Listing Rule 14A.25 and as disclosed in the Prospectus of the Company, the maximum annual amounts of the rental payable under items 1(a) and 1(b) for the year of 2007, 2008, and 2009 are expected to be approximately RMB7.0 million, RMB3.9 million and RMB3.9 million respectively.

Report of the Directors

2. **Property Management Services**

   (a) Property Management Services provided by COSCO Hotel and Property Management to Beijing Yuanyang Building

   One of our subsidiaries, COSCO Hotel and Property Management has entered into three property management agreements with Beijing Yuanyang Building on 31 May 2005, 31 December 2005 and 1 March 2006 respectively. Pursuant to these three property management agreements, COSCO Hotel and Property Management was engaged to provide property management services for (i) the offices of Beijing Yuanyang Building and the vacant premises, (ii) the car park, and (iii) the canteen on Basement Level 1 of Ocean Plaza (Beijing). These agreements are for a term of two or three years expiring on 31 May 2008 or 28 February 2009. The management fees paid to COSCO Hotel and Management for the year of 2007 was RMB1.1 million. The maximum aggregate annual management fees payable to COSCO Hotel and Property Management for the year of 2007, 2008, and 2009 are estimated to be RMB1.2 million for each year.

   Beijing Yuanyang Building is a non-wholly owned subsidiary and a connected person of the Company as it is 28% owned by Xiangyuan (Beijing) Investment Co, Ltd., which is an associate of our substantial shareholder, COSCO.

   (b) Property Management Services provided by COSCO Hotel and Property Management to COSCO

   One of our subsidiaries, COSCO Hotel and Property Management, entered into a property management services agreement on 1 March 2006 with Beijing Yuanyang Building. Pursuant to the agreement, COSCO Hotel and Property Management shall provide property management services to all the owners and tenants of Ocean Plaza where COSCO is also a tenant. This agreement is for a period of three years and will expire on 28 February 2009. The management fees payable to COSCO Hotel and Property Management for the year of 2007 was RMB4.8 million. The maximum aggregate annual amount of the management fees payable to COSCO Hotel and Property Management for each of the three years ending 31 December 2009 is expected to be approximately RMB5 million per year.

   Pursuant to Listing Rules 14A.25 and as disclosed in the Prospectus, the maximum aggregate annual management fees payable to COSCO Hotel and Property Management under items 2(a) and 2(b) for the year of 2007, 2008, and 2009 are expected to be approximately RMB6.2 million per year.

   Beijing Yuanyang Building is a non-wholly owned subsidiary and connected person of the Company as it is 28% owned by Xiangyuan (Beijing) Investment Co., Ltd , an associate of our substantial shareholder, COSCO.

Sufficient public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares since the listing of the Company.

Donations

For the year ended 31 December 2007, the Group's donations for charity and other purposes were approximately RMB6.0 million.

Corporate governance

The Company has been in compliance with the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has adopted the Code of Conduct of Best Practice ("Code of Conduct") as required under Appendix 10 to the Listing Rules in respect of Directors' securities transactions and trading. The Company made specific enquiries, and all the Directors confirmed that they have been in compliance with the Code of Conduct regarding securities transactions adopted by the Company. The Company has received annual confirmations from each of the INEDs in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties.

Auditor

The consolidated financial statements for the year ended 31 December 2007 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

Remuneration policy

The Group's remuneration system has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market. The Company offers share options to the competitive staff so as to provide staff salaries and benefits with market competitiveness and to ensure availability of human resources for the sustained development of the Company.

Particulars of the employee benefits expense of the Group are set out in Note 34 of the consolidated financial statement of the Group.

Corporate Governance Report

Corporate governance practices

The Board of Directors (the "Board") and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management also actively observes latest corporate governance developments in Hong Kong and overseas. Since the listing of the Company's shares on the Stock Exchange on 28 September 2007, the Group has adopted and complied with the provisions on the Code of Corporate Governance Practices (the "CG code") as set out in Appendix 14 to the Listing Rules. An exception is that the first audit committee meeting with the auditors was held on 18 January 2008, instead of on or before 31 December 2007 (as stipulated in C3.3(e)(i) of the CG Code). This was mainly due to the fact that the Company was only listed on the Stock Exchange on 28 September 2007.

Board of Directors

Currently, the Board comprises 10 Directors, including 2 Executive Directors, who are Li Ming and Chen Runfu; 4 Non-executive Directors, who are Li Jianhong, Luo Dongjiang, Liang Yanfeng, and Zheng Yi; 4 INEDs, who are Tsang Hing Lun, Gu Yunchang, Han Xiaojing and Zhao Kang. All INEDs confirmed their independence to the Group. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management so as to enhance the share value of the Company. The Board will also plan and develop the Company's business. Matters relating to the daily operations of the Group are delegated to the management. During the year under review, the Board , among others, reviewed and approved the interim results for the period ended 30 June 2007, facilitated the listing of the Company's shares on the Stock Exchange, approved the Group's acquisition, examined and adopted the share option scheme, assessed the internal control, other critical business operations and the financial matters of the Group.

Board meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened five meetings. Sufficient notices for regular board meetings and notices of reasonable days for non-regular board meetings were given to all directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, Directors were kept apprised of all major changes that may affect the Group's business. The draft minutes of Board meetings are prepared by the secretary of the meetings and circulated to all Directors for comments within a reasonable time. The approved minutes of the Board meetings were maintained by the company secretary and are available for inspection by all Directors at request.

The number of board meetings attended by each director during the year under review is set out in the following table.

Directors	Number of attendance/ Number of meetings held
Mr. Li Jianhong	5/5
Mr. Luo Dongjiang	5/5
Mr. Li Ming	5/5
Mr. Liang Yanfeng	5/5
Mr. Chen Runfu	5/5
Mr. Zheng Yi	5/5
Mr. Yang Lin (Resigned on 5 October, 2007)	2/5
Mr. Tsang Hing Lun	5/5
Mr. Gu Yunchang	5/5
Mr. Han Xiaojing	5/5
Mr. Zhao Kang	5/5

In accordance with the Company's Articles of Association, at least one-third or, if the number is not a multiple by three, the nearest to one-third, of the directors are subject to retirement by rotation and re-election at each annual general meeting, provided that every director shall retire from office at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as director throughout the meeting at which he retires.

Model Code for Securities Transactions by Directors of Listed Companies

The Group has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Mode Code in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each director and each of them confirmed that he or she had complied with all required standard under the Code of Conduct.

Accountability and Audit

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

Internal control

The internal controls of the Group are designed to help the Group protect its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies. The management of the Group had reviewed the Group's internal control system for the year ended 31 December 2007. The system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

Audit Committee

The Group set up an Audit Committee on 12 June 2007. The Audit Committee comprises three members who are all INEDs, namely Mr. Tsang Hing Lun (the chairman of the committee), Mr. Gu Yunchang, and Mr. Han Xiaojing. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting procedures of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. In addition, the Audit Committee will also need to examine and inspect the effectiveness of the Group's internal control, including conducting the reviews on regular basis in respect of the internal control over various corporate structures and business procedures, and considering its potential risks and its imminence, so as to ensure the effectiveness of the Company's business operations and to achieve the corporate objectives and strategies. The scope of such reviews covers finance, operation, regulations and risk management. The Audit Committee will also review the Group's internal audit plans, and make regular reports and recommendations and proposals to the Board.

The Audit Committee shall meet not less than twice a year to review and discuss the interim and annual consolidated financial statements. As the Group was only listed on the Stock Exchange on 28 September 2007, no meeting of the Audit Committee was held during the year ended 31 December 2007.

Corporate Goverance Report

Remuneration and Nomination Committee

The Company set up a Remuneration and Nomination Committee on 12 June 2007. The Remuneration and Nomination Committee comprises three members, all being INEDs, namely Mr. Han Xiaojing, Mr. Gu Yunchang and Mr. Zhao Kang.

The main duties of the Remuneration and Nomination Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and structures for the directors and senior management, and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to on the Company's objectives approved from time to time by the Board. In addition, the Remuneration and Nomination Committee will also nominate the candidates for directorship, consider director nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Remuneration and Nomination Committee will also convene meetings and submit reports to the Board.

No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The Remuneration and Nomination Committee may also consult the Chairman about their proposals relating to the remuneration of other executive directors and has access to professional advice if necessary. The Committee also consulted the head of human resources department in respect of human resources policy as well as other company information. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration and Nomination Committee has held three meetings for the year ended 31 December 2007, with full attendance at every meeting.

Investment Committee

The Group established an Investment Committee on 12 June 2007. This Investment Committee comprises seven members, two of whom are executive directors, four are INEDs, and one is a non-executive director. Members of the Investment Committee are: Mr. Li Ming (Chairman of the Committee), Mr. Chen Runfu, Mr. Zheng Yi, Mr. Tsang Hing Lun, Mr. Han Xiaojing, Mr. Gu Yunchang, and Mr. Zhao Kang. It shall meet at the request of any member of the Committee and the head of Finance Department shall also participate in discussion. The Committee is authorized, at the expense of the Group, to seek external professional advice or to arrange them to attend the meetings.

The main duties of the Investment Committee are to consider, evaluate and reviews the Group's important project investments, acquisitions and disposals, and to make recommendations and/ or proposals to the Board, and at the same time, to conduct post-investment evaluations on the investment projects, and to review and consider the Company's overall strategic directions and business development. The Committee held one meeting for the year ended 31 December 2007, with full attendance at the meeting.

Independent auditor

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2007 as well as advise the Group on tax compliance and related matters.

For the year ended 31 December 2007, remuneration payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB5,138,000 and RMB9,380,000 respectively.

Investor relations

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

Since its listing on 28 September 2007, the Group has fully dedicated to establishing a long-term, close and constructive relationship with shareholders and investors from all over the world. With continued effort, the Group has arranged over 150 meetings and 80 project site visits for shareholders and investors. The Group has also participated in the China Investor Annual Conference Meeting organized by Goldman Sachs in Beijing, the Asia Pacific Summit Peak Forum convened by Morgan Stanley in Singapore and the Investor Annual Conference organized by ABN AMRO Bank in Hong Kong.

Currently, the Group has been generally recognized by investors for its excellent performance as the leader among the developers in northern China and the Pan-Bohai Rim.

Following the listing, the Group set up a column headed "Investor Relations" on the Company's website to make such information as the latest announcements and investor relations contacts available in a timely manner. In addition to the Company website, the Group also answers enquiries, and responds to the questions and proposals raised by shareholders and investors through email. Furthermore, our latest movements are also disseminated to the media for public interests.

Communication with shareholders

The Group emphasizes the importance of maintaining good communication with shareholders and investors, so as to increase the Company's transparency and understanding by the shareholders. The Group will make sure that the Company's shareholders know how to exercise their rights. The Group also provides effective channels for the Company's shareholders to communicate their ideas and exert their rights.

A shareholder may contact the Company's share registrar directly for general enquiry. The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The members of the Board are pleased to answer shareholders' questions. In the event that a shareholder wishes to put forward a proposal to the Board, he may put forth this enquiry in writing to the Corporate Communications Department which will act on the subject matter accordingly.

Independent Auditor's Report

To The Shareholders of Sino-Ocean Land Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 55 to 126, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2008

Consolidated Balance Sheet

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**292,579**	265,837
Land use rights	8	**36,947**	37,674
Investment properties	9	**1,984,000**	1,526,000
Goodwill	10	**756,796**	16,976
Interest in a jointly controlled entity	12	**54**	44,078
Interests in associates	13	**327,056**	7,058
Available-for-sale financial assets	16	**67,487**	53,563
Trade and other receivables	20	**602,920**	—
Deferred income tax assets	29	**101,942**	81,608
		4,169,781	2,032,794
Current assets			
Properties under development	17	**13,002,533**	6,792,663
Land under development	18	**2,994,646**	1,773,189
Inventories, at cost		**1,506**	1,366
Deposits for land use rights	19	**5,579,771**	1,701,194
Trade and other receivables	20	**934,529**	474,287
Completed properties held for sale	21	**1,734,680**	1,389,813
Restricted bank deposits	22	**879,632**	56,751
Cash and cash equivalents	23	**8,468,815**	2,580,157
		33,596,112	14,769,420
Total assets		**37,765,893**	16,802,214
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and premium	24	**14,191,020**	2,400,750
Reserves	25	**(399,126)**	499,157
Retained earnings			
-proposed final dividend		**502,907**	248,794
-others		**1,529,408**	376,924
		15,824,209	3,525,625
Minority interests		**1,054,110**	541,280
Total equity		**16,878,319**	4,066,905

Consolidated Balance Sheet (continued)

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Preference shares of a subsidiary	26	**144,796**	129,698
Borrowings	27	**8,002,777**	4,108,520
Derivative financial instrument	28	**157,877**	—
Deferred income tax liabilities	29	**773,306**	192,983
		9,078,756	4,431,201
Current liabilities			
Borrowings	27	**3,281,334**	2,848,037
Trade and other payables	30	**4,583,643**	2,349,743
Advances from customers		**3,011,555**	2,945,474
Income tax payable		**931,926**	158,327
Dividend payable		**360**	2,527
		11,808,818	8,304,108
Total liabilities		**20,887,574**	12,735,309
Total equity and liabilities		**37,765,893**	16,802,214
Net current assets		**21,787,294**	6,465,312
Total assets less current liabilities		**25,957,075**	8,498,106

Approved by the Board of Directors on 27 March, 2008

LI Jianhong
Chairman

LI Ming
Director

The notes on pages 62 to 126 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2007 RMB'000
ASSET		
Non-current assets		
Investments in subsidiaries	11	3,407,371
Current assets		
Amounts due from subsidiaries	11	13,038,949
Cash and cash equivalents	23	72,612
		13,111,561
Total asset		16,518,932
EQUITY		
Share capital and premium	24	14,191,020
Reserves	25	27,925
Retained earnings		
- proposed final dividend		502,907
- others		121,570
Total equity		14,843,422
LIABILITY		
Non-current liabilities		
Borrowings	27	1,402,777
Derivative financial instrument	28	157,877
		1,560,654
Current liabilities		
Amounts due to subsidiaries	11	7,249
Other payables	30	107,607
		114,856
Total liabilities		1,675,510
Total equity and liabilities		16,518,932
Net current asset		12,996,705
Total asset less current liability		16,404,076

Approved by the Board of Directors on 27 March, 2008

LI Jianhong
Chairman

LI Ming
Director

The notes on pages 62 to 126 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Revenue	6	**5,750,046**	3,708,357
Cost of sales	33	**(3,842,701)**	(2,618,951)
Gross profit		**1,907,345**	1,089,406
Other income	31	**359,449**	40,241
Other (losses)/gains - net	32	**(28,287)**	7,088
Gain on disposal of a jointly controlled entity	42	**909,690**	—
Fair value gain on investment properties	9	**418,277**	282,181
Selling and marketing costs	33	**(129,215)**	(85,435)
Administrative expenses	33	**(302,462)**	(173,062)
Operating profit		**3,134,797**	1,160,419
Fair value loss on convertible bonds	28	**(49,410)**	—
Finance costs	35	**(213,940)**	(131,870)
Share of loss of a jointly controlled entity	12	**(24,768)**	(1,470)
Share of profits of associates	13	**9,895**	2,143
Profit before income tax		**2,856,574**	1,029,222
Income tax expense	36	**(1,064,762)**	(432,413)
Profit for the year		**1,791,812**	596,809
Attributable to:			
Equity holders of the Company		**1,721,502**	570,380
Minority interests		**70,310**	26,429
		1,791,812	596,809
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
- basic	37	**0.512**	N/A
- diluted	37	**0.511**	N/A
Dividends	38	**502,907**	248,794

The notes on pages 62 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Attributable to the equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 31 December 2006		2,400,750	—	499,157	625,718	3,525,625	541,280	4,066,905
Profit for the year		—	—	—	1,721,502	1,721,502	70,310	1,791,812
Issue of shares arising from reorganization	24	—	1,006,243	(1,006,243)	—	—	—	—
Issue of shares arising from listing	24	1,166,302	10,059,351	—	—	11,225,653	—	11,225,653
Share issue expenses, net	24	—	(441,626)	—	—	(441,626)	—	(441,626)
Effect of stock split and re-designation	24	(96,030)	96,030	—	—	—	—	—
Fair value gain on available-for-sale financial assets	25	—	—	13,924	—	13,924	—	13,924
Fair value reserve on employee share option plan	25	—	—	27,925	—	27,925	—	27,925
Transfer from retained earnings	25	—	—	66,111	(66,111)	—	—	—
Dividend relating to 2006	38	—	—	—	(248,794)	(248,794)	(18,161)	(266,955)
Increase/(decrease) in minority interests as a result of:								
- acquisition of additional interests in subsidiaries from minority shareholders		—	—	—	—	—	(134,171)	(134,171)
- contribution from minority shareholders		—	—	—	—	—	587,479	587,479
- acquisition of subsidiaries	42	—	—	—	—	—	111,841	111,841
- deemed disposal of a subsidiary		—	—	—	—	—	(104,468)	(104,468)
Balance at 31 December 2007		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319
Representing:								
Share capital and reserves		3,471,022	10,719,998	(399,126)	1,529,408	15,321,302	1,054,110	16,375,412
2007 proposed final dividend	38	—	—	—	502,907	502,907	—	502,907
Balance at 31 December 2007		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319

The notes on pages 62 to 126 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

	Note	Attributable to the equity holders of the Company Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2006		2,400,750	(1,246,767)	280,229	1,434,212	516,233	1,950,445
Profit for the year		—	—	570,380	570,380	26,429	596,809
Currency translation differences	25	—	2,152	—	2,152	—	2,152
Fair value gain on available-for-sale financial assets	25	—	2,030	—	2,030	—	2,030
Contribution from shareholders	25	—	1,620,803	—	1,620,803	—	1,620,803
Transfer from retained earnings	25	—	120,939	(120,939)	—	—	—
Dividend relating to 2005		—	—	(103,952)	(103,952)	(8,357)	(112,309)
Increase/(decrease) in minority interests as a result of:							
- acquisition of additional interests in subsidiaries from minority shareholders		—	—	—	—	(3,615)	(3,615)
- contribution from minority shareholders		—	—	—	—	122,166	122,166
- transfer to preference shares of a subsidiary		—	—	—	—	(129,698)	(129,698)
- acquisition of a subsidiary		—	—	—	—	25,000	25,000
- disposal of a subsidiary		—	—	—	—	(6,878)	(6,878)
		2,400,750	499,157	625,718	3,525,625	541,280	4,066,905
Representing:							
Share capital and reserves		2,400,750	499,157	376,924	3,276,831	541,280	3,818,111
2006 proposed final dividend		—	—	248,794	248,794	—	248,794
Balance at 31 December 2006		2,400,750	499,157	625,718	3,525,625	541,280	4,066,905

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash used in operations	39	**(8,108,830)**	(1,939,936)
Interest paid		**(549,121)**	(373,438)
Income tax paid		**(291,143)**	(459,787)
Net cash used in operating activities		**(8,949,094)**	(2,773,161)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(42,109)**	(301,927)
Purchases of land use rights		**—**	(3,797)
Purchase of an associate		**—**	(6,055)
Proceeds from sale of property, plant and equipment	39	**2,546**	834
Purchase of subsidiaries, net of cash acquired	42	**(384,296)**	(102,425)
Proceeds of deemed disposal of a subsidiary		**10,622**	—
Proceeds of disposal of subsidiaries	42	**12,809**	22,434
Proceeds of disposal of a jointly controlled entity	42	**954,190**	—
Interest received	31	**321,105**	35,481
Dividends received		**7,717**	1,870
Acquisition of additional interest in subsidiaries		**(777,516)**	(7,238)
Net cash generated from/ (used in) investing activities		**105,068**	(360,823)
Cash flows from financing activities			
Proceeds from borrowings		**8,589,066**	8,673,177
Repayments of borrowings		**(4,921,666)**	(5,656,620)
Proceeds from issuance of shares		**10,784,027**	1,620,803
Dividends paid to minority shareholders		**(18,161)**	(6,620)
Dividends paid to equity holders of the Company		**(248,794)**	(103,952)
Capital injection from minority shareholders		**587,479**	139,166
Net cash generated from financing activities		**14,771,951**	4,665,954
Net increase in cash and cash equivalents		**5,927,925**	1,531,970
Cash and cash equivalents at beginning of the year		**2,580,157**	1,046,036
Exchange (losses)/gains on cash and cash equivalents		**(39,267)**	2,151
Cash and cash equivalents at end of the year	23	**8,468,815**	2,580,157

The notes on page 62 to 126 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Sino-Ocean Land Holdings Limited (the "Company") was incorporated in Hong Kong on 12 March 2007 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is Suite 1512, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding and property development and property investment in the PRC.

In anticipation of the listing of the Company on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange"), the Group has undertaken a group reorganization (the "Reorganization"). On 7 June 2007, pursuant to the Reorganization, the Company acquired the entire share capital of Shine Wind Development Limited through a share swap and became the holding company of the Group. Details of the Reorganization were set out in the Prospectus of the Company dated 14 September 2007.

The Company's shares were listed on the Stock Exchange on 28 September 2007.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2008.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instrument, convertible bonds and employee share options, which are carried at fair value.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(a) Standards, amendments and interpretations effective in 2007

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) - Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

(b) Interpretations and amendments that are not effective as at year end but were early adopted by the Group

HK(IFRIC) - Int 11, HKFRS 2 - 'Group and treasury share transactions' (effective from 1 January 2008), was early adopted in 2007. HK(IFRIC) - Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group entities.

HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The current HKAS 23 provides management with a policy choice of either capitalizing borrowing costs relating to qualifying assets or expensing the borrowing costs. HKAS 23 (Revised) removes this option and requires management to capitalize borrowing costs attributable to qualifying assets. Since the Group has chosen to capitalize borrowing costs relating to qualifying assets as described in Note 3.15, HKAS 23 (Revised) is not expected to have any impact on the Group's consolidated financial statements.

(c) Standards, amendments and interpretations effective in 2007 but not relevant for the Group's operation

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HKFRS4, 'Insurance contracts';
- HK(IFRIC) - Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and
- HK(IFRIC) - Int 9, 'Re-assessment of embedded derivatives'.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

HKAS 1 (revised 2007), 'Presentation of Financial Statements' (effective from on or after 1 January 2009). The revised standard requires presentational changes and further disclosures in the financial statements but does not change the recognition and measurement of specific transactions. The Group will apply this standard from 1 January 2009, but it is not expected to result in substantial impact on the Group's accounting policies.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

(e) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public service concession arrangements. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's entities provide for public sector services.

HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's entities operate any loyalty programmes.

HK(IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) - Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK(IFRIC) – Int 14 is not relevant to the Group's operation because none of the Group's entities have defined benefit assets.

3.1 Consolidation

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

(a) Subsidiaries

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

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

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

If the acquisition involves more than one exchange transaction, each exchange transaction shall be treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

Inter-company transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.1 Consolidation *(Continued)*

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests generally result in goodwill, being the excess of any consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

(d) Associates

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

The Group's share of its associate's post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

3.2 Segment reporting

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

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3.4 Properties

(a) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land and building held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.4 Properties *(Continued)*

(a) Investment properties *(Continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

(b) Properties under development

Properties under development is stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development cost of properties comprises construction cost, amortization of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

(c) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(d) Land use rights

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

The amortization during the period of construction of the properties is capitalized as the cost of properties under development using the same method as above stated. The carrying value of land use rights will be transferred to "cost of sales" upon the sales recognition.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.5 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset over its estimated useful life to their residual values. The useful lives adopted for this purpose are as follows:

Buildings and leasehold improvements	5-50 years
Hotel property	50 years
Machineries	8 years
Vehicles	8 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within 'other gains- net', in the income statement.

Construction in progress represents property, plant and equipment or investment property under construction and pending installation and is stated at cost. Cost, includes the costs of construction of buildings, the cost of plant and equipment, installation, capitalized interest, testing and other direct costs. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are depreciated in accordance with the policy as stated above.

3.6 Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

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

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

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.8 Financial assets

The Group classifies its financial assets into loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet (Note 3.11).

(b) Available-for-sale financial assets

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

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment tests for trade and other receivables are described in Note 3.11.

3.9 Land under development

Land under development represents primary land development works performed, prior such lands undergo the open market bidding process. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.10 Inventories

Inventories mainly comprise raw material for food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.11 Trade and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

3.14 Trade payables

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

3.15 Financial liabilities

(a) Borrowings

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the year in which they are incurred.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.15 Financial liabilities *(Continued)*

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the income statement.

3.16 Current and deferred income tax

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

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

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

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

3.17 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.17 Employee benefits *(Continued)*

(c) Retirement benefits

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

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

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

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

3.18 Provisions

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

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

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

3.19 Contingent liabilities

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

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

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.20 Financial guarantee liabilities

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

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

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

3.21 Revenue recognition

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

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

(a) Sale of properties

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

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Interest income

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

(d) Dividend income

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

(e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

Notes to the Consolidated Financial Statements (CONTINUED)

3 Summary of significant accounting policies *(Continued)*

3.22 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

(i) The Group is the lessee other than operating lease of land use rights. Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortized over the lease periods. The amortization during the period of construction of the properties is capitalized as the cost of properties under development. The amortization during the period before the commencement and after the completion of the construction of the properties is expensed in the income statement. The unamortized upfront payments are recognized as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties (Note 3.4). Rental income and expenses (net of any incentives given to lessees) are recognized on a straight-line basis over the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

Lease income is recognized over the term of the lease on a straight-line basis.

3.23 Dividend distribution

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

Notes to the Consolidated Financial Statements (CONTINUED)

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group's functional currency is RMB since majority of the revenues of the Group are derived from operation in the PRC.

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

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

As at 31 December 2007, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year would have been RMB94,520,000 (2006: RMB18,662,000) lower, mainly as the result of foreign exchange losses on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gain on translation of HKD dominated derivative financial instrument.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on long-term bank loans which carry at prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

As at 31 December 2007, if interest rates had been increased/decreased 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB887,000 (2006:RMB643,000).

Notes to the Consolidated Financial Statements (CONTINUED)

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, trade and other receivables and available for sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available for sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

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

The credit risk on restricted bank deposits is limited because the counterparties are banks with appropriate credit rankings.

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

Notes to the Consolidated Financial Statements (CONTINUED)

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding the liquidity structure of the overall assets, liabilities, loans and commitment of the Group. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyzes the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table below represent both interests and principal cash flow, which are determined based on the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2007					
Borrowings	3,281,334	6,563,320	400,000	1,200,000	11,444,654
Derivative financial instrument	—	157,877	—	—	157,877
Trade and other payables	4,583,643	—	—	—	4,583,643
	7,864,977	6,721,197	400,000	1,200,000	16,186,174
At 31 December 2006					
Borrowings	2,848,037	3,098,800	1,009,720	—	6,956,557
Trade and other payables	2,349,743	—	—	—	2,349,743
	5,197,780	3,098,800	1,009,720	—	9,306,300
Company					
At 31 December 2007					
Borrowings	—	1,563,320	—	—	1,563,320
Derivative financial instrument	—	157,877	—	—	157,877
Trade and other payables	107,607	—	—	—	107,607
	107,607	1,721,197	—	—	1,828,804

Notes to the Consolidated Financial Statements (CONTINUED)

4 Financial risk management *(Continued)*

4.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Net capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	As at 31 December	
	2007	2006
Total borrowings *(Note 27)*	**11,284,111**	6,956,557
Less: cash and cash equivalents *(Note 23)*	**(8,468,815)**	(2,580,157)
Net debt	**2,815,296**	4,376,400
Net equity	**16,878,319**	4,066,905
Net capital	**19,693,615**	8,443,305
Gearing ratio	**14%**	52%

The decrease in gearing ratio during the year ended 31 December 2007 is resulted primarily from the new shares issued during the year upon listing of the Company on 28 September 2007.

4.3 Fair value estimation

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

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

Notes to the Consolidated Financial Statements (CONTINUED)

5 Critical accounting estimates and judgements

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

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

(a) Estimate of fair value of investment properties

The fair values of investment properties owned by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2007. In making its judgement, the Group considers information from a variety of sources including:

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

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

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

(b) Estimate of fair value of convertible bonds

The fair values of convertible bonds issued by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2007. The valuation is performed on the basis of open market value of the Group's listed shares, as well as discounted cash flow valuation techniques for the straight bond portion of the financial instrument. The assumptions used are mainly based on market conditions existing at each balance sheet date.

(c) Estimate of fair value of employee share options

Up till 31 December 2007, fair value of employee share options issued by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(d) Income taxes and land appreciation tax ('LAT')

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

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

The Group has not finalized its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income statement in the periods in which such taxes are finalized with local tax authorities.

Notes to the Consolidated Financial Statements (CONTINUED)

5 Critical accounting estimates and judgements *(Continued)*

(e) Deferred tax

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(f) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.21. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the purchaser.

As disclosed in Note 40, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(g) Estimated impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.7. Assets are reviewed for impairment annually whenever events or changes in circumstances that the carrying amount of the assets exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates.

(h) Estimations for properties construction costs

The Group makes estimates on properties construction costs upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management and will be assessed periodically,as well as actual situation of the construction progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

6 Revenue and segment information

In accordance with its internal financial reporting the Group has determined that business segments should be presented as the primary reporting format. The Group has categorised its businesses into the following segments:

Property development:	Development of residential, commercial properties and other properties, as well as leasing of completed properties held for sale to generate rental income.
Property investment:	Leasing of investment properties to generate rental income and to gain from the appreciation in the properties' values in the long term.
Others:	Provision of hotel operation, property management, property sales agency and others.

As less than 10% of the Group's revenue and results are attributable to the market outside the mainland China and less than 10% of the Group's assets are located outside the mainland China, no geographical segment information is presented.

Notes to the Consolidated Financial Statements (CONTINUED)

6 Revenue and segment information *(Continued)*

Primary reporting format – business segments

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

	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	5,433,299	71,346	318,913	5,823,558
Inter-segment revenue	(2,256)	—	(71,256)	(73,512)
Revenue	5,431,043	71,346	247,657	5,750,046
Segment result	1,841,036	54,862	14,806	1,910,704
Gain on disposal of a jointly controlled entity *(Note 42)*	909,690	—	—	909,690
Fair value gain on investment properties *(Note 9)*	—	418,277	—	418,277
Unallocated				(103,874)
Operating profit				3,134,797
Fair value loss on convertible bonds *(Note 28)*	(49,410)	—	—	(49,410)
Finance costs *(Note 35)*				(213,940)
Share of loss of a jointly controlled entity *(Note 12)*	(24,768)	—	—	(24,768)
Share of profits of associates *(Note 13)*	1,195	—	8,700	9,895
Profit before income tax				2,856,574
Income tax expense *(Note 36)*				(1,064,762)
Profit for the year				1,791,812
Segment assets	35,153,586	2,034,728	148,527	37,336,841
A jointly controlled entity *(Note 12)*	54	—	—	54
Associates *(Note 13)*	313,226	—	13,830	327,056
Deferred income tax assets *(Note 29)*				101,942
Total assets				37,765,893
Segment liabilities	9,930,229	37,464	107,364	10,075,057
Deferred income tax liabilities *(Note 29)*				773,306
Unallocated				10,039,211
Total liabilities				20,887,574
Other segment items				
Depreciation	7,120	178	5,614	12,912
Amortization of land use rights	9,626	—	584	10,210
Provision for impairment of trade and other receivables	—	—	421	421
Capital expenditure	779,452	36	2,441	781,929

Notes to the Consolidated Financial Statements (CONTINUED)

6 Revenue and segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

The segment results for the year ended 31 December 2006 are as follows:

	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Total segment revenue	3,520,681	55,085	194,943	3,770,709
Inter-segment revenue	—	—	(62,352)	(62,352)
Revenue	3,520,681	55,085	132,591	3,708,357
Segment result	817,072	64,110	51,134	932,316
Fair value gain on investment properties	—	282,181	—	282,181
Unallocated				(54,078)
Operating profit				1,160,419
Finance costs *(Note 35)*				(131,870)
Share of loss of a jointly controlled entity *(Note 12)*	(1,470)	—	—	(1,470)
Share of profit of an associates *(Note 13)*	—	—	2,143	2,143
Profit before income tax				1,029,222
Income tax expense *(Note 36)*				(432,413)
Profit for the year				596,809
Segment assets	14,833,390	1,534,060	302,020	16,669,470
A jointly controlled entity *(Note 12)*	44,078	—	—	44,078
An associate *(Note 13)*	—	—	7,058	7,058
Deferred income tax assets *(Note 29)*				81,608
Total assets				16,802,214
Segment liabilities	5,462,282	42,389	81,098	5,585,769
Deferred income tax liabilities *(Note 29)*				192,983
Unallocated				6,956,557
Total liabilities				12,735,309
Other segment items				
Depreciation	2,240	582	5,827	8,649
Amortization of land use rights	3,117	—	703	3,820
Provision for impairment of trade and other receivables	—	—	1,320	1,320
Capital expenditure	25,092	275,224	9,049	309,365

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, receivables and cash balances.

Segment liabilities comprise of operating liabilities. Unallocated liabilities comprise of corporate borrowings.

Capital expenditure comprises of additions to property, plant and equipment (Note 7), land use rights (Note 8) and goodwill (Note 10).

Notes to the Consolidated Financial Statements (CONTINUED)

7 Property, plant and equipment

	Buildings and leasehold improvements RMB'000	Hotel property RMB'000	Machineries RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2007							
Opening net book amount	55,841	174,615	617	19,159	15,605	—	265,837
Additions	31,247	—	422	4,501	5,939	—	42,109
Disposals	(1,491)	—	—	(594)	(508)	—	(2,593)
Acquisition of subsidiaries (Note 42)	—	—	—	1,516	229	—	1,745
Disposal and deemed disposal of subsidiaries	—	—	—	(1,116)	(491)	—	(1,607)
Depreciation	(1,697)	(3,760)	(356)	(3,049)	(4,050)	—	(12,912)
Closing net book amount	83,900	170,855	683	20,417	16,724	—	292,579
At 31 December 2007							
Cost	85,701	188,252	3,079	32,622	29,174	—	338,828
Accumulated depreciation	(1,801)	(17,397)	(2,396)	(12,205)	(12,450)	—	(46,249)
Net book amount	83,900	170,855	683	20,417	16,724	—	292,579
At 1 January 2006							
Cost	45,441	186,536	2,299	24,544	25,368	376,595	660,783
Accumulated depreciation	(2,817)	(8,367)	(1,363)	(10,694)	(12,369)	—	(35,610)
Net book amount	42,624	178,169	936	13,850	12,999	376,595	625,173
Year ended 31 December 2006							
Opening net book amount	42,624	178,169	936	13,850	12,999	376,595	625,173
Additions	15,854	—	398	5,930	4,521	275,224	301,927
Disposals	—	—	(56)	(589)	(295)	—	(940)
Transfer to investment properties (Note 9)	—	—	—	—	—	(651,819)	(651,819)
Acquisition of a subsidiary	—	—	—	345	13	—	358
Disposal of a subsidiary	—	—	—	—	(213)	—	(213)
Depreciation	(2,637)	(3,554)	(661)	(377)	(1,420)	—	(8,649)
Closing net book amount	55,841	174,615	617	19,159	15,605	—	265,837
At 31 December 2006							
Cost	59,581	188,252	2,657	28,911	26,067	—	305,468
Accumulated depreciation	(3,740)	(13,637)	(2,040)	(9,752)	(10,462)	—	(39,631)
Net book amount	55,841	174,615	617	19,159	15,605	—	265,837

Depreciation charge of RMB12,912,000 and RMB8,649,000 for the years ended 31 December 2007 and 2006 were included in the cost of sales and administrative expenses respectively in the income statement.

As at 31 December 2007, hotel property for the value of RMB170,855,000, and buildings for the value of RMB78,130,000 were pledged as collateral for the Group's borrowings (Note 27). No such pledge was made as at 31 December 2006.

Notes to the Consolidated Financial Statements (CONTINUED)

8 Land use rights

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

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**37,674**	34,580
Additions	**2,386,407**	1,342,401
Amortization charge	**(727)**	(703)
Transfer to properties under development *(Note 17)*	**(2,386,407)**	(1,338,604)
At end of the year	**36,947**	37,674

As at 31 December 2007, all remaining balance of land use rights were pledged as collateral for the Group's borrowings (Note 27). No such pledge was made as at 31 December 2006.

9 Investment properties

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**1,526,000**	592,000
Transfer from property, plant and equipment *(Note 7)*	—	651,819
Transfer from completed properties held for sale	**39,723**	—
Fair value gain	**418,277**	282,181
At end of the year	**1,984,000**	1,526,000

The fair value of the Group's investment properties at 31 December 2007 and 2006 were valued by DTZ Debenham Tie Leung Limited, the independent and professionally qualified valuers. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The Group's interests in investment properties at their net book values are analyzed as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
In the PRC, held on leases of less than 50 years	**1,984,000**	1,526,000

As at 31 December 2007 and 2006, investment properties of the Group with carrying values of RMB1,260,000,000 and RMB326,005,000 respectively were pledged as collateral for the Group's borrowings (Note 27).

The following amounts have been recognized in the income statement:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Rental income	**71,346**	55,085
Direct operating expenses arising from investment properties that generate rental income	**23,987**	6,227
Direct operating expenses that did not generate rental income	**1,984**	2,065

Notes to the Consolidated Financial Statements (CONTINUED)

10 Goodwill

	RMB'000
At 1 January 2006	
Cost and net book amount	13,335
Year ended 31 December 2006	
Opening net book amount	13,335
Acquisition of a subsidiary	3,641
Closing net book amount	16,976
At 31 December 2006	
Cost and net book amount	16,976
Year ended 31 December 2007	
Opening net book amount	16,976
Acquisition of a subsidiary *(Note 42 a(iii))*	96,475
Acquisition of additional interests in a subsidiary from other investor *(a)*	643,345
Closing net book amount	756,796
At 31 December 2007	
Cost and net book amount	756,796

(a) In 2006, the Group effectively held 40.25% of Sino-Ocean Land (Zhongshan) Limited ("Zhongshan"). Zhongshan was treated as a subsidiary as the Group owns, directly or indirectly through subsidiaries, more than half of its voting power by virtue of an agreement with other investor.

In 2007, the Group acquired the remaining 59.75% interest in Zhongshan from other investor. No fair value adjustment was considered necessary in this scenario as the Group obtained control of Zhongshan since its incorporation. The difference between consideration of the net asset value of 59.75% was accounted for as goodwill.

Goodwill is allocated to the Group's cash generating units identified according to business segment as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Property development	**743,461**	3,641
Others	**13,335**	13,335
	756,796	16,976

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using various estimated rates.

Key assumptions and considerations used for the value-in-use calculations included gross margin of the property development industry, its estimated growth rates, as well as average market discount rates.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the Consolidated Financial Statements (CONTINUED)

11 Investments in subsidiaries

	As at 31 December 2007 RMB'000
Investments in unlisted shares, at cost	3,407,371
Amounts due from subsidiaries	13,038,949
Amounts due to subsidiaries	(7,249)

Amounts due with subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2007 which materially affect the results or assets of the Group:

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	Principal activities
Sino-Ocean Land (Zhong Shan) Development Co., Limited 遠洋地產（中山）開發有限公司	The PRC	Sino-foreign cooperative joint venture	RMB 715,640	100%	Property development
COSCO Hotel & Property Management Co., Limited 中遠酒店物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB 12,677	98.34%	Hotel and property management
Best Western Premier Beijing Hotel Limited 北京世紀遠洋賓館有限公司	The PRC	Limited liability company	RMB 10,000	99.34%	Hotel operation
Beijing Zhonglian Property Real Estate Development Company Limited 北京中聯置地房地產開發有限公司	The PRC	Limited liability company	RMB 50,000	100%	Land and property development
Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	100%	Property development
Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB 219,000	75%	Property development
Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	100%	Property development
Tak Shing International Investment Limited 德盛國際投資有限公司	Hong Kong	Limited company	USD 10	64.28%	Investment holding
Sino-Ocean Land (Zhong Shan) Limited 遠洋地產（中山）有限公司	Hong Kong	Limited company	HKD 10	100%	Investment holding
Beijing COSCO and Real Estate Brokerage Company, Limited 北京遠洋嘉業房地產經紀有限公司	The PRC	Sino-foreign equity joint venture	RMB 2,667	100%	Sales agency

Notes to the Consolidated Financial Statements (CONTINUED)

11 Investments in subsidiaries *(Continued)*

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2007 which materially affect the results or assets of the Group: *(Continued)*

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	Principal activities
Beijing Sino-Ocean Property Management Company, Limited 北京遠洋基業物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB 8,800	100%	Property management
Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	The PRC	Sino-foreign equity joint venture	USD 30,000	70%	Investment property
Beijing Silver Sail Real Estate Development Company Limited 北京銀帆基業房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	70%	Property development
Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	The PRC	Limited liability company	RMB 10,000	100%	Land development
Beijing Long Ze Yuan Property Company, Limited 北京龍澤源置業有限公司	The PRC	Limited liability company	RMB 60,000	80%	Property development
Dalian New Yuanfeng Real Estate Development Company, Limited 大連新遠豐房地產開發有限公司	The PRC	Limited liability company	RMB 20,000	70%	Land development
Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產（天津）有限公司	The PRC	Sino-foreign equity joint venture	RMB 170,000	94.1%	Investment holding
Sino-Ocean Land (Hong Kong) Limited 遠洋地產（香港）有限公司	Hong Kong	Limited liability company	HKD 10	100%	Investment holding
Shining (DL) Real Estate Co., Ltd. 勳業（大連）置業有限公司	The PRC	Sino-foreign equity joint venture	USD 90,000	100%	Property development
Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	The PRC	Limited liability company	RMB 400,000	96.99%	Property development
Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	The PRC	Sino-foreign cooperative joint venture	USD 9,772	100%	Property development
Beijing Yuan-lin Land Development Company, Limitied 北京遠麟置業有限公司	The PRC	Limited liability company	RMB 50,000	100%	Property development
Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	The PRC	Limited liability company	RMB 10,000	80%	Land and property development

Notes to the Consolidated Financial Statements (CONTINUED)

11 Investments in subsidiaries *(Continued)*

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2007 which materially affect the results or assets of the Group: *(Continued)*

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	Principal activities
Beijing Wuhe Read Estate Development Company, Limited 北京五河房地產開發有限公司	The PRC	Limited liability company	RMB 100,000	75%	Land development
Beijing Yuandongxindi Real Estate Development Company, Limited 北京遠東新地置業有限公司	The PRC	Limited liability company	RMB 30,000	70%	Land development
Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB 600,000	97.05%	Property development
Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	The PRC	Limited liability company	RMB 50,000	100%	Property development
Beijing Ocean Commercial Management Co., Ltd. 北京遠洋商業管理有限公司	The PRC	Limited liability company	RMB 1,000	60%	Commercial management
Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	The PRC	Sino-foreign equity joint venture	RMB 459,240	100%	Property development
Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業（沈陽）有限公司	The PRC	Sino-foreign equity joint venture	RMB 582,830	100%	Property development
Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited company	USD 10	100%	Investment holding
Mega Precise Profits Limited	BVI	Limited company	USD —	100%	Investment holding
Smart State Properties Limited	BVI	Limited company	USD —	100%	Investment holding
Wonderland Capital Inc.	BVI	Limited company	USD —	100%	Investment holding
Mission Success Limited 穎博有限公司	Hong Kong	Limited company	HKD —	100%	Investment holding
Dynamic Class Limited 昇能有限公司	Hong Kong	Limited company	HKD —	100%	Investment holding
Sino-Ocean Land Property Development Limited (former as Rillbluk Navigation Limited) 遠洋地產國際發展有限公司	Hong Kong	Limited company	HKD 20	100%	Investment holding
Sino-Ocean Land Limited 遠洋地產有限公司	The PRC	Wholly foreign owned enterprise	RMB 3,800,000	100%	Land and property development
Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	The PRC	Sino-foreign equity joint venture	USD 80,000	51%	Land and property development
Dalian Sky-Upright Property Limited 大連正乾置業有限公司	The PRC	Sino-foreign equity joint venture	USD 76,860	51%	Land and property development

Notes to the Consolidated Financial Statements (CONTINUED)

11 Investments in subsidiaries *(Continued)*

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2007 which materially affect the results or assets of the Group: *(Continued)*

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	Principal activities
Zhong Shan Yuan Yang Property Services Company Limited 中山遠洋物業服務有限公司	The PRC	Sino-foreign cooperative joint venture	RMB 2,959	99.67%	Property management
Tianjin Pulida Real Estate Construction and DevelopmentCompany Limited 天津普利達房地產開發有限公司	The PRC	Limited liability company	RMB 10,000	100%	Land and property development
Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛方地產開發有限公司	The PRC	Limited liability company	RMB 75,000	51%	Land and property development
Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	The PRC	Limited liability company	RMB 30,000	90%	Property development
Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	The PRC	Limited liability company	RMB 20,000	70%	Property development
Sino-Ocean Land Capital Investment Ltd 遠洋地產資本投資有限公司	BVI	Limited company	USD 50	100%	Investment holding
Beijing Xinkongjian Advertising Company, Limited 北京市新空間廣告有限公司	The PRC	Limited liability company	RMB 100	100%	Advertising

Notes to the Consolidated Financial Statements (CONTINUED)

12 Interest in a jointly controlled entity

	Year ended 31 December 2007 RMB'000	2006 RMB'000
At beginning of the year	**44,078**	—
Share of results of a jointly controlled entity	**(24,768)**	(1,470)
Reclassification		
- from other assets and liabilities when a subsidiary became a jointly controlled entity	**24,822**	—
- from other assets and liabilities when an associate became a jointly controlled entity	**—**	45,548
Disposal of a jointly controlled entity	**(44,078)**	—
At end of the year	**54**	44,078

The following is a list of the jointly controlled entities at 31 December 2007 and 2006, which are established and operate in the PRC:

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	2006	Principal activities
Beijing Chemsunny Property Co., Ltd. 北京凱晨置業有限公司	The PRC	Sino-foreign equity joint venture	RMB 96,010	**—**	50%	Property and land development
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	The PRC	Limited liability company	RMB 50,000	**50%**	—	Land and property development

The Group's share of the assets and liabilities, revenues and results of the jointly controlled entities are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Loss RMB'000	% interest held
2007					
Beijing Linlian Property Company Limited	320,053	295,305	—	(24,768)	50%
2006					
Beijing Chemsunny Property Co., Ltd.	1,249,306	1,205,228	—	(1,470)	50%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the jointly controlled entities.

Notes to the Consolidated Financial Statements (CONTINUED)

13 Interests in associates

	Year ended 31 December 2007 RMB'000	2006 RMB'000
At beginning of the year	**7,058**	45,476
Share of results of associates	**9,895**	2,143
Reclassification		
- from other assets and liabilities when a subsidiary became an associate	**312,005**	—
- from other assets and liabilities when an associate became a jointly controlled entity	**—**	(45,548)
Additions	**—**	6,055
Disposal of an associate	**—**	(18)
Dividend received	**(1,902)**	(1,050)
At end of the year	**327,056**	7,058

The following is a list of associates at 31 December 2007 and 2006, which are established and operate in the PRC:

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2007	2006	Principal activities
Beijing COSCO and Guangtian Decorate Engineering Company Limited 北京中遠廣田裝飾工程有限公司	The PRC	Limited liability company	RMB 10,000	**40%**	40%	Renovation services
Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	The PRC	Limited liability company	RMB 680,850	**47%**	75.29%	Land development

The Group's share of the assets and liabilities, revenues and results of associates are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	% interest held
2007					
Beijing COSCO and Guangtian Decorate Engineering Company Limited	66,624	52,794	184,439	8,700	40%
Beijing Central Business District Development and Construction Company Limited	607,422	282,865	—	1,195	47%
	674,046	335,659	184,439	9,895	
2006					
Beijing COSCO and Guangtian Decorate Engineering Company Limited	38,999	31,941	89,414	2,143	40%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

Notes to the Consolidated Financial Statements (CONTINUED)

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(a) Group

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets			
As at 31 December 2007			
Available-for-sale financial assets *(Note 16)*	—	67,487	67,487
Trade receivables *(Note 20)*	50,930	—	50,930
Restricted bank deposits *(Note 22)*	879,632	—	879,632
Cash and cash equivalents *(Note 23)*	8,468,815	—	8,468,815
	9,399,377	67,487	9,466,864
As at 31 December 2006			
Available-for-sale financial assets *(Note 16)*	—	53,563	53,563
Trade receivables *(Note 20)*	7,335	—	7,335
Restricted bank deposits *(Note 22)*	56,751	—	56,751
Cash and cash equivalents *(Note 23)*	2,580,157	—	2,580,157
	2,644,243	53,563	2,697,806

	Liabilities at fair value through the profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities			
As at 31 December 2007			
Borrowings *(Note 27)*	1,402,777	9,881,334	11,284,111
Derivative financial instrument *(Note 28)*	157,877	—	157,877
Preference shares of a subsidiary *(Note 26)*	—	144,796	144,796
	1,560,654	10,026,130	11,586,784
As at 31 December 2006			
Borrowings *(Note 27)*	—	6,956,557	6,956,557
Preference shares of a subsidiary *(Note 26)*	—	129,698	129,698
	—	7,086,255	7,086,255

Notes to the Consolidated Financial Statements (CONTINUED)

14 Financial instruments by category *(Continued)*

(b) Company

	Loans and receivables RMB'000
Assets	
As at 31 December 2007	
Amounts due from subsidiaries *(Note 11)*	**13,038,949**
Cash and cash equivalents *(Note 23)*	**72,612**
	13,111,561

	Liabilities at fair value through the profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities			
As at 31 December 2007			
Amounts due to subsidiaries *(Note 11)*	**—**	**7,249**	**7,249**
Borrowings *(Note 27)*	**1,402,777**	**—**	**1,402,777**
Derivative financial instrument *(Note 28)*	**157,877**	**—**	**157,877**
	1,560,654	**7,249**	**1,567,903**

15 Credit quality of financial assets

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2007 RMB'000	2006 RMB'000
Trade receivables		
Counterparties without external credit rating	**53,376**	9,360
Trade receivables that are neither past due nor impaired	**40,590**	5,281

All bank deposits are with reputable corporate and investment banks. None of the bank deposits is considered as exposure to major credit risk.

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

Notes to the Consolidated Financial Statements (CONTINUED)

16 Available-for-sale financial assets

Available-for-sale financial assets are all unlisted equity securities, all denominated in RMB.

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**53,563**	51,533
Revaluation surplus	**13,924**	2,030
At end of the year	**67,487**	53,563

There were no disposals or impairment provisions on available-for-sale financial assets in 2007 or 2006. The fair values of unlisted securities are based on the net asset values of respective securities.

17 Properties under development

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**6,792,663**	3,721,854
Additions	**7,178,288**	6,605,664
Acquisition of subsidiaries *(Note 42)*	**3,282,923**	277,436
Disposal of a subsidiary *(Note 42)*	**(509,837)**	(538,830)
Transfer to completed properties held for sale	**(3,741,504)**	(3,273,461)
At end of year	**13,002,533**	6,792,663
Properties under development comprises:		
Land use rights	**3,973,554**	2,119,223
Construction costs and capitalized expenditure	**8,455,371**	4,442,119
Interest capitalized	**573,608**	231,321
	13,002,533	6,792,663

The movements of land use rights are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**2,119,223**	1,060,940
Transfer from land use rights *(Note 8)*	**2,386,407**	1,338,604
Amortization - capitalized in properties under development	**(49,326)**	(42,979)
Amortization - charged to administrative expense	**(8,233)**	—
Decrease from disposal of a subsidiary	**(162,095)**	—
Transfer to completed properties held for sale *(Note 21)*	**(312,422)**	(237,342)
At end of the year	**3,973,554**	2,119,223

Notes to the Consolidated Financial Statements (CONTINUED)

17 Properties under development *(Continued)*

The movements of interest capitalized are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**231,321**	160,469
Additions during the year *(Note 35)*	**378,421**	241,568
Additions arising from acquisition of subsidiaries	**74,429**	—
Decrease from disposal of a subsidiary	**(33,110)**	(45,007)
Transfer to completed properties held for sale	**(77,453)**	(125,709)
At end of the year	**573,608**	231,321

The properties under development are all located in the PRC.

As at 31 December 2007 and 2006, properties under development of approximately RMB3,635,009,000 and RMB1,349,533,000 (Note 27) respectively were pledged as collateral for the Group's borrowings.

Included in the properties under development is a piece of land amounting to RMB110,976,000, in which land use rights has yet to be obtained. Except for this land use rights, all land use rights certificates have been obtained.

18 Land under development

Land under development refers to primary land development projects. No land use rights certificates were obtained for these projects, and the Group generally receives an agreed amount as compensation. Main activities for primary land development projects included dismantling and land leveling works.

19 Deposits for land use rights

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deposits to local land authorities *(a)*	**3,410,634**	1,691,000
Deposits to third parties *(b)*	**2,169,137**	10,194
	5,579,771	1,701,194

(a) Deposits of approximately RMB3,410,634,000 and RMB1,691,000,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2007 and 2006 respectively.

(b) Deposits of approximately RMB2,169,137,000 and RMB10,194,000 are paid to third parties for the transfers of land use rights as at 31 December 2007 and 2006 respectively. Such lands are acquired with the intention of project developments.

Notes to the Consolidated Financial Statements (CONTINUED)

20 Trade and other receivables

	As at 31 December 2007 RMB'000	2006 RMB'000
Trade receivables	**53,376**	9,360
Less: provision for impairment of receivables	**(2,446)**	(2,025)
Trade receivables - net *(a)*	**50,930**	7,335
Prepayments for acquisition *(b)*	**315,400**	—
Prepaid tax - income tax	**52,035**	20,280
Prepaid tax - others	**149,780**	151,145
Entrusted loan to a third party *(c)*	**130,000**	—
Entrusted loan to a jointly controlled entity *(d)*	**545,400**	—
Entrusted loan to an associate *(d)*	**5,000**	5,000
Other prepayments	**97,635**	166,696
Other receivables	**191,269**	123,831
	1,537,449	474,287
Less: non-current portion	**(602,920)**	—
Current portion	**934,529**	474,287

(a) Ageing analysis of trade receivables at the respective balance sheet dates are as follows:

	As at 31 December 2007 RMB'000	2006 RMB'000
Less than 6 months	**35,247**	3,589
6 months to 1 year	**14,012**	1,620
1 year to 2 years	**1,144**	1,433
2 years to 3 years	**527**	693
	50,930	7,335

As at 31 December 2007, trade receivables of RMB12,786,000 (2006: RMB 4,079,000) were considered as past due. Included in these balances, RMB8,706,000 (2006: nil) are not considered as impaired. Balances not impaired represent receivables from sales of properties. These relate to a number of independent customers for whom there is no recent history of default. All of these receivables are overdue for less than six months.

As at 31 December 2007, trade receivables of RMB4,080,000 (2006: RMB4,079,000) were impaired. The amount of the provision was RMB2,446,000 as at 31 December 2007 (2006: RMB2,025,000). The individually impaired receivables mainly relate to receivables of property management fees. It was assessed that a portion of the receivables is expected to be recovered.

Notes to the Consolidated Financial Statements (CONTINUED)

20 Trade and other receivables *(Continued)*

(a) Ageing analysis of trade receivables at the respective balance sheet dates are as follows : *(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At 1 January	**(2,025)**	(1,755)
Provision for receivable impairment	**(421)**	(1,320)
Receivables written off during the year as uncollectible	**—**	1,050
At 31 December	**(2,446)**	(2,025)

(b) Prepayments for acquisition as at 31 December 2007 represent deposit payments made to third parties for the acquisition of 100% interest in Qingdao Yizhong Real Estate Development Company Limited ("Qingdao Yizhong") as announced by the Group on 26 October 2007. Included in the prepayments is an amount of RMB104,500,000 to the vendors as part of the consideration for the acquisition. Remaining balance represents loans to Qingdao Yizhong. The acquisition ceased on 23 January 2008, and the payments were subsequently recovered in January 2008.

(c) Entrusted loan to a third party represents amounts lent to Tianjin Milan Real Estate Co., Ltd., the original shareholder of Tianjin Pulida Real Estate Construction and Development Co., Ltd. The balance is secured by certain land use rights, interest bearing at 8.82% and is repayable before 30 June 2008.

(d) Entrusted loans to a jointly controlled entity and an associate are unsecured, interest bearing at rates ranging from 6.73% to 7.29% (2006: 4.78% to 6.24%) and are repayable before 30 April 2009.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are all denominated in Renminbi.

21 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2007 and 2006 respectively.

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Completed properties held for sale comprised of:		
Land use rights	**168,301**	140,929
Construction costs and capitalized expenditure	**1,509,420**	1,218,497
Interest capitalized	**56,959**	30,387
	1,734,680	1,389,813

The movements of land use rights are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**140,929**	70,637
Transfer from properties under development *(Note 17)*	**312,422**	237,342
Amortization	**(1,250)**	(3,117)
Transfer to cost of sales	**(283,800)**	(163,933)
At end of year	**168,301**	140,929

As at 31 December 2007, completed properties held for sales of approximately RMB408,240,000 were pledged as collateral for the Group's borrowings (Note 27). No such pledge was made as at 31 December 2006.

Notes to the Consolidated Financial Statements (CONTINUED)

22 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balance also includes guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities'requirements.

Included within restricted bank deposits as at 31 December 2007 was a balance of RMB 600,000,000(2006:ni), being deposits placed in a restricted bank account as required by a local land department, for the participation of an open market bidding process of a piece of land. Such restricted deposits are subsequently released in January 2008.

23 Cash and cash equivalents

	As at 31 December		
	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Cash at bank and in hand	**8,178,353**	2,580,137	**72,612**
Short-term bank deposits	**290,462**	20	—
Cash and cash equivalents	**8,468,815**	2,580,157	**72,612**
Denominated in:			
- RMB	**3,944,983**	1,995,238	**35**
- HKD	**2,895,824**	229,570	**68,969**
- USD	**1,628,008**	355,349	**3,608**
	8,468,815	2,580,157	**72,612**

The effective interest rates on short-term bank deposits were 1.71% and 2.25% per annum for the years ended 31 December 2007 and 2006.

The Group's cash and cash equivalents denominated in RMB, HKD and USD are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

Notes to the Consolidated Financial Statements (CONTINUED)

24 Share capital and premium

		Number of ordinary shares	Nominal value of ordinary shares HK $'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorized						
Ordinary share of HKD 0.8 each upon incorporation		12,000	10	10	—	10
Increase in authorizzed share capital		9,999,988,000	7,999,990	7,759,991	—	7,759,991
	(a)	10,000,000,000	8,000,000	7,760,001	—	7,760,001
Issued and fully paid						
At 12 March 2007 (date of incorporation)						
Issue of ordinary shares of HKD0.8		1	—	—	—	—
Issue of shares arising from re-organization	(b)	2,969,999,999	2,475,000	2,400,750	1,006,243	3,406,993
Effect of stock split and re-designation	(c)	—	(99,000)	(96,030)	96,030	—
Issue of shares in connection with the listing	(d)	1,505,540,000	1,204,432	1,166,302	10,059,351	11,225,653
Listing expenses		—	—	—	(441,626)	(441,626)
At 31 December 2007		4,475,540,000	3,580,432	3,471,022	10,719,998	14,191,020

(a) On 12 March 2007 (date of incorporation of the Company), the authorized share capital of the Company was HKD10,000 divided into 10,000 ordinary shares of HKD1.00 each.

On 7 June 2007, shareholders' resolutions were passed to approve, inter alia, the increase of the authorized share capital of the Company from HKD10,000 to HKD5,000,000,000 by the creation of 4,999,990,000 new ordinary shares of HKD1.00 each.

On 31 August 2007, shareholders' resolutions were passed to approve, inter alia, the following:

(i) a share capital adjustment (the "Capital Adjustment") whereby every ordinary share of HKD1.00 each in the share capital of the Company was sub-divided into six sub-divided shares of HKD1/6 each (the "Sub-divided Shares") and every five Sub-divided Shares were consolidated into one consolidated share of HKD5/6 each.

Following such Capital Adjustment, the authorized share capital of the Company was altered from HKD5,000,000,000 divided into 5,000,000,000 ordinary shares of HKD1.00 each to HKD5,000,000,000 divided into 6,000,000,000 ordinary shares of HKD5/6 each (each a "New Share");

(ii) upon the Capital Adjustment taking effect and subject to the registration of certain stipulated documents, the nominal value of each New Share be re-designated (the "Re-designation") from HKD5/6 each to HKD0.80 each, resulting in a reduction of the authorized share capital of the Company from HKD5,000,000,000 divided into 6,000,000,000 ordinary shares of HKD5/6 each to HKD4,800,000,000 divided into 6,000,000,000 ordinary shares of HKD0.80 each.

(iii) subject to the passing of the resolutions relating to the Capital Adjustment and Re-designation, the authorized share capital of the Company was increased from HKD4,800,000,000 divided into 6,000,000,000 ordinary shares of HKD0.80 each to HKD8,000,000,000 divided into 10,000,000,000 ordinary shares of HKD0.80 each by the creation of 4,000,000,000 ordinary shares of HKD0.80 each.

Notes to the Consolidated Financial Statements (CONTINUED)

24 Share capital and premium *(Continued)*

(b) On 15 May 2007, the Company entered into a share exchange agreement (the "Listco share exchange Agreement") with the then shareholders of the Group. Pursuant to the Listco share exchange Agreement, on 7 June 2007, the Company acquired the entire issued capital of Shine Wind Development Limited, the then holding company of the Group from the then shareholders. The consideration of which was satisfied by the issue and allotment of 2,474,999,999 shares to the then shareholders of Shine Wind Development Limited, credited as fully paid.

Pursuant to the Capital Adjustment as described in above Note (a), the issued share capital of our such transaction was altered from HKD2,474,999,999 divided into 2,474,999,999 ordinary shares of HKD1.00 each to HKD2,475,000,000 divided into 2,969,999,999 ordinary shares of HKD5/6 each

(c) Pursuant to the re-designation as described in Note (a), a reduction of the issued share capital of the Company from HKD2,475,000,000 divided into 2,970,000,000 ordinary shares of HKD5/6 each to HKD2,376,000,000 divided into 2,970,000,000 ordinary shares of HKD0.80 each by crediting the HKD99,000,000 arising from the reduction to the share premium account of the Company.

(d) On 28 September 2007, the Company issued 1,272,860,000 ordinary shares of HKD0.80 each at HKD7.70 per share in connection with the listing, and raised gross proceeds of approximately HKD9,801,022,000. Besides on 4 October 2007, pursuant to the exercise of the over-allotment option, additional 232,680,000 ordinary shares of HKD0.80 each were issued at HKD7.70 per share and raised gross proceeds of HKD1,791,636,000.

Share options are granted to serveral directors and to selected employees. The exercise price of the granted options is equal to HKD7.70, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share HKD	Options (thousands)
At 1 January 2007	—	—
Granted during the year	7.70	69,820
At 31 December 2007	7.70	69,820

Out of the 69,820,000 outstanding options (2006: not applicable); none were exercisable as at 31 December 2007.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date - 27 September	Exercise price in HK dollar per share	Shares (thousands)
2012	7.7	69,820

The weighted average fair value of options granted during the period determined using the binomial lattice model was 2.99 HK dollar per option (2006: not applicable). Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual rish-free interest rate estimations.

Notes to the Consolidated Financial Statements (CONTINUED)

25 Reserves

(a) Group

	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Employee share option RMB'000	Total RMB'000
At 1 January 2006	(1,377,987)	131,082	(1,992)	2,130	—	(1,246,767)
Currency translation difference	—	—	2,152	—	—	2,152
Shareholders' contribution	1,620,803	—	—	—	—	1,620,803
Fair value gain on available-for-sale financial assets	—	—	—	2,030	—	2,030
Transfer from retained earnings	—	120,939	—	—	—	120,939
At 31 December 2006	242,816	252,021	160	4,160	—	499,157
At 1 January 2007	242,816	252,021	160	4,160	—	499,157
Fair value gain on available-for-sale financial assets	—	—	—	13,924	—	13,924
Employee share option	—	—	—	—	27,925	27,925
Transfer from retained earnings	—	66,111	—	—	—	66,111
Shareholders' contribution *(Note 24)*	(1,006,243)	—	—	—	—	(1,006,243)
At 31 December 2007	(763,427)	318,132	160	18,084	27,925	(399,126)

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

(b) Company

	Employee share option RMB'000
At 1 January 2007	—
Employee share option	**27,925**
At 31 December 2007	**27,925**

26 Preference shares of subsidiary

The preference shares were issued by Tak Shing International Investment Limited ("Tak Shing"), a subsidiary of the Group. According to the subscription and shareholders' agreement between the preference shareholder and Tech Power International Investment Limited ("Tech Power"), the immediate holding company of Tak Shing, the preference share holder has the right to request Tech Power to acquire certain amount of preference shares from the preference share holder. The preference shares are recognized as financial liability.

Notes to the Consolidated Financial Statements (CONTINUED)

27 Borrowings

Group

	As at 31 December 2007 RMB'000	2006 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
- secured *(a) (i)*	**3,530,000**	1,780,000
- unsecured	**5,063,740**	2,210,000
	8,593,740	3,990,000
Other borrowings		
- secured *(a) (ii)*	—	209,720
- unsecured	**191,744**	368,800
	191,744	578,520
Convertible bonds *(Note 28)*	**1,402,777**	—
Less: Amounts due within one year	**(2,185,484)**	(460,000)
Total non-current borrowings	**8,002,777**	4,108,520
Borrowings included in crrent liabilities:		
Current portion of long-term bank borrowings		
- secured *(a) (i)*	**660,000**	230,000
- unsecured	**1,525,484**	230,000
	2,185,484	460,000
Short-term bank borrowings		
- secured *(a) (iii)*	**800,000**	600,000
- unsecured	**295,850**	1,250,000
	1,095,850	1,850,000
Borrowings from fellow subsidiaries		
- unsecured	—	500,000
	—	500,000
Other borrowings		
- unsecured	—	38,037
Total current borrowings	**3,281,334**	2,848,037
Total borrowings	**11,284,111**	6,956,557

Notes to the Consolidated Financial Statements (CONTINUED)

27 Borrowings *(Continued)*

Company

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Convertible bonds *(Note 28)*	**1,402,777**	—

(a) Details of the securities of the Group's borrowings are as follows:

(i) As at 31 December 2007 and 2006, long-term bank borrowings amounting to RMB3,530,000,000 and RMB1,780,000,000 were secured by properties under development (Note 17), land use rights (Note 8), property, plant and equipment (Note 7) and investment properties (Note 9) of the Group.

(ii) As at 31 December 2006, borrowing from third party amounting RMB209,720,000 was secured by the share capital of a subsidiary of the Group.

(iii) As at 31 December 2007 and 2006, short-term bank borrowings amounting to RMB800,000,000 and RMB600,000,000 were secured by the properties under development (Note 17), completed properties held for sale (Note 21), land use rights (Note 8) and property, plant and equipment (Note 7) of the Group.

(b) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			
	2007			2006
	Bank and other borrowings	**Convertible bonds**	**Total**	Bank borrowings
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Total borrowings				
- Within 1 year	**3,281,334**	**—**	**3,281,334**	2,848,037
- Between 1 and 2 years	**5,000,000**	**1,402,777**	**6,402,777**	3,098,800
- Between 2 and 5 years	**400,000**	**—**	**400,000**	1,009,720
- Over 5 years	**1,200,000**	**—**	**1,200,000**	—
	9,881,334	**1,402,777**	**11,284,111**	6,956,557

(c) The Group's borrowings are all denominated in RMB, except for convertible bonds, which are denominated in HKD.

(d) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Bank borrowings	**6.99%**	5.95%
Other borrowings	**7.90%**	6.29%
Convertible bonds	**6.50%**	—

Notes to the Consolidated Financial Statements (CONTINUED)

27 Borrowings *(Continued)*

Company *(Continued)*

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 6 months	**5,243,740**	6,708,800
Between 6 and 12 months	**4,345,850**	38,037
Between 1 and 5 years	**1,694,521**	209,720
	11,284,111	6,956,557

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount As at 31 December		Fair value As at 31 December	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current borrowings	**8,002,777**	4,108,520	**8,002,777**	4,097,468

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

As at 31 December 2007, all long term borrowings bear interest at the prevailing market rate. Their fair values are not materially different from their carrying amounts. Fair values of non-current borrowings as at 31 December 2006 are based on cash flows discounted using borrowing rates of 5.88%.

28 Derivative financial instrument

On 7 September 2007, the Group issued 3% coupon convertible bonds with an aggregate principal amount of HKD1,575 million (the "Bonds"). Holders of the Bonds have the option to convert the bonds into shares of the Company of HKD0.80 each at a conversion price of HKD12.50 per share from the date of issue through maturity on 6 September 2009.

At any time prior to the maturity date, the Group may, redeem all and not some only of the Bonds at a redemption price as defined in the convertible agreement, if the average closing price of the Group's shares for the last three consecutive trading days of the six months following the listing of the Group's shares be above HKD12.50.

At any time prior to the maturity date, the Group may also notify the holders of the Bonds in writing on the immediate following trading day that the conversion shall be exercised, if the Group's shares closes above HKD13.5 per share for three consecutive trading days. Upon receipt of the Group's written notice, holders of the Bonds shall within five working days convert all of the Bonds, or elect to receive HKD1,575 million in cash.

As the functional currency of the bond issuing entity is RMB, the conversion option of the Bonds denominated in HK dollar will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instruments. The conversion option is therefore accounted for as an embedded derivative financial instrument carried at fair value through profit or loss.

Notes to the Consolidated Financial Statements (CONTINUED)

29 Deferred income tax

The net movement on the deferred income tax account is as follows:

	Year ended 31 December 2007 RMB'000	2006 RMB'000
At beginning of the year	**111,375**	46,720
Recognized in the income statement	**40,299**	64,655
Acquisition of subsidiaries	**519,690**	—
At end of the year	**671,364**	111,375

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction, as shown as follows:

	As at 31 December 2007 RMB'000	2006 RMB'000
Deferred tax assets:		
- to be recovered after more than 12 months	**31,716**	29,043
- to be recovered within 12 months	**70,226**	52,565
	101,942	81,608
Deferred tax liabilities:		
- to be recovered after more than 12 months	**(773,306)**	(192,983)
Deferred tax liabilities, net	**(671,364)**	(111,375)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2007 and 2006 without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Recognition of expenses RMB'000	Recognition of financial guarantee liabilities RMB'000	Unrealized gain RMB'000	Total RMB'000
At 1 January 2006	32,739	1,364	39,862	73,965
Credited to income statement	—	14,078	20,580	34,658
At 31 December 2006	32,739	15,442	60,442	108,623
Credited to income statement	35,166	442	28,965	64,573
Effect of future tax rate change from 33% to 25%	(16,462)	(3,851)	(21,674)	(41,987)
At 31 December 2007	51,443	12,033	67,733	131,209

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. The Group did not recognize tax losses amounting to RMB40,998,000 and RMB88,585,000 as at 31 December 2006 and 2007 respectively that can be carried forward against future taxable income. These tax losses will expire before is going to be expired within five years.

Notes to the Consolidated Financial Statements (CONTINUED)

29 Deferred income tax *(Continued)*

Deferred income tax liabilities

	Depreciation difference RMB'000	Investment properties revaluation RMB'000	Property revaluation RMB'000	Deemed disposal RMB'000	Others RMB'000	Total RMB'000
At 1 January 2006	(2,850)	(75,247)	—	(24,138)	(18,450)	(120,685)
Charged to income statement	(5,821)	(93,545)	—	(5,610)	5,663	(99,313)
At 31 December 2006	(8,671)	(168,792)	—	(29,748)	(12,787)	(219,998)
Charged to income statement	(4,573)	(146,231)	—	—	(2,355)	(153,159)
Effect of future tax rate change from 33% to 25%	3,211	76,369	—	7,212	3,482	90,274
Acquisition of subsidiaries *(Note 42)*	—	—	(519,690)	—	—	(519,690)
At 31 December 2007	(10,033)	(238,654)	(519,690)	(22,536)	(11,660)	(802,573)

30 Trade and other payables

(a) Group

	As at 31 December 2007 RMB'000	2006 RMB'000
Trade payables	**2,006,157**	880,983
Accrued expenses	**1,583,477**	1,091,588
Other payables	**894,554**	293,358
Other tax	**33,778**	16,798
Provision for financial guarantee liabilities	**65,677**	67,016
	4,583,643	2,349,743

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

Ageing analysis of the trade payables (including amounts due to related parties of trading in nature) are as follows:

	As at 31 December 2007 RMB'000	2006 RMB'000
Less than 6 months	**1,710,168**	577,172
6 months to 12 months	**251,122**	246,062
1 year to 2 years	**9,599**	32,494
2 years to 3 years	**32,494**	17,077
Over 3 years	**2,774**	8,178
	2,006,157	880,983

Notes to the Consolidated Financial Statements (CONTINUED)

30 Trade and other payables *(Continued)*

(a) Group *(Continued)*

The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 40 are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
At beginning of the year	**67,016**	24,354
Addition	**18,520**	56,771
Interest expense	**5,314**	3,195
Reversal	**(25,173)**	(17,304)
At end of the year	**65,677**	67,016

(b) Company

	As at 31 December 2007 RMB'000
Accrued expenses	**16,309**
Other payables	**91,298**
	107,607

31 Other income

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	**5,815**	820
Interest income	**321,105**	35,481
Others	**32,529**	3,940
	359,449	40,241

32 Other (losses)/gains - net

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Gain on deemed disposal of a subsidiary *(a)*	**15,606**	17,000
Gain on disposal of subsidiaries *(Note 42)*	**26,334**	1,867
Loss on disposal of property, plant and equipment	**(47)**	(106)
Exchange losses	**(70,180)**	(11,673)
	(28,287)	7,088

(a) Deemed disposal gain results from capital injection from a minority shareholder of a subsidiary resulting in dilution of the Group's share of the net assets of that subsidiary.

Notes to the Consolidated Financial Statements (CONTINUED)

33 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing costs and administrative expenses, as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
- Land use rights *(Note 21)*	**283,800**	163,933
- Capitalized interest	**50,881**	60,159
- Construction related cost and cost of properties and land use rights	**3,050,509**	2,095,735
Direct investment property expenses *(Note 9)*	**25,971**	8,292
Employee benefit expense *(Note 34)*	**195,038**	108,752
Consultancy fee	**24,337**	23,973
Auditor's remuneration	**6,338**	1,380
Depreciation	**12,912**	8,649
Amortization of land use rights	**10,210**	3,820
Advertising and marketing	**103,961**	70,653
Business taxes and other levies	**316,286**	201,044
Impairment for trade and other receivables *(Note 20)*	**421**	1,320
Office expenditure	**52,117**	47,496
Properties maintenance expenses	**33,619**	19,456
Energy expenses	**24,671**	7,735
Others	**83,307**	55,051
	4,274,378	2,877,448

Notes to the Consolidated Financial Statements (CONTINUED)

34 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Salaries, wages and bonuses	162,508	90,273
Retirement benefits contribution	13,979	12,437
Share options granted to directors and employees	27,925	—
Other allowances and benefits	34,628	22,814
	239,040	125,524
Less: capitalized in properties under development	(44,002)	(16,772)
	195,038	108,752

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2007 and 2006.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

	Year ended 31 December							
	2007					2006		
Name of Directors	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Total	Salary and bonus	Employer's contribution to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Luo Dongjiang	—	—	—	—	—	—	—	—
Mr. Li Jianhong	—	—	—	—	—	—	—	—
Mr. Li Ming	—	2,839	1,811	1,675	6,325	2,835	100	2,935
Mr. Chen Runfu	—	2,158	77	—	2,235	—	—	—
Mr. Liang Yanfeng	—	—	—	—	—	—	—	—
Mr. Zheng Yi	—	—	—	—	—	—	—	—
Mr. Tsang Hing Lun	162	—	—	—	162	—	—	—
Mr. Gu Yunchang	162	—	—	—	162	—	—	—
Mr. Han Xiaojing	162	—	—	—	162	—	—	—
Mr. Zhao Kang	113	—	—	—	113	—	—	—
	599	4,997	1,888	1,675	9,159	2,835	100	2,935

Notes to the Consolidated Financial Statements (CONTINUED)

34 Employee benefits expense *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Basic salaries and allowance	**1,806**	1,510
Bonuses	**3,795**	2,202
Retirement scheme contributions	**225**	186
Other long-term welfare	**240**	—
	6,066	3,898

The emoluments fell within the following bands:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
RMB nil to RMB 936,400 (equivalent to HKD nil – HKD1,000,000)	**—**	2
RMB 936,400 to RMB 1,404,600 (equivalent to HKD 1,000,000 – HKD1,500,000)	**—**	2
RMB 1,404,600 to RMB 2,809,200 (equivalent to HKD 1,500,000 – HKD3,000,000)	**3**	—
	3	4

(c) During the years ended 31 December 2007 and 2006, no emoluments was paid by the companies now comprising the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

35 Finance costs

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Interest expense on borrowings		
- wholly repayable within five years	**549,121**	373,438
Interest expense on convertible bonds	**28,142**	—
Interest expense on preference shares	**15,098**	—
Less: interest capitalized in properties under development at a capitalization rate of 7.02% (2006: 5.81%) per annum	**(378,421)**	(241,568)
	213,940	131,870

Notes to the Consolidated Financial Statements (CONTINUED)

36 Income tax expense

Vast majority of the group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 33% of the assessable income of each of these group entities during the years ended 31 December 2007 and 2006 as determined in accordance with the relevant PRC income tax rules and regulations. Other companies are mainly subjected to Hong Kong income tax.

On 16 March 2007, the National People's Congress of the PRC approved Corporate Income Tax Law of the PRC, which changed the income tax rate applicable to all PRC enterprise to 25% effective as of 1 January 2008.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Current income tax:		
- PRC enterprise income tax	**764,000**	283,893
- PRC land appreciation tax	**260,463**	83,865
Deferred tax *(Note 29)*	**40,299**	64,655
	1,064,762	432,413

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	**2,856,574**	1,029,222
Add: share of loss of a jointly controlled entity *(Note 12)*	**24,768**	1,470
Less: share of profits of associates *(Note 13)*	**(9,895)**	(2,143)
	2,871,447	1,028,549
Tax calculated at domestic tax rates (33%) applicable to profits in the respective countries	**947,578**	339,421
Impact of income tax law to come into effect in 2008	**(48,287)**	—
Effect of higher tax rate for the appreciation of land in the PRC	**174,510**	56,190
Income not subject to tax	**(99,718)**	(8,519)
Expenses not deductible for tax purposes	**59,824**	19,708
Tax losses not recognized	**30,855**	31,254
Utilization of previously unrecognized tax losses	**—**	(5,641)
Tax expense	**1,064,762**	432,413

Notes to the Consolidated Financial Statements (CONTINUED)

37 Earnings per share

(a) Basic

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

	2007 RMB'000
Profit attributable to equity holders of the Company	**1,721,502**
Weighted average number of ordinary shares in issue (thousands)	**3,361,853**
Basic earnings per share (RMB per share)	**0.512**

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options and convertible bonds. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The dilutive effect of the convertible debt is not considered, as the average market price of the Company's shares in the current year is lower than the conversion price.

	2007 RMB'000
Profit attributable to equity holders of the company	**1,721,502**
Weighted average number of ordinary shares in issue (thousands)	**3,361,853**
Adjustments for:	
- Share options (thousands)	**4,675**
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,366,528**
Diluted earnings per share (RMB per share)	**0.511**

The company has no dilutive potential ordinary shares as at 31 December 2006 and therefore the diluted earnings per share is equal to the basic earnings per share.

No earnings per share information is provided as at 31 December 2006, as the Company was only incorporated and listed in 2007.

38 Dividends

	Year ended 31 December	
	2007 **RMB'000**	2006 RMB'000
Final dividend paid	**248,794**	—
Final dividend proposed	**502,907**	—

On 27 March 2008, the Company proposed a final dividend of RMB 502,907,000.

Notes to the Consolidated Financial Statements (CONTINUED)

39 Cash used in operation

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Profit for the year	**1,791,812**	596,809
Adjustments for:		
- Tax *(Note 36)*	**1,064,762**	432,413
- Depreciation *(Note 7)*	**12,912**	8,649
- Amortization of land use rights *(Note 33)*	**10,210**	3,820
- Impairment for trade and other receivables *(Note 33)*	**421**	1,320
- Loss on sale of property, plant and equipment *(Note 32)*	**47**	106
- Interest expense *(Note 35)*	**213,940**	131,870
- Interest income *(Note 31)*	**(321,105)**	(35,481)
- Share of loss from a jointly controlled entity *(Note 12)*	**24,768**	1,470
- Share of profits from associates*(Note 13)*	**(9,895)**	(2,143)
- Valuation gain on investment properties *(Note 9)*	**(418,277)**	(282,181)
- Valuation loss on derivative financial statement	**49,410**	—
- Gain on deemed disposal of a subsidiary *(Note 32)*	**(15,606)**	(17,000)
- Gain on disposal of a jointly controlled entity *(Note 42)*	**(909,690)**	—
- Gain on disposal of subsidiaries *(Note 32)*	**(26,334)**	(1,867)
- Investment income from available-for-sale financial assets *(Note 31)*	**(5,815)**	(820)
- Exchange losses	**39,267**	—
- Employee share option *(Note 34)*	**27,925**	—
	1,528,752	836,965
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Completed properties held for sale	**(385,840)**	(156,159)
- Inventories, at cost	**(140)**	(147)
- Trade and other receivables	**(1,147,113)**	818,477
- Land under development	**(1,796,334)**	(748,573)
- Deposits for land use rights	**(3,878,577)**	(1,423,602)
- Trade and other payables	**1,186,937**	1,303,575
- Dividend payable	**(430)**	—
- Derivative financial instrument	**80,325**	—
- Prepayments	**126,829**	(207,807)
- Advanced proceeds received from customers	**66,238**	864,659
- Properties under development	**(680,189)**	(1,913,881)
- Land use rights	**(2,386,407)**	(1,338,604)
- Restricted cash	**(822,881)**	25,161
Cash used in operations	**(8,108,830)**	(1,939,936)

Notes to the Consolidated Financial Statements (CONTINUED)

39 Cash used in operation *(Continued)*

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

	Year ended 31 December 2007 RMB'000	2006 RMB'000
Net book amount *(Note 7)*	**2,593**	940
Loss on disposal of property, plant and equipment	**(47)**	(106)
Proceeds from disposal of property, plant and equipment	**2,546**	834

Non-cash transactions

The principal non-cash transaction is the issue of financial instrument as consideration for the acquisition discussed in Note 42.

40 Financial guarantees - Group

The Group had the following financial guarantees as at the end of the years ended 31 December 2007 and 2006:

	As at 31 December 2007 RMB'000	2006 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers *(a)*	**1,731,637**	1,812,885
Guarantees in respect of banking facilities given to an associate *(b)*	**600,000**	—
	2,331,637	1,812,885

(a) As at 31 December 2007 and 2006, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) As at 31 December 2007, the Group has provided a guarantee in respect of banking facilities given to Beijing Central Business District Development and Construction Co., Limited, an associate of the Group, amounting to RMB600,000,000.

Notes to the Consolidated Financial Statements (CONTINUED)

41 Commitments - Group

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Land use rights	**5,432,123**	194,403
Property under development	**4,800,931**	1,259,487
Contracted but not provided for	**10,233,054**	1,453,890

(b) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Within 1 year	**104,993**	58,195
Between 1 to 5 years	**182,582**	85,554
After 5 years	**53,838**	13,085
	341,413	156,834

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group

(a) Acquisition

(i) On 8 January 2007, the Group acquired a 100% equity interest in Liaoning Wanxiang Property Co., Ltd., a property development company established on 18 May 2006, at a consideration of RMB80,000,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	80,000
Fair value of net assets acquired - shown as below	(80,000)
Goodwill	—

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipments	680	680
Cash and cash equivalents	2,177	2,177
Trade and other receivables and prepayments	6,136	6,136
Properties under development	184,024	181,835
Trade and other payables	(86,460)	(86,460)
Income tax payable	(7)	(7)
Borrowings	(26,550)	(26,550)
Net assets	80,000	77,811
Fair value of net assets acquired	80,000	
Purchase consideration settled in cash		(80,000)
Cash and cash equivalents in the subsidiary acquired		2,177
Cash outflow on acquisition		(77,823)

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(a) Acquisition *(Continued)*

(ii) On 13 February 2007, the Group acquired a 91% equity interest in Wanxiang Zhiye (Shenyang) Co., Ltd., a property development company established on 19 December 2005, at a consideration of RMB185,080,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	185,080
Fair value of net assets acquired - shown as below	(185,080)
Goodwill	—

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipments	789	789
Cash and cash equivalents	16,063	16,063
Trade and other receivables and prepayments	87,432	87,432
Properties under development	98,899	96,858
Net assets	203,183	201,142
Minority interest (9%)	(18,103)	
Fair value of net assets acquired	185,080	
Purchase consideration settled in cash		(185,080)
Cash and cash equivalents in the subsidiary acquired		16,063
Cash outflow on acquisition		(169,017)

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(a) Acquisition *(Continued)*

(iii) On 7 September 2007, the Group acquired a 100% ownership interest in Tianjin Pulida Real Estate Construction and Development Co., Ltd for a consideration of HKD1,575,000,000 in the form of convertible bonds and RMB41,015,000 in cash.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	1,575,818
Fair value of net assets acquired - shown as below	(1,479,343)
Goodwill	96,475

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipments	7	7
Cash and cash equivalents	1,048	1,048
Trade and other receivables and prepayments	27,739	27,739
Properties under development	3,000,000	1,080,491
Borrowings	(47,100)	(47,100)
Trade and other payables	(1,022,473)	(1,022,473)
Income tax payable	(1)	(1)
Deferred tax liability	(479,877)	—
Net assets	1,479,343	39,711
Fair value of net assets acquired	1,479,343	
Purchase consideration settled in cash		(41,015)
Cash and cash equivalents in the subsidiary acquired		1,048
Cash outflow on acquisition		(39,967)

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(a) Acquisition *(Continued)*

(iv) On 22 November 2007, the Group acquired a 51% equity interest in Beijing Jinhe Wansheng Real Estate Development Company Limited, a property development company established on 20 September 2001, at a consideration of RMB97,859,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	97,859
Fair value of net assets acquired - shown as below	(97,859)
Goodwill	—

The assets and liabilities arising from the acquisition are as follow:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipments	269	269
Cash and cash equivalents	370	370
Trade and other receivables and prepayments	14,412	14,412
Land under development	307,601	148,019
Borrowings	(90,101)	(90,101)
Other payables	(1,129)	(1,129)
Income tax payable	(12)	(12)
Deferred tax liabilities	(39,813)	—
Net assets	191,597	71,828
Minority interest (49%)	(93,738)	
Fair value of net assets acquired	97,859	

	RMB'000
Purchase consideration settled in cash	(97,859)
Cash and cash equivalents in the subsidiary acquired	370
Cash outflow on acquisition	(97,489)

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(b) Disposal of subsidiaries

(i) On 29 November 2007, the Group disposed of its control in regard of the power to govern the financial operating policies of Beijing First Branch Real Estate Development Company Limited ("Beijing First Branch"), a property development company with nil consideration. Subsequent to the transfer, Beijing First Branch will no longer be the subsidiary of the Group.

Details of net assets and loss on disposal are as follows:

	2007 **RMB'000**
Proceeds on disposal of a subsidiary	—
Net liabilities of subsidiary disposed of – details shown as below	**26,155**
Gain on disposal of a subsidiary	**26,155**

The assets and liabilities arising from the disposal are as follows:

	Carrying amount RMB'000
Property, plant and equipment	123
Cash and cash equivalent	11,968
Trade and other receivables and prepayments	317
Properties under development	509,837
Borrowing	(548,400)
Net liabilities of Company's net assets disposed of	(26,155)
Proceeds received in cash	—
Cash and cash equivalents in subsidiary disposed of	(11,968)
Cash outflow on disposal	(11,968)

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(b) Disposal of subsidiaries

(ii) On 22 November 2007, the Group disposed of a 50% equity interest in Beijing Linlian Property Company Limited ("Linlian"), a real estate development company, at a consideration of RMB 25,000,000.

Subsequent to the transfer, Linlian changed from a subsidiary to a jointly controlled entity of the Group.

Details of net assets and loss on disposal are as follows:

	2007 **RMB'000**
Proceeds on disposal of a subsidiary	**25,000**
Net book value of subsidiary disposed of – details shown as below	**(24,821)**
Gain on disposal of a subsidiary	**179**

The assets and liabilities arising from the disposal are as follows:

	Carrying amount **RMB'000**
Cash and cash equivalent	223
Trade and other receivables and prepayments	50,020
Trade and other payable	(600)
Net assets	49,643
Other party shares (50%)	(24,821)
Net book value of Company's net assets transferred to as interest in a jointly controlled entity *(Note 12)*	24,822
Proceeds received in cash	25,000
Cash and cash equivalents in the subsidiary disposed of	(223)
Cash inflow on disposal	24,777

Notes to the Consolidated Financial Statements (CONTINUED)

42 Business combinations - Group *(Continued)*

(c) Disposal of a jointly controlled entity

On 28 June 2007, the Group disposed of its entire equity interest in Shing Wing International Investment Limited which indirectly holds 50% equity interest in Beijing Chemsunny Property Co., Ltd. ("Chemsunny Property"), to Sinochem Hong Kong, one of the Company's shareholders, for a consideration of RMB 954.5 million. Subsequent to the transfer, Chemsunny Property will no longer be a jointly controlled entity of the Group.

Details of net assets and loss on disposal are as follows:

	2007 **RMB'000**
Proceeds on disposal of the subsidiary	**954,472**
Net book value of the subsidiary disposed -shown as below	**(44,782)**
Gain on disposal of the subsidiary	**909,690**

The assets and liabilities arising from the disposal are as follows:

	Carrying amount **RMB'000**
Investment in a jointly controlled entity	42,975
Cash and cash equivalent	282
Trade and other receivables and prepayments	1,525
Net book value of Company's net assets disposed of	44,782
Proceeds received in cash	954,472
Cash and cash equivalents in the subsidiary disposed of	(282)
Cash inflow on disposal	954,190

Notes to the Consolidated Financial Statements (CONTINUED)

43 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2007 and 2006:

(a) Sales of properties and services

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Sales of properties:		
- COSCO Group	**—**	24,524
Provision of services:		
- COSCO Group	**9,085**	9,014
- A jointly controlled entity	**14,917**	770
	24,002	34,308

(b) Sales of a jointly controlled entity

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Sales of a jointly controlled entity:		
- Sinochem Hong Kong (*Note 42*)	**954,472**	—

(c) Purchases of services

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Purchases of services:		
- Associates	**(93,340)**	(21,159)
- Fellow subsidiaries	**—**	(10,715)
	(93,340)	(31,874)

(d) Key management compensation

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**15,924**	8,625
Post-employment benefits	**2,483**	397
Other long-term welfare	**2,151**	—
	20,558	9,022

Notes to the Consolidated Financial Statements (CONTINUED)

43 Related party transactions *(Continued)*

(e) Interest income and expenses

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Interest received:		
- Associates	**85**	618
- A jointly controlled entity	**—**	13,584
- Fellow subsidiaries	**23**	4,182
Interest expenses:		
- Fellow subsidiaries	**—**	(10,263)
	108	8,121

(f) Loans from related parties

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
- A fellow subsidiary	**—**	500,000

(g) Borrowings which are guaranteed by related parties are disclosed as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Current borrowings		
Secured		
- Chemsunny	**—**	230,000

The guarantees provided by Chemsunny for the Group's borrowings have all been released in 2007.

The Group was jointly controlled by COSCO Group and Sinochem Group, both of which are state owned enterprises controlled by the PRC government. In accordance with HKAS 24, "Related Party Disclosures" issued by the HKICPA, state-owned enterprises and their subsidiaries, other than the COSCO Group and Sinochem Group, directly or indirectly controlled by the PRC government ("state-owned enterprises") are also defined as related parties of the Group.

Subsequent to listing of the Group on 28 September 2007, COSCO Group and Sinochem Group are no longer jointly controlled the Group, and hence respective state-owned enterprises ceased to be considered as related parties of the Group.

Notes to the Consolidated Financial Statements (CONTINUED)

43 Related party transactions *(Continued)*

The following is a summary of balances and transactions with state-owned enterprises up till 28 September 2007.

(a) Sales of properties and services

	Period ended 28 September 2007 RMB'000	Year ended 31 December 2006 RMB'000
Provision of services:		
- State-owned enterprises	**40,987**	—

(b) Purchases of services

	Period ended 28 September 2007 RMB'000	Year ended 31 December 2006 RMB'000
Purchases of services:		
- State-owned enterprises	**(1,586,533)**	(1,562,835)

(c) Interest income and expenses

	Period ended 28 September 2007 RMB'000	Year ended 31 December 2006 RMB'000
Interest received:		
- State-owned banks	**28,481**	11,904
Interest expenses:		
- State-owned banks	**(392,072)**	(262,603)
	(363,591)	(250,699)

(d) Bank deposits

	As at 28 September 2007 RMB'000	As at 31 December 2006 RMB'000
- Stated-owned banks	**3,218,421**	2,150,446

(e) Balances arising from sales and purchases of services

	As at 28 September 2007 RMB'000	As at 31 December 2006 RMB'000
Trade and other payables to related parties		
- Stated-owned enterprises	**239,167**	237,693

Notes to the Consolidated Financial Statements (CONTINUED)

43 Related party transactions *(Continued)*

(f) Loans from related parties

	As at 28 September 2007 RMB'000	As at 31 December 2006 RMB'000
- Stated-owned banks	**6,447,744**	4,290,000

(g) During the period ended 28 September 2007 and the year ended 31 December 2006, the Group paid fees to other state-owned enterprises in respect of general supply and services such as the repair of machinery, supply of water, electricity and gas, communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery. Such fees were included in the income statement as administrative expenses. The Group does not believe the amounts were significant and therefore no separate disclosure is made.

(h) Borrowings which are guaranteed by related parties are disclosed as follows:

	As at 28 September 2007 RMB'000	As at 31 December 2006 RMB'000
Non-current borrowings		
Secured		
- State-owned enterprise	—	180,000

44 Event after balance sheet date

(a) On 17 January 2008, the Group successfully bid for a piece of land located within the Shijingshan area of Beijing, PRC, with a consideration of RMB 1,650,000,000. This land occupies a total area of 192,178 sq.m. with a total gross floor area of 310,050 sq.m. This land is planned for residential and commercial use.

(b) On 23 January 2008, the Group announced that the completion of the acquisition of Qingdao Yizhong, as originally announced on 26 October 2007, did not take place as a result of the non-fulfillment of certain precedent conditions set out by the vendors. All parties of the respective acquisition unanimously agreed to terminate the acquisition by entering into a termination agreement on 18 January 2008. All related payments in relation to the acquisition recovered in January 2008.

(c) On 4 February 2008, the Group has entered into an agreement with Beijing Jasmine I Limited, the shareholder of Tak Shing International Investment Limited ("Tak Shing"), one of the Company's subsidiaries, with 35.72% ordinary shares and 143,870,191 preference shares, to purchase the entire equity interest in Tak Shing for a consideration of HKD252,024,808.

Corporate Information

Directors

Mr. LI Jianhong *(Chairman and Non-Executive Director)*
Mr. LUO Dongjiang *(Vice-chairman and Non-Executive Director)*
Mr. LI Ming *(Executive Director and Chief Executive Officer)*
Mr. LIANG Yanfeng *(Non-Executive Director)*
Mr. CHEN Runfu *(Executive Director)*
Mr. ZHENG Yi *(Non-Executive Director)*
Mr. TSANG Hing Lun *(Independent Non-Executive Director)*
Mr. GU Yunchang *(Independent Non-Executive Director)*
Mr. HAN Xiaojing *(Independent Non-Executive Director)*
Mr. ZHAO Kang *(Independent Non-Executive Director)*

Qualified Accountant

Mr. SUM Pui Ying, Adrian

Company Secretary

Mr. SUM Pui Ying, Adrian

Audit Committee

Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing

Remuneration and Nomination Committee

Mr. HAN Xiaojing
Mr. GU Yunchang
Mr. ZHAO Kang

Investment Committee

Mr. LI Ming
Mr. CHEN Runfu
Mr. ZHENG Yi
Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

Principal Bankers

Agricultural Bank of China
Bank of Communications Co., Ltd.
China Minsheng Banking Corp., Ltd.
China Merchants Bank Co., Ltd.
Bank of Beijing Co., Ltd
Bank of China Limited

Auditor

PricewaterhouseCoopers

Legal Advisor

Freshfields Bruckhaus Deringer

Compliance Advisor

BOCI Asia Limited

Share Registrar

Computershare Hong Kong Investor Services Limited
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Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

Stock Code

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