方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方 興 地 產（中 國）有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

ANNOUNCEMENT OF RESULTS FOR THE YEAR

ENDED 31 DECEMBER 2008

The Board of the Company is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2008. This announcement, containing the full text of the 2008 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of the annual results. Printed version of the Company's 2008 Annual Report will be sent to the shareholders of the Company and available for viewing on the website of the Stock Exchange and of the Company at http://fx.etnet.com.hk on 30 April 2009.

Contents

Company Overview

Franshion Properties (China) Limited is a developer and investor of large-scale and high-end commercial real estate projects in the PRC, which emphasizes on developing and holding commercial properties and hotels. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 00817). The Company has developed several top quality real estate projects in Beijing, Shanghai, Shenzhen and Sanya, and has invested to own a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, the Company has occupied an important position as a developer and operator in the field of commercial properties in the PRC.

Property Development
Property Leasing
Hotel Operations
Franshion Properties Business Segment

Our Concern

We focus on development opportunities arising in prime locations of first-tier cities and famous tourist and scenic spots and have established a synergistic development model for our three major business segments, namely high-end commercial property development, property leasing, and hotel operations.

Key Factors for Our Success

(i) The synergistic development strategy of our three major business segments will secure a balanced profit growth for the Company. We will seize more business opportunities arising from the rapid development of the PRC real estate sector through development of quality real estate projects, and we will secure steady and impressive returns through holding of high-end commercial properties and luxury hotels located in prime locations; and the Company will benefit from appreciation of our properties portfolio in the future.

(ii) At the same time, our outstanding management team will ensure our strategies are effectively implemented.

(iii) In addition, as a platform of property business of Sinochem Corporation in the real estate sector, we will benefit more from our parent company in terms of resources allocation and integration, which will realise a significant growth of the Company in the future.

Our Future

We will continue to strengthen our presence in the PRC high-end commercial properties market, to strengthen our brand value, and to build the company to be the most influential properties enterprise in the PRC properties sector, in order to continuously create wealth for the society and to maximize shareholders' value.

Corporate Information

Company Name

Franshion Properties (China) Limited

Principal Office

Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

Non-executive Directors

Mr. HE Cao *(Chairman)*
Ms. LI Lun *(Vice Chairman)*
Mr. WANG Hongjun

Executive Directors

Ms. LI Xuehua *(Chief Executive Officer)*
Mr. HE Binwu *(Vice President)*
Mr. JIANG Nan *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Chief Financial Officer

Mr. JIANG Nan

Qualified Accountant

Mr. LIAO Chi Chiun

Company Secretary

Mr. LIAO Chi Chiun

Authorised Representatives

Ms. LI Xuehua
Mr. JIANG Nan

Legal Advisers

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

Paul, Hastings, Janofsky & Walker LLP
22nd Floor, Bank of China Tower
1 Garden Road
Hong Kong

Tian Yuan Law Firm
11th Floor, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing, People's Republic of China

Auditor

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

Stock Code

00817

Share Registrar and Transfer Office

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

Compliance Adviser

Piper Jaffray Asia Limited
39th Floor, Tower 1
Lippo Centre, 89 Queensway, Hong Kong

Investor Enquiry

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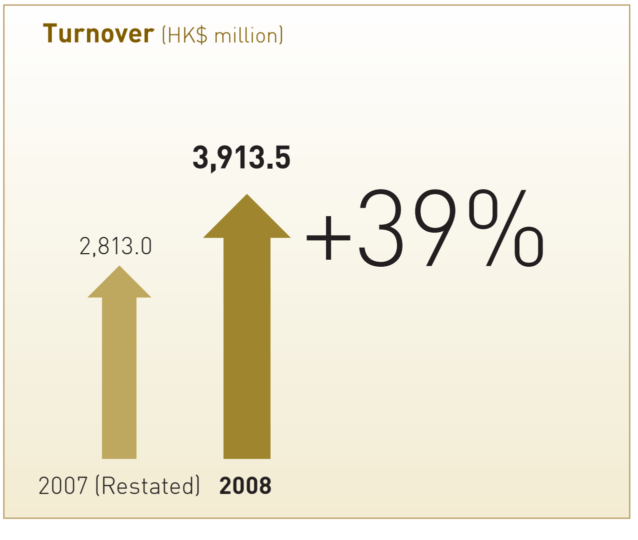
Financial Highlights

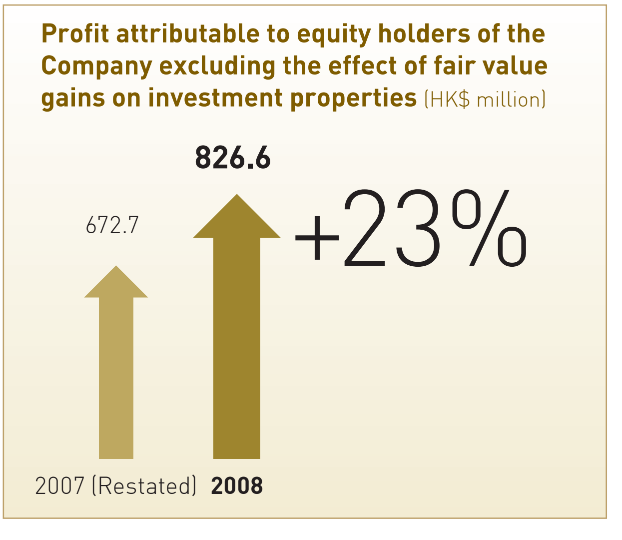
	2008 (HK$ million)	2007 (Restated) (HK$ million)	Percentage change (%)
Revenue	**3,913.5**	2,813.0	39
Gross profit	**2,198.0**	1,677.6	31
Profit attributable to equity holders of the Company – less: fair value gains on investment properties (net of deferred tax)	**826.6**	672.7	23
Add: fair value gains on investment properties (net of deferred tax)	**74.3**	1,847.6	-96
Profit attributable to equity holders of the Company	**900.9**	2,520.3	-64
Total assets	**34,546.9**	31,701.9	9
Equity attributable to equity holders of the Company	**11,040.0**	12,035.1	-8
Basic earnings per share (HK cents)	**14.76**	68.72	-79
Basic earnings per share – less: fair value gains on investment properties (net of deferred tax) (HK cents)	**13.54**	18.34	-26
Dividend (HK cents)			
– final dividend per ordinary share	**2.00**	2.00	–
Net debt-to-adjusted capital ratio (%)	**26**	6	N/A

Note:

According to the principles of merger accounting, the Company has consolidated the financial statements of Jin Mao Group for 2007 and previous years, and restated its financial data for the same periods accordingly.

Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits)/(total equity + amount due to related parties).





Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties", or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the twelve months ended 31 December 2008.

During the period under review, profit attributable to shareholders of the Company excluding fair value gains on investment properties, net of deferred tax, amounted to HK$826.6 million, representing an increase of 23% over last year. The Group reclassified certain properties held-for-sale as investment properties in 2007, as a result, the fair value gains on investment properties represented a large proportion of the Group's profit in that year, while there was a significant drop in fair value gains on investment properties in 2008 since the Group did not reclassify any properties held-for-sale as investment properties in that year. If the effect of fair value gains on investment properties was taken into account, profit attributable to shareholders of the Company would be HK$900.9 million, representing a decrease of 64% over last year. Basic earnings per share was HK14.76 cents. The Board has resolved to recommend the payment of a final dividend of HK2 cents per share. The proposed final dividend will be subject to the approval of shareholders at a general meeting of the Company (the "General Meeting").

2008 was an unusual and stormy year for the global economy. The property market in China was confronted with unprecedented challenges due to further deterioration of the global economy as a result of the financial tsunami and the moderately tight macro economic adjustment policies adopted by the Chinese Government. Despite the complicated domestic and international economic environment and the unprecedented challenges, the Group managed to achieve good operating results during the period under review by firmly pursuing a proactive and balanced strategy for its operations, taking full advantage of its competitive edge, and leveraging on the outstanding leadership of our management, the diligence and devotion of our staff and the sincere support of our shareholders.

During the period under review, the Group experienced tremendous development as evidenced by the stunning progress made in all key projects of the three segments (namely property development, property leasing and hotel operations). During the year, the Company completed the acquisition of China Jin Mao (Group) Company Limited ("Jin Mao Group" or "Jin Mao"). This acquisition has significantly expanded the assets of the Company's office and hotel investment portfolio and strengthened the Group's leading position in the high-end commercial property segment of China.

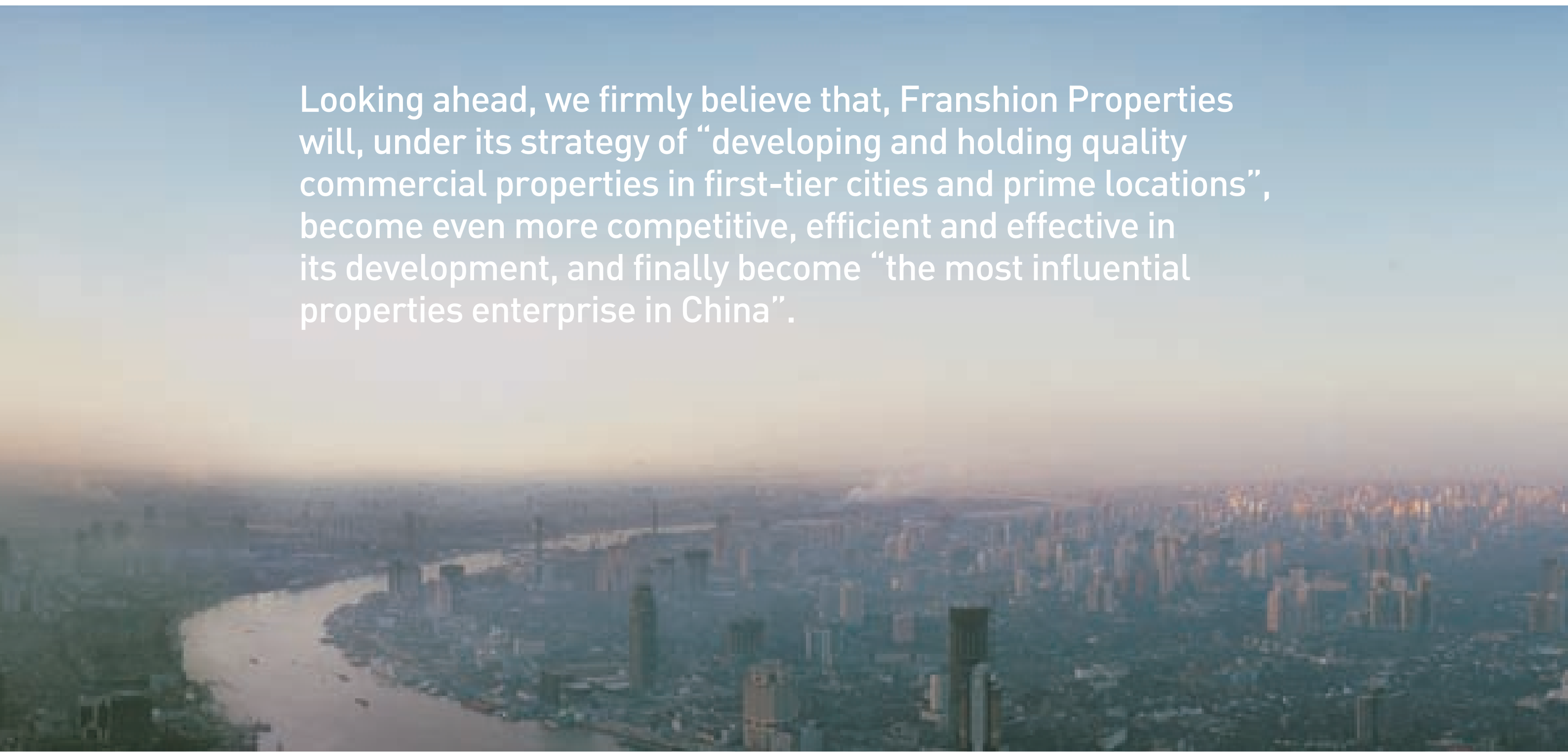
Property development segment: The Group is committed to the construction of topclass landmark buildings at prime locations in China to generate good returns while making contribution to the development of the community and the local economy. This concept is fully embodied in our two major projects under construction in Shanghai. Currently, the Chinese government has approved the "Proposal for Building Shanghai into an International Shipping Centre", thus putting forward the plan for making Shanghai essentially an international shipping hub with the capacity for allocating global shipping resources by 2020. Early in this century, the Group had foreseen the strategic opportunities that will arise from Shanghai's commitment to become an "international shipping hub" and started to participate as a strategic partner, in the development and construction of Shanghai shipping centre. During the period under review, all superstructures of the buildings on Site B of Shanghai Port International Cruise Terminal (formerly known as Shanghai Gaoyang International Cruise Terminal) were topped out. The Company has entered into pre-sale contracts or letters of intent for sale of part of these buildings with an area of more than two thirds of the total gross floor area of this project. The project of Shanghai International Shipping Service Center (of the development on the site of former Huishan dock) has kicked off and its development and construction are in full swing. Upon completion, the aforesaid two projects will form a 2-kilometer-long waterfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the

Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden triangle" within Shanghai's central business district (CBD) and this region will serve as an essential area for Shanghai international shipping centre. The Group's projects in other cities also made remarkable progress. Among which, Zhuhai Every Garden Project was ready for occupation in September 2008. In addition, the Group intends to develop three commercial property projects in Chong Ming Island of Shanghai and Lijiang of Yunnan Province respectively with a total gross floor area expected to be of approximately 200,000 square meters.

Property leasing segment: Currently, all high-end office buildings held by the Group are located in prime locations in Beijing and Shanghai. Of which, the occupancy rate and rental level of Beijing Chemsunny World Trade Centre and Shanghai Jinmao Tower are ranked at the top among similar office buildings in their respective markets. Despite the far-reaching global financial crisis and the ailing property market, the Group's high-end office buildings have achieved remarkable results.

Hotel operations segment: The Group now owns six deluxe hotels with approximately 2,900 guest rooms. These hotels are all situated in prime areas in first-tier cities of China or in 5A grade scenic spots. Against the backdrop of an unprecedented negative impact on tourism and the hotel industry which was brought about by the external environment, the Group's hotels, leveraging on their respective competitive edge, have managed to reduce the adverse impact resulting from the unfavourable factors. During the period under review, two brand new five-star hotels of the Group commenced operations. Among which, Westin Beijing, Chaoyang accommodated many internationally honoured guests, including the US former President George W. Bush and his family, during the Beijing Olympic Games, and received positive comments. The Ritz-Carlton, Sanya secured its leading position in the high-end hotel market in Sanya through its first class facilities and superb services. The Group's other hotels also achieved remarkable operating results. In early 2009, JW Marriott Shenzhen, the Group's sixth deluxe hotel, commenced operation and its current operating condition is sound.

Looking forward to 2009, we are of the view that the property market in China will still be affected by the downturn of the global economy, and will be faced



with a number of difficulties. But there is always hope amidst crisis. At this moment, China's economy has still managed to maintain stable and rapid development, whilst the adjustments in state monetary policies and the reduction in interest rates will create a more favourable financing environment in China. The government's economy stimulating policies have attained preliminary positive results. Various favourable signs will help to engineer a recovery in China's real estate sector. Capitalised on its unique advantages, the Group will grasp this great historic opportunity with its prudent and enthusiastic spirit, in order to seek a faster and higher-level development.

As Wen Jiabao, the Premier of the State Council of the PRC, said, "confidence is more precious than gold", the Group always has great confidence in the prospects of development of China's economy, China's property market and the Group. Looking ahead, we firmly believe that, Franshion Properties will, under its strategy of "developing and holding quality commercial properties in first-tier cities and prime locations", become even more competitive, efficient and effective in its development, and finally become "the most influential properties enterprise in China".

In February 2009, I was appointed to take over Mr. Pan Zhengyi's position as a non-executive director and the Chairman of the Company. The Group has quality assets, clear strategic objectives and an excellent management team, I, as the new Chairman, have full confidence in the Group's future. On behalf of the board of directors, I would like to express my sincere gratitude to the former Chairman of the Company, our clients, business partners, shareholders and staff. Franshion Properties will continue its effort to make greater progress, with a view to creating wealth for its shareholders and staff, and to achieving a glorious future for the Group.

HE Cao
Chairman

Hong Kong
23 April 2009

Major Events

March 2008

Franshion Properties successfully won a bid for the central site of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai. ▶

April 2008

◀ The grand opening of Ritz-Carlton, Sanya.

June 2008

The grand opening of Westin Beijing, Chaoyang. ▶

July 2008

the resolution regarding the acquisition of 100% interest in Jin Mao at an aggregate consideration of RMB11 billion was passed at an extraordinary general meeting of Franshion Properties.

August 2008

Jin Mao Group completed the acquisition and takeover of the Yunnan Lijiang Projects.

Westin Beijing, Chaoyang and Wangfujing Grand Hotel fulfilled their reception task during the Beijing Olympics.

September 2008

Zhuhai Every Garden project was completed and began to arrange occupancy for the owners.

November 2008

Shanghai Port International Cruise Terminal Project pre-sale contracting ceremony.

Jin Mao Group was officially granted the land use rights of the Chong Ming Project.

Major Events

December 2008

- **Franshion Properties completed the acquisition of Jin Mao Group**

Jin Mao Group principally engages in developing, holding and operating high-end commercial properties, in particular the development of some landmark buildings such as luxurious hotels and prestigious office towers in prime locations. As at 31 December 2008, Jin Mao Group owned 100% of Jin Mao Tower (where the Grand Hyatt Shanghai and a grade A office area were located), JW Marriott Shenzhen, Ritz Carlton, Sanya, and Westin, Beijing, Chaoyang, and 60% equity interest of Hilton Sanya Resort & Spa, Hainan. Through the development and successful operation of a number of luxurious projects, "Jin Mao" now becomes a renowned brand name devoted to the development and management of luxury hotels and high-end commercial properties in China.

On 22 April 2008, the Independent Board Committee of the Company held a meeting and resolved to exercise the options granted by Sinochem Corporation to acquire the 54.87% interest in Jin Mao Group held by Sinochem Corporation. On 5 June 2008, the Company entered into acquisition agreements with Sinochem Corporation, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and other shareholders of Jin Mao Group to acquire 100% interest of Jin Mao Group. On 18 July 2008, the Company held an extraordinary general meeting where the resolution in relation to the acquisition of 100% interest in Jin Mao Group was duly approved. On 29 December 2008, the Company completed the acquisition of 73.23% interest in Jin Mao Group, and subsequently on 5 January 2009, it completed the acquisition of the remaining 26.77% interest in Jin Mao Group, and thereby completed the acquisition of 100% interest in Jin Mao Group.

Change in Shareholding Structure

Before acquisition of Jin Mao

- Sinochem Corporation
  - 100% → Sinochem Hong Kong
    - 67.16% → Franshion Properties
  - 54.87% → Jin Mao Group
- Other Shareholders of Jin Mao
  - 45.13% → Jin Mao Group

Immediately after acquisition of Jin Mao*

- Sinochem Corporation
  - 100% → Sinochem Hong Kong
    - 63.47% → Franshion Properties
- Originally the "Other Shareholders of Jin Mao"**
  - 13.71% → Franshion Properties
- Public
  - 22.82% → Franshion Properties
- Franshion Properties
  - 100% → Wise Pine Limited
    - 100% → Most Giant Limited
      - 100% → Jin Mao Group

The acquisition of Jin Mao Group enables the Company to secure a well-balanced and stable development in the three main business sectors, namely property development, property leasing and hotel operations. With the further integration of the three main sectors, the synergy will gradually take effect. Looking forward, the Company will make better use of its advantages in resource of high quality assets to strengthen its leading position in the commercial properties industry in China and maximize shareholders' value.

* the acquisition of 100% interest in Jin Mao was completed on 5 January 2009.

** Shareholders who were originally the "other shareholders of Jin Mao" became part of the public shareholders of the Company upon the completion of the acquisition.

Honors and Awards

December 2008

- Franshion Properties was granted the Outstanding Award in "Best Investor Relations – Hong Kong, Mainland China and Taiwan IPO Groups Listed on the Hong Kong Stock Exchange" by IR Magazine

- Jin Mao Tower was granted "China's Most Influential City Landmark for 2008" and Jin Mao Group was granted "China's No. 1 Brand Award (Real Estate Sector)" by the World Brand Lab

- Westin Beijing, Chaoyang was granted the "World's Best New Hotel Award for 2008" by the World Travel Awards

November 2008

- Jin Mao Group was granted the "Best Resort Hotel Owner in China" by the Centre of Asia Hotel Forum

- Hilton Sanya Resort & Spa was granted the "Best Resort Hotel Investment Project of China" by the Centre of Asia Hotel Forum

- Wangfujing Grand Hotel was granted the "Olympics Reception Advance Unit Award" by Beijing Tourism Administration

October 2008

- Wangfujing Grand Hotel was granted the "Brand Hotel Most Favoured by Foreign Customers" by the Global Hotel Forum

July 2008

- Ritz-Carlton, Sanya was granted "Model Enterprise in the Promotion of International High Quality Service Standards" by Institute of International High Quality Service

- Wangfujing Grand Hotel was granted the ''Golden-Leaf Grade Green Tourist Hotel'' by the National Tourist Hotels Star-rating Accreditation Committee

June 2008

- Ritz-Carlton, Sanya was granted the "Asia's Leading New Hotel" by the World Travel Awards Committee

- Hilton Sanya Resort & Spa was granted the "Leading Spa and Resort in Asia" by the World Travel Awards Committee

- Jin Mao Group was recognized as one of the "500 Most Valuable Corporate Brands in China in 2008" by the World Brand Lab

- Hilton Sanya Resort & Spa received "Best Design Award" given by AIA Honolulu, a local component of the American Institute of Architects

February 2008

- Beijing Chemsunny World Trade Centre received the "Prime Office Award of 2007-2008 Office of the Year Beijing" jointly granted by www.Beijingoffice.com.cn, Beijing Commercial Property Chamber of Commerce under the Beijing Chamber of Commerce and www.Beijingshopping.com.cn

December 2007

* Jin Mao Group was ranked No. 1 in "China Brand Annual Award (Real Estate Sector)" by the World Brand Lab

- Jin Mao Group was named one of the "Top 10 Unique Resorts in China" granted by Economic Forum of Leisure Industry Committee

November 2007

- Beijing Chemsunny World Trade Centre received the "Special Recommendation Award of National Annual Office Conference" during the 6th National Annual Office Conference

September 2007

- Beijing Chemsunny World Trade Centre was elected as the only prime office brand of the "2007 Beijing Top 10 Real Estate Brands (Housing)" jointly granted by China Real Estate Business, Sina.com, and Beijing Famous Brand Evaluation Co. Ltd

June 2007

- Jin Mao Group was recognized as one of the "500 Most Valuable Corporate Brands in China in 2007" granted by the World Brand Lab

February 2007

- Beijing Chemsunny World Trade Centre received exclusive China Prime Office Demonstration Project Award during the "2006 Beijing Top 10 Real Estate Industry Leaders Award Ceremony – East-West Asia Real Estate Summit Dubai" jointly granted by RECG Media Group and the World CEO Club

- Beijing Chemsunny World Trade Centre received "Most Classic China Prime Office Award" by Global Urban Construction Golden Project

- Grand Hyatt Shanghai was awarded "China Top 10 Most Attractive Hotels" and "China Top Luxury Hotel" granted by China Hotel Starlight Award

- Hilton Sanya Resort & Spa, Hainan received "Top 10 Conference Hotel" and "The Best Beach Resort Hotel of China" granted by China Hotel Starlight Award

January 2007

- Beijing Chemsunny World Trade Centre received "Prime Office Award of 2006-2007 Office of the Year Beijing" granted by www.Beijingoffice.com.cn

- Beijing Chemsunny World Trade Centre received "The Most Outstanding Beijing Prime Office Award" jointly granted by "An Jia" magazine and Beijing Commercial Property Chamber of Residential Estate

- Beijing Chemsunny World Trade Centre received "The Most Valuable Office of Commercial Real Estate In China Award" granted by "New Real Estate"

Business Review

Our Property Segment

Franshion Properties (China) Limited

- Property development
- Property leasing
- Hotel operations
- Property related business

Beijing

- ■ Beijing Chemsunny World Trade Centre
- ▲ Westin Beijing, Chaoyang
- ■ Sinochem Tower
- ▲ Wangfujing Grand Hotel

Shanghai

- ■ Jin Mao Tower
- ▲ Grand Hyatt Shanghai
- ● Shanghai Port International Cruise Terminal Project
- ● Shanghai International Shipping Service Center Project
- ● Shanghai Chongming Island Project

Zhuhai

- ● Zhuhai Every Garden Project

Sanya

- ▲ Ritz-Carlton, Sanya
- ▲ Hilton Sanya Resort & Spa, Hainan

Lijiang

- ● Jin Mao World Heritage Park Redevelopment Project
- ● Jin Mao Yulong Snow Mountain Resort Hotel Project

Shenzhen

- ▲ JW Marriott Shenzhen

● property development ■ property leasing ▲ hotel operations


Beijing
Shanghai
Lijiang
Shenzhen
Zhuhai
Sanya

Business Review

Project Information

1. Areas by segments

Franshion Properties **Total gross floor area: 1,715,411 square metres**						
Property Development **Total gross floor area: 942,670 square metres**			**Property Leasing** **Total gross floor area: 363,870 square metres**	**Hotel Operations** **Total gross floor area: 408,871 square metres Number of guest rooms: 2,888**		
Completed Projects: *(unsold portion)*	Projects under development:	Reserved Projects:	Completed Projects: *(investments properties)*	New Hotels:	Hotels in operation:	Hotels under development:
East Tower of the Beijing Chemsunny World Trade Centre and car parks: 54,874 square metres Zhuhai Every Garden: 60,381 square metres	Site B of Shanghai Port International Cruise Terminal Project: 302,080 square metres* Eastern and Central Sites of Shanghai International Shipping Service Center Project: 331,150 square metres*	Jin Mao World Heritage Park Redevelopment Project: 100,000 square metres* Jin Mao Yulong Snow Mountain Resort Hotel Project: 16,000 square metres* Shanghai Chong Ming Island Project: 78,185 square metres*	Central and West Tower of the Beijing Chemsunny World Trade Centre: 102,739 square metres Jin Mao Tower (excluding hotel): 212,065 square metres Sinochem Tower: 49,066 square metres	Ritz-Carlton, Sanya: 83,000 square metres, 450 rooms Westin Beijing, Chaoyang: 75,446 square metres, 566 rooms	Grand Hyatt Shanghai Hotel: 80,410 square metres, 555 rooms Hilton Sanya Resort & Spa: 76,666 square metres, 501 rooms Wangfujing Grand Hotel: 41,349 square metres, 405 rooms	JW Marriott Shenzhen: 52,000 square metres, 411 rooms

2. Investment property projects

Name of property projects	Total gross floor area (square metres)	Including Office building area available for lease (square metres)	Including Commercial area available for lease (square metres)	Carparking spaces (unit)
Central and West Tower of the Beijing Chemsunny World Trade Centre	102,739	97,592	5,147	302
Jin Mao Tower (excluding hotel)	212,065	122,131	22,986	800
Sinochem Tower	49,066	28,940	8,707	260
Sub-total	**363,870**	**248,663**	**36,840**	**1,362**

3. Completed projects – unsold portion

Name of property projects	Unsold total gross floor area (square metres)	Including: Area available for sale (square metres)	Including: Carparking spaces available for sale (unit)
East Tower of the Beijing Chemsunny World Trade Centre and car parks	54,874	8,021	689
Zhuhai Every Garden Project	60,381	27,647	593
Sub-total	**115,255**	**35,668**	**1,282**

4. Information on existing projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion
A. Projects under development							
Site B of Shanghai Port International Cruise Terminal Project	No. 610 Dong Da Ming Road, Hongkou District, Shanghai, the PRC	85,089	302,080*	Commercial	Holding and Selling	50%	2009
Eastern and Central Sites of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai, the PRC	54,249	331,150*	Commercial	Holding and Selling	50%	2012
B. Reserved projects							
Jin Mao World Heritage Park Redevelopment Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, the PRC	333,330	100,000*	Commercial	Holding	100%	2013
Yulong Snow Mountain Resort Hotel Project	Ganhaizi Yulong Snow Mountain, Lijiang City, Yunnan Province, the PRC	54,241	16,000*	Commercial	Holding	100%	2013
Shanghai Chong Ming Island Project	Bin Jiang leasure and sports residential community, Chenjia Town, Chong Ming Island, Shanghai	220,000	78,185*	Commercial	Holding and Selling	100%	2012

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Company	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Area of hotel (square metres)
C. Completed Projects											
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fu Xing Men NeiAvenue, Xicheng District, Beijing, the PRC	21,659	194,530	Office building	Holding and Selling	100%	2006	36,917	54,874	102,739	-
Zhuhai Every Garden Project	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou district, Zhuhai, Guangdong Province, the PRC	43,499	137,225	Residential	Selling	100%	2008	76,844	60,381	-	-
Sinochem Tower	No. A2 Fu Xing Men Wai Avenue, Xicheng District, Beijing, the PRC	5,833	49,066	Office building	Holding	100%	1995	-	-	49,066	-
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	23,611	292,475	Office building	Holding	100%	1999	-	-	212,065	80,410

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
D. Hotel operations projects								
Wangfujing Grand Hotel	No. 57 Wang Fu Jing Avenue, Dongcheng District, Beijing, the PRC	9,858	41,349	Hotel	Holding	100%	1995	405
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	**	80,410	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, the PRC	108,610	76,666	Hotel	Holding	60%	2006	501
Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya, Hainan Province, the PRC	153,375	83,000	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing, the PRC	24,195	75,446	Hotel	Holding	100%	2008	566
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District Shenzhen, Guangdong Province, the PRC	4,471	52,000	Hotel	Holding	100%	2009	411

* Estimated gross floor area
** Grand Hyatt Shanghai situated in Jin Mao Tower

Business Review
Property Development

As at 31 December 2008, the Group had 6 property development projects in different development stages located in Beijing, Zhuhai, Shanghai and Lijiang (Yunnan Province). During the period under review, the projects accomplished earlier reported heartening sales results and made significant profit contributions to the Group. At the same time, the Group participated as a strategic partner in the development and construction of Shanghai shipping centre. The two projects under development has been constructed as planned, with some of them on presale. They will become important areas of the international shipping transportation hub of Shanghai in the future. Moreover, the Group acquired three parcels of land in Lijiang (Yunnan Province) and Chongming Island (Shanghai), and planned to develop luxury hotels and commercial projects on them.

Site B of the Shanghai Port International Cruise Terminal Project

(50% owned by the Group)

Located along the 880-metre stretch of the western bank of the Huangpu River, the Shanghai Port International Cruise Terminal is close to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Port International Cruise Terminal is an integrated commercial area comprising a cruise terminal and business offices in the heart of Shanghai city, including relating structures and facilities, such as an international passenger transport terminal, a port administration building, an office building, an art gallery and a music and cultural centre. Covering an area of 20,000 square metres, and reaching 9 – 13 metres in depth, the international passenger transport terminal can hold 3 luxury cruisers at the same time. The terminal is designed with a turnover of 1 million people each year, with its main facilities scattering under a stretch of greenland of 50,000 square metres, while the rest of it above the ground is a irregular glass sphere "floating" over the greenland, making it a beautiful landscape along the banks of Huangpu River as well as a great ferry facility.

The Group has entered into a partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), and will develop together with the latter the parcel of land on which the Shanghai Port International Cruise Terminal is located. The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for related structure groups such as the office buildings, galleries and musical art centre. The Group holds a 50% economic interest in the Site B developments, but no interest in the Site A developments.

The Group plans to build nine office buildings (two buildings originally intended for serviced apartment have been changed into office buildings), a music and cultural centre and an art gallery on Site B. The six office buildings on the front are individual buildings which integrate functions and sights with an area of 15,000 to 20,000 square metres, each has an independent naming right, great to be used as headquarters or regional headquarters of international enterprise. The two high-rise buildings with views and one multiple-storey building at the back are custom to meet the needs of various commercial companies. The semi-underground business centre will become a hub of world fashions and trends and the art gallery and music and cultural centre will be a spot defining high quality life and entertainment.

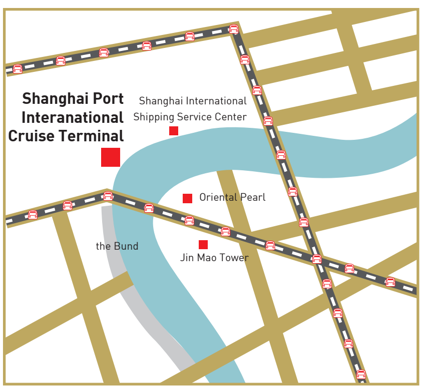
Site B of the Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction works commenced in May 2004, and is expected to be completed in 2009.

Our interest in Site B of the Shanghai Port International Cruise Terminal Project is held through our 50%-owned subsidiary Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin"). Pursuant to contractual arrangements, the Group owns a 50% economic interest in Site B of the Shanghai Port International Cruise Terminal Project.

As at 31 December 2008, except for the music and cultural centre, all single structures were topped out, installation of internal curtain walls for six riverfront office buildings had been completed, and internal facilities were being arranged and other interior decorations were being made. The installation of curtain walls and facilities for other structures had been carried out, and overall construction was processing smoothly.

The Hongkou District Government and some other units organized the "Joint Contracting Ceremony for Seven Big Groups (Companies) to Station in the North Bund Shipping Service" in November 2008. At this signing ceremony, some buildings or flats in Site B of the Shanghai Port International Cruise Terminal Project were pre-sold or entered letters of intent for sale.

Site map



Shanghai International Shipping Service Center Project

(50% owned by the Group)

Shanghai International Shipping Service Center Project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Port International Cruise Terminal, the two of which form a coastal area that doubles the length of the Bund. Shanghai International Shipping Service Center is designed to realize the core functions and the economies of scale of the shipping service industry, and to achieve synergies of international shipping enterprise. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by construction of a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modem office and commercial zone featuring a shipping centre. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use rights of the Eastern Site of the project in 2007, with an area of 35,210 square metres. Upon completion, the development is expected to have a total gross floor area of approximately 200,000 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of 19,039 square metres. Currently, the Company's 50% economic interest in the Eastern and Central Sites of the Shanghai International Shipping Service Center Project is held through its 50%-owned subsidiary, Shanghai Huigang Real Estate Development Co., Ltd. ("Huigang Real Estate"). At the same time, pursuant to the non-competition undertaking signed by the Company and Sinochem Corporation on 6 July 2007 (the "Non-competition Undertaking"), Sinochem Corporation granted to the Group an option to acquire its 50% interest in Shanghai Yin Hui Property Development Company Limited ("Shanghai Yin Hui"). After the acquisition of the 50% interest in Shanghai Yin Hui, the Group will obtain the land use rights of the Western Site of the project with an area of 43,172 square metres held by Shanghai Yin Hui.

The Group intends to consolidate the development of the Eastern Site, Western Site and Central Site and is optimizing various comprehensive design proposals of the project. Upon completion, the project will comprise a total gross floor area of approximately 527,720 square metres. Such project is currently under construction. The entire project is expected to be completed in 2012.

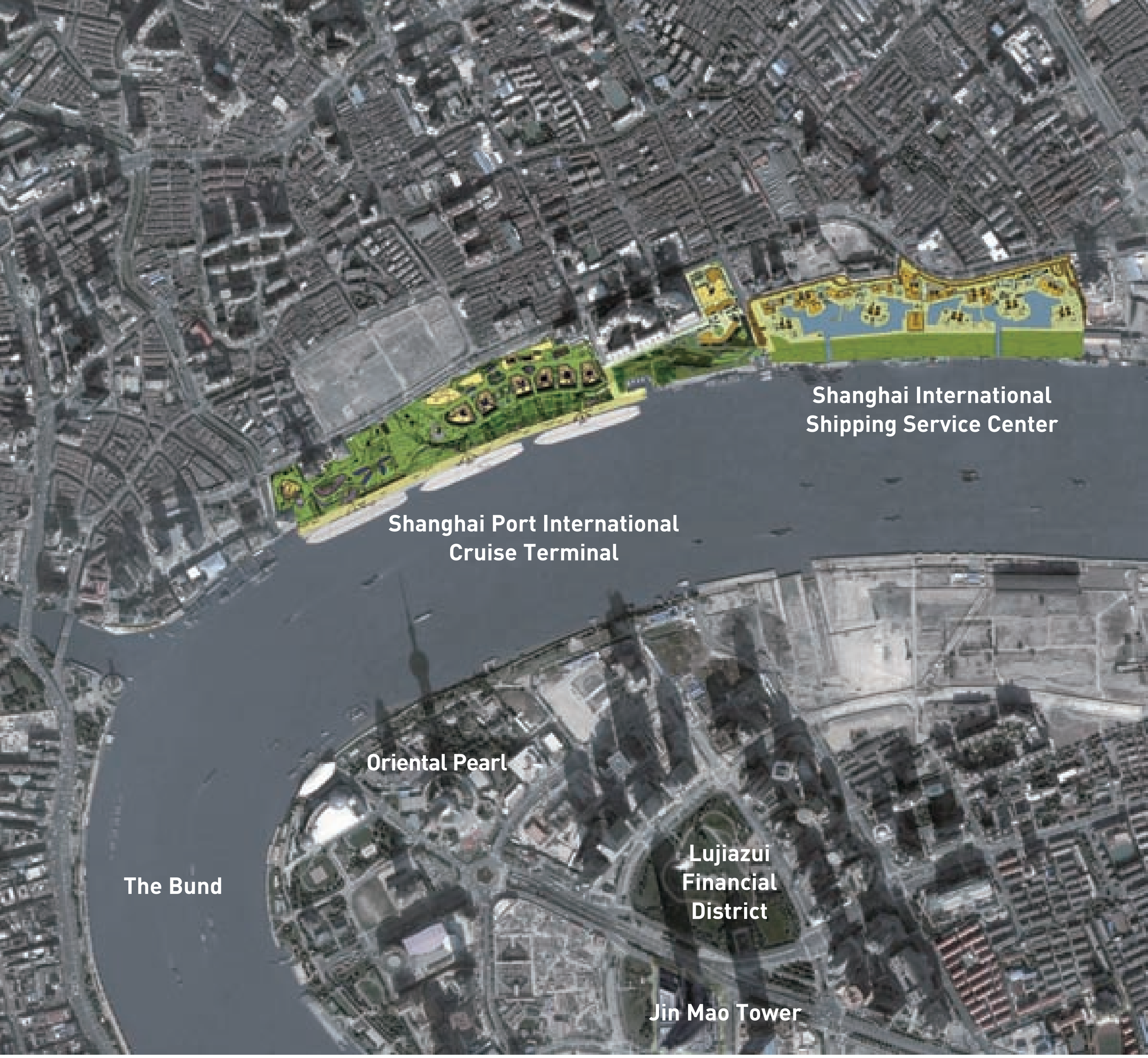
Site map

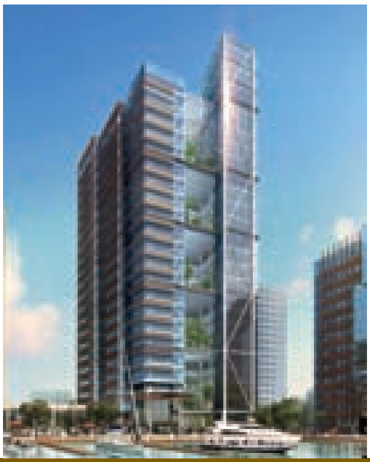
Currently, the Chinese government has approved the
"Proposal for Building Shanghai into an International Shipping Centre",
thus putting forward the plan for making Shanghai essentially an international shipping hub with the capacity for allocating global shipping resources by 2020. Early in this century, the Group had foreseen the strategic opportunities that will arise from Shanghai's commitment to become an **"international shipping hub"** and started to participate as a strategic partner, in the development and construction of Shanghai shipping centre.

Upon completion of Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Centre, these two projects will form a 2-kilometer-long waterfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden triangle" within Shanghai's central business district (CBD) and this region will serve as an essential area for Shanghai's international shipping centre.



Shanghai Port International Cruise Terminal





Shanghai International Shipping Service Center

Yunnan Lijiang Project

(100% owned by the Group)

Lijiang (Yunnan Province) is known for its rich tourism resources, particularly its three world-class heritages: the Ancient Town of Lijiang, the Three Parallel Rivers and the Dongba culture. The Ancient Town of Lijiang was conferred as one of the sightseeing spots for the first batch of "National Tourism Postcards" (國家旅遊名片) in the "Boao International Tourism Forum 2007" in December 2007.

In March 2008, the Group acquired two pieces of high-quality land, located respectively at the former site of World Heritage Park in the Ancient Town of Lijiang (at the northern outskirt of Lijiang City and the northern end of the Shangrali-La Street) and at Ganhaizi in Yulong County (up on Yulong Snow Mountain, next to the Yulong Golf Course). According to the preliminary development plan, the two pieces of land will be developed and constructed in the following two projects.

Jin Mao World Heritage Park Redevelopment Project

This project is located at the former site of Lijiang World Heritage Park, with a land area of approximately 333,330 square metres. The project is set to be an integrated commercial project, which consists of at least one 5-star resort hotel, and aims to combine the Naxi culture with international design concepts, building the most characteristic courtyard-type hotel complex in China. The estimated total gross floor area is approximately 100,000 square metres.

Jin Mao Yulong Snow Mountain Resort Hotel Project (formerly Jin Mao Yulong Snow Mountain Golf Club Villa Project)

Situated at Ganhaizi in Lijiang Yulong Snow Mountain, a national 5A level scenic spot and adjacent to the Yulong Snow Mountain Golf Course, this project will occupy a total site area of 54,241 square metres. The Group plans to develop this project into a super five-star luxury hotel targeting high-end tourists both locally and abroad, and has an estimate total gross floor area of approximately 16,000 square metres.

Both projects will be managed and operated in linkage with international brands, with a view to achieving scale-effect and creating synergy. The whole development and construction period for the two projects is estimated to be 4 years.

Shanghai Chongming Island Project

(100% owned by the Group)

The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the steady development of "International Eco-Island" plan, the gradually improved infrastructure and the opening of Yangtze River Tunnel Bridge in the future, Shanghai Chongming Island is being embraced with new opportunities for development.

In November 2008, the Group and the Property and Land Administrative Bureau of Chongming County of Shanghai entered into a contract for the grant of the land use rights of Site No. 4 located in Chenjia Town Binjiang Recreation and Sports Residential Community, for an area of approximately 220,000 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjiazhen Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres. The Group preliminarily plans to develop the leased site into a golf course and develop the granted land into a quality integrated recreation, sports and holiday resort, comprising of golf club, villa, hotel and hotel equities.

Beijing Chemsunny World Trade Centre Project

(100% owned by the Group)

Pre-sale of the East Tower of Beijing Chemsunny World Trade Centre formally commenced in October 2006. As at 31 December 2008, out of the total gross floor area of 44,939 square metres of the offices at the Eastern Tower, 36,917 square metres and 59 parking spaces had been sold, among them, three floors with 12,436 square metres of offices at the East Tower were sold in 2008.

(For details of the project, please refer to the content in "Leasing business of the Beijing Chemsunny World Trade Centre" under Properties Leasing Segment.)

Zhuhai Every Garden Project

(100% owned by the Group)

Situated on the north side of Zhuhai Qinglv Avenue. As an innovative residential project in Zhuhai, Zhuhai Every Garden enjoys a broad view of the ocean. While sitting near the beautiful sea coast and peaceful mountains, the project is also equipped with a complete range of living facilities. One can enjoy both the prosperity of the city and a gracious quiet lifestyle at the same time.

The project has a site area of approximately 43,499 square metres, and comprises 13 apartment buildings ranging from 8 to 13 floors in height, with a total gross floor area of approximately 137,225 square metres. We have constructed approximately 728 apartment units, 80% of which have floor areas ranging between 80 and 170 square metres each, and the remaining units have floor areas of approximately 200 square metres each. The project also includes commercial offices, a club house and approximately 713 underground parking spaces.

Our interest in Zhuhai Every Garden project is held through our 100%-owned subsidiary Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.

The construction of Zhuhai Every Garden Project commenced in June 2006, and was completed for occupation in the second half of 2008. The Group started pre-sales for the apartments in July 2007, which was well received by the market. As at 31 December 2008, the Group accumulatively sold 560 units, with a floor area of 76,844 square metres and accounting for 75% of the total floor area of apartments for sale.

Business Review

Properties Leasing Segment

As at 31 December 2008, the Group owned three investment properties in China, among which, two were located in Beijing and one was in Shanghai, all being the prime core area of the cities. According to the Group's accounting policies, investment properties were accounted for at fair value, and the above mentioned properties amounted to approximately HK$11,359.4 million. During the period under review, all investment properties of the Group were operated under good conditions, maintained a high level of occupancy rate, and showed steady growth in rentals, which contributed stable income to the Group.


World Trade

Leasing business of Beijing Chemsunny World Trade Centre

(100% owned by the Group)

Situated on Fuxingmen Nei Street within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang An Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and one block to the west of the Second Ring Road.

The project comprises three parallel and inter-connected 14-storey office buildings, being the East, Central and West Towers respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the major construction was completed in December 2006.

The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other high-end office buildings in Beijing by the incorporation of a number of distinctive design elements and features, which mainly include:

(i) The overall design of the complex is based on dissembling and re-assembling of the Chinese character strokes and the "卐" character in Buddhism, which creates rich skew-symmetric and three dimensional effects;

(ii) an intelligent double glass facade with 50,000 square metres in area can introduce fresh air to preserve freshness of the room and save the cost of temperature regulation whilst exhibiting a mirror appearance on the outside;

(iii) a 57-metre high double atrium with 3,000 square metres in area which allows the sunlight to penetrate through the three office buildings. Two luxurious VIP observation elevators reach the top floor access in the atrium which embody the elegance of the complex;

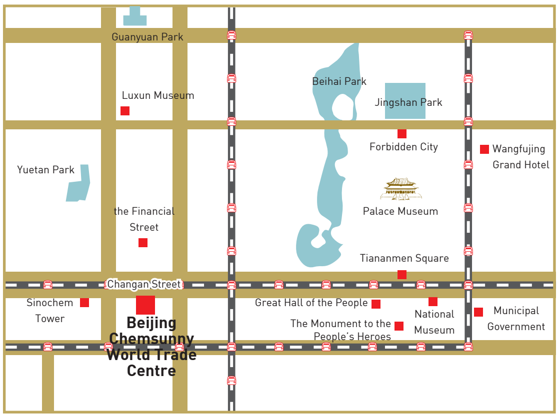
(iv) a 2,800-square-metre rooftop garden and a 4,675-square-metre landscaped pool with distinctive circulation features, which incorporate humanity atmosphere into the complex.

The Central and West Towers of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for rental to external parties, with a total rentable area of approximately 102,739 square metres, while the East Tower is available for sale on a floor basis.

Due to its prime location, extraordinary quality, advance product design and high-end ancillary facilities, the property is comprehensively recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2008, the occupancy rate of the Central and West Towers of Beijing Chemsunny World Trade Centre was 95.2% (31 December 2007: 41.3%). The primary tenants of this property are Sinochem Corporation and its related companies, and some excellent companies from other fields including finance and consultancy.

Currently, the Company holds 100% interest in the Beijing Chemsunny World Trade Centre Project through its wholly-owned subsidiary Beijing Chemsunny Property Co., Ltd. ("Chemsunny Property").

Site map



Tenant structure of Beijing Chemsunny World Trade Centre

Business Review – Properties Leasing Segment

Leasing business of Sinochem Tower

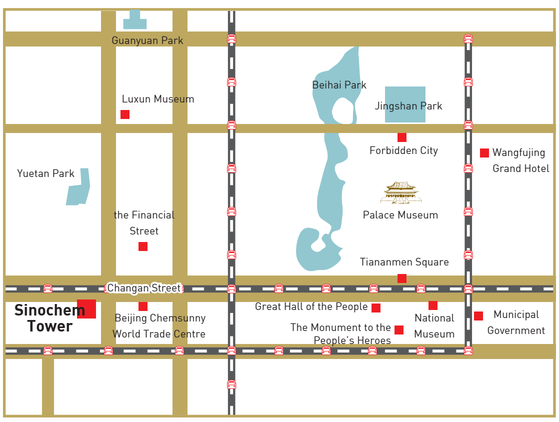
(100% owned by the Group)

Situated in the heart of Beijing on Fuxingmen Wai Street, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line Number One, Sinochem Tower is an office building supported by sophisticated office facilities and personalized services. With its blue glass curtain walls mirroring the colour of the sky, the tower impressively demostrates a sense of solidity and dignity. The inside spacious room style features an excellent ventilation from south to north, while the creative office structure surely frees the tenants' imagination. Furthermore, the fully networked management system turns the concept of handling office work by technological means into reality.

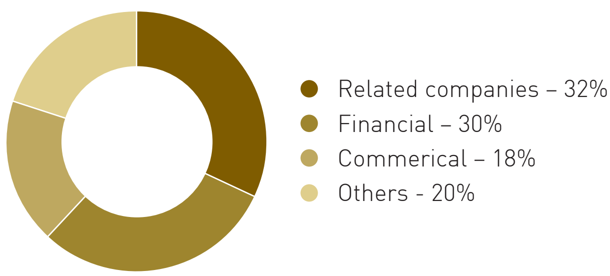
The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. Due to its prime location and outstanding quality, after the evacuation of Sinochem Corporation and its related companies from the property, aggresive leasing promotion activities were launched in 2008, and interested tenants competed aggressively for occupancy. As at 31 December 2008, the occupancy rate of the Sinochem Tower increased to 97.3% from 82.8% at the beginning of the year. The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

Currently, the Company holds 100% interest in the Sinochem Tower through its wholly-owned subsidiary Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management").

Site map



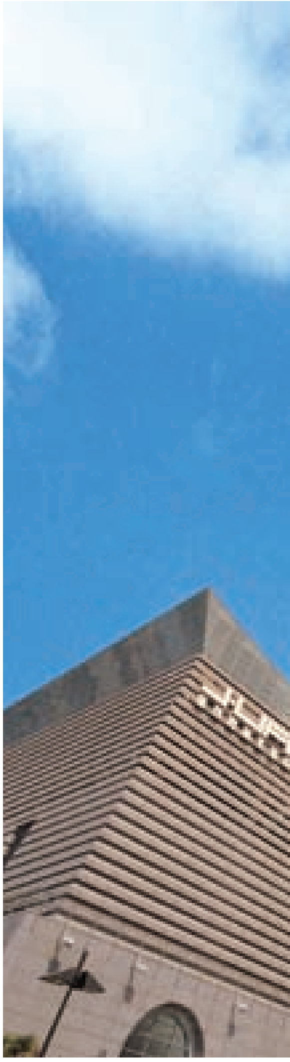
Tenant structure of Sinochem Tower



Leasing business of Jin Mao Tower

(100% owned by the Group)

Situated in the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's high-technology.

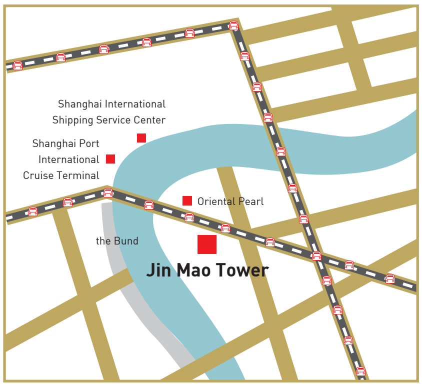


The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. Particularly, in the 152-metre-high atrium with 27 metres in diameter, the 28 beautiful verandahs showering in the colourful neon lights make visitors feel travelling through the dreamy space-time tunnel. The indoor observation deck on the 88th floor, overlooks the views of Shanghai, the internationalized metropolis in ceaseless progress. "J-Life" was constructed on the podium building of Jin Mao Tower and has become the brand new fashionable landmark in Shanghai. At the same time, the Jin Mao Concert Hall is another home to fine cultural arts.

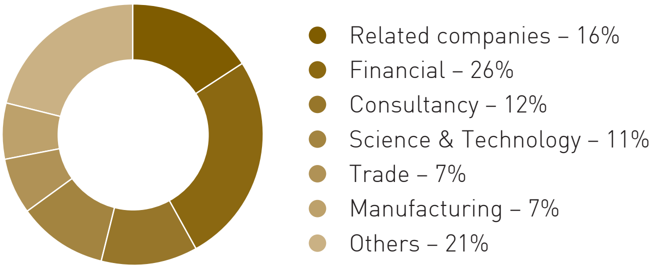
The modern architectural design of Jin Mao Tower draws on traditional Chinese architecture such as the tiered pagoda, gently stepping back to create a rhythmic pattern as it rises. The tower employs an advanced structural engineering system. Its exterior is made of an advanced glass curtain wall, which is crisscrossed by complex latticework cladding to remove the light pollution. The building is equipped with 26 express elevators in five groups for the office section which can guarantee that waiting for a ride takes no longer than 35 seconds even in rush hours.

The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its superb location, along with its outstanding landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporates at home and abroad. Many of the Fortune 500 companies and Forbes 2000 companies have rented offices in Jin Mao Tower. As at 31 December 2008, the occupancy rate of the offices in Jin Mao Tower was 96.9% (31 December 2007: 98.1%).

Site map



Tenant structure of Jin Mao Tower



"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaged in the provision of retailing services, private nursing services, individuated services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai, which greatly improves the overall quality of Jin Mao Tower.

J·LIFE
金茂时尚生活中心

Currently, the Company owns 100% interest in Jin Mao Tower through its wholly-owned subsidiary Jin Mao Group.

Business Review

Hotel Operations Segment

As at 31 December 2008, the Group owned six hotels in China, which are located in Beijing, Shanghai, Sanya and Shenzhen respectively. Among such hotels, Wangfujing Grand Hotel is directly operated by the Group, and the other hotels are high-end luxury hotels which are managed by world famous international hotel management companies entrusted by the Group. During the period under review, the overall conditions remained steady, although operation of the Group's hotels was affected by various external factors and their operating results were subject to fluctuation. During the year, the Group newly opened two five-star hotels in Beijing and Sanya, Hainan Province. In addition, one more five-star hotel was opened in Shenzhen in early 2009. All these have further expand the hotel operations segment of the Group and will serve as steady income sources for the Group in coming years.

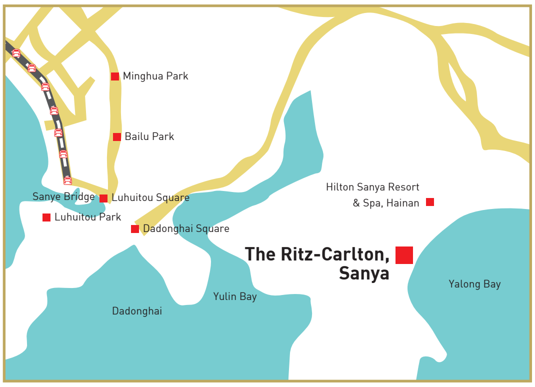
The Ritz-Carlton, Sanya

(100% owned by the Group)

Situated in the charming Yalong Bay of Sanya, Hainan province, the Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,000 square metres and 450 guest rooms with excellent auxiliary facilities. Each guest room has a floor area of more than 60 square metres. 21 of such guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay. Hotel guests may fully enjoy the seaview of South China Sea and the spectacular scenery of the mangrove forest, as well as the boundless swimming pool like a vast sea extending to the distant horizon, making their holiday a feast of life.

Site map

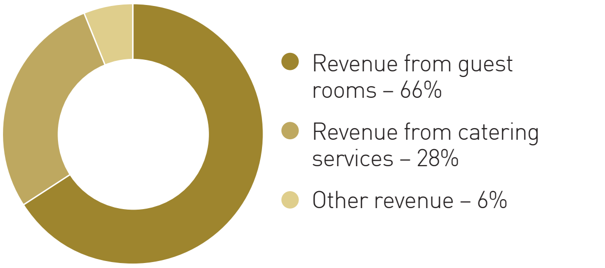


The hotel offers, amongst other facilities, indoor conference rooms with a gross floor area of 1,700 square metres which are specially designed for business conferences, large seminars and various special big gatherings; the only outdoor sea view wedding auditorium in China; 8 restaurant lounges each with a unique style; and the largest Ritz-Carlton spa centre of 2,788 square metres in Asian region designed by the world famous ESPA. In addition, the hotel houses many specialty shops offering renowned international luxurious brands including Louis Vuitton.

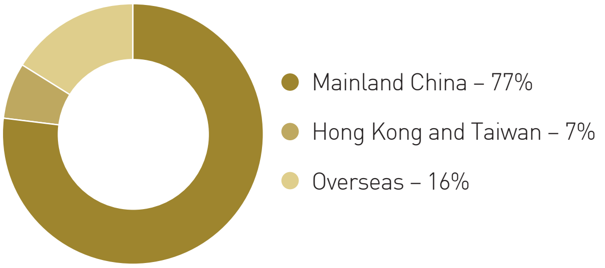
During the period under review, the operation of the Ritz-Carlton, Sanya was stable in general as it was only marginally affected by the economic downturn at home and abroad. The Ritz-Carlton, Sanya has established a clear competitive advantage since its commencement of operation.

Currently, the Company owns 100% interest in the Ritz-Carlton, Sanya through its wholly-owned subsidiary Jin Mao Group.

Revenue structure of the Ritz-Carlton, Sanya



Guest structure of the Ritz-Carlton, Sanya



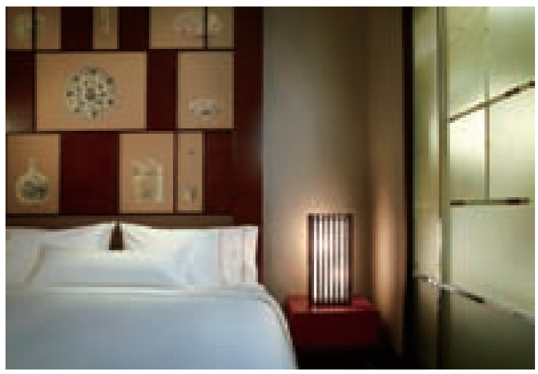
Westin Beijing, Chaoyang

(100% owned by the Group)

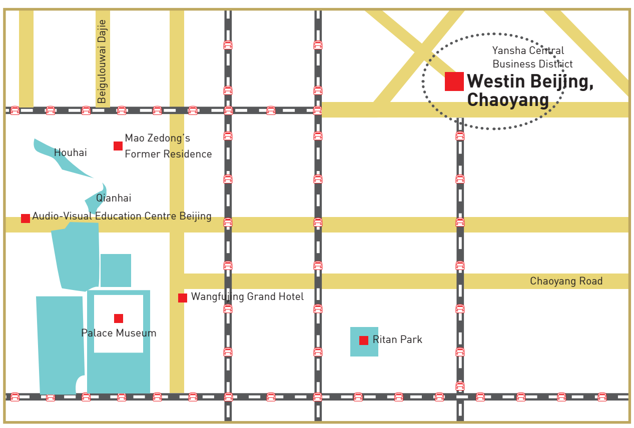
THE WESTIN
BEIJING
CHAOYANG
金茂北京威斯汀大饭店

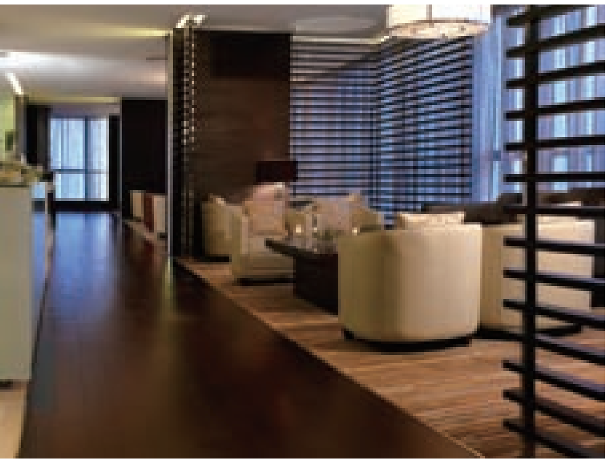
Situated in Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's ambassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Management Company (喜達屋酒店及度假村管理集團公司, one of the world famous international hotel management companies) entrusted by the Group.

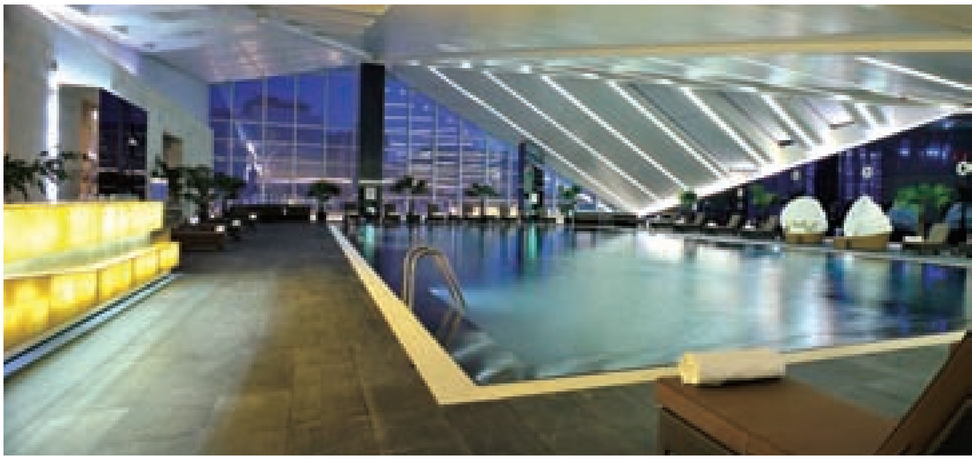
Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 75,446 square metres and 566 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation. 8 restaurant lounges and bars housed in the hotel, each with a unique taste and style, allow guests to enjoy novel and healthy dining experiences. Fitness centres, spa centres and 25-metre-long indoor swimming pools with natural lighting, which are arched in the hotel, have a total gross floor area of more than 2,000 square metres. The design demonstrates the core concept of Westin Beijing, Chaoyang of fitness building and vigor refreshment.



Site map





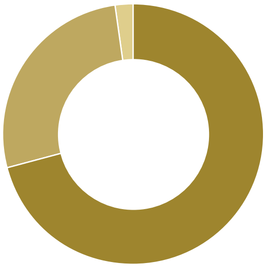


The grand banquet hall with a gross floor area of 720 square metres is designed with the capacity to hold up to 600 guests. In addition, the 7 small conference rooms, equipped with the most advanced audio-visual technologies, have become convenient and excellent venues for conferences in Beijing. During the Beijing Olympic Games, Westin Beijing, Chaoyang served numerous foreign heads of state and elites from sports and business circles, including the family of Mr. George W. Bush, the former president of the United States, Mr. S.R. Nathan, President of Singapore, Prince Mohammed bin Nawaf, Prince of Saudi Arabia, Mr. Sam Ramsamy, IOC Executive Board Member, and widely received favorable comments.

During the period under review, despite the adverse effects of economic sentiments at home and abroad, which also affected the operation of Westin Beijing, Chaoyang, the hotel has preliminary established a high-end brand image through a high profile opening, recepting distinguished guests of the Olympic Games and conducting effective market promotions.

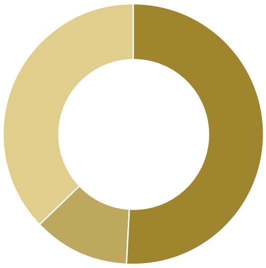
Currently, the Company owns 100% interest in Westin Beijing, Chaoyang through its wholly-owned subsidiary Jin Mao Group.

Revenue structure of Westin Beijing, Chaoyang



- Revenue from guest rooms – 71%
- Revenue from catering services – 27%
- Other revenue – 2%

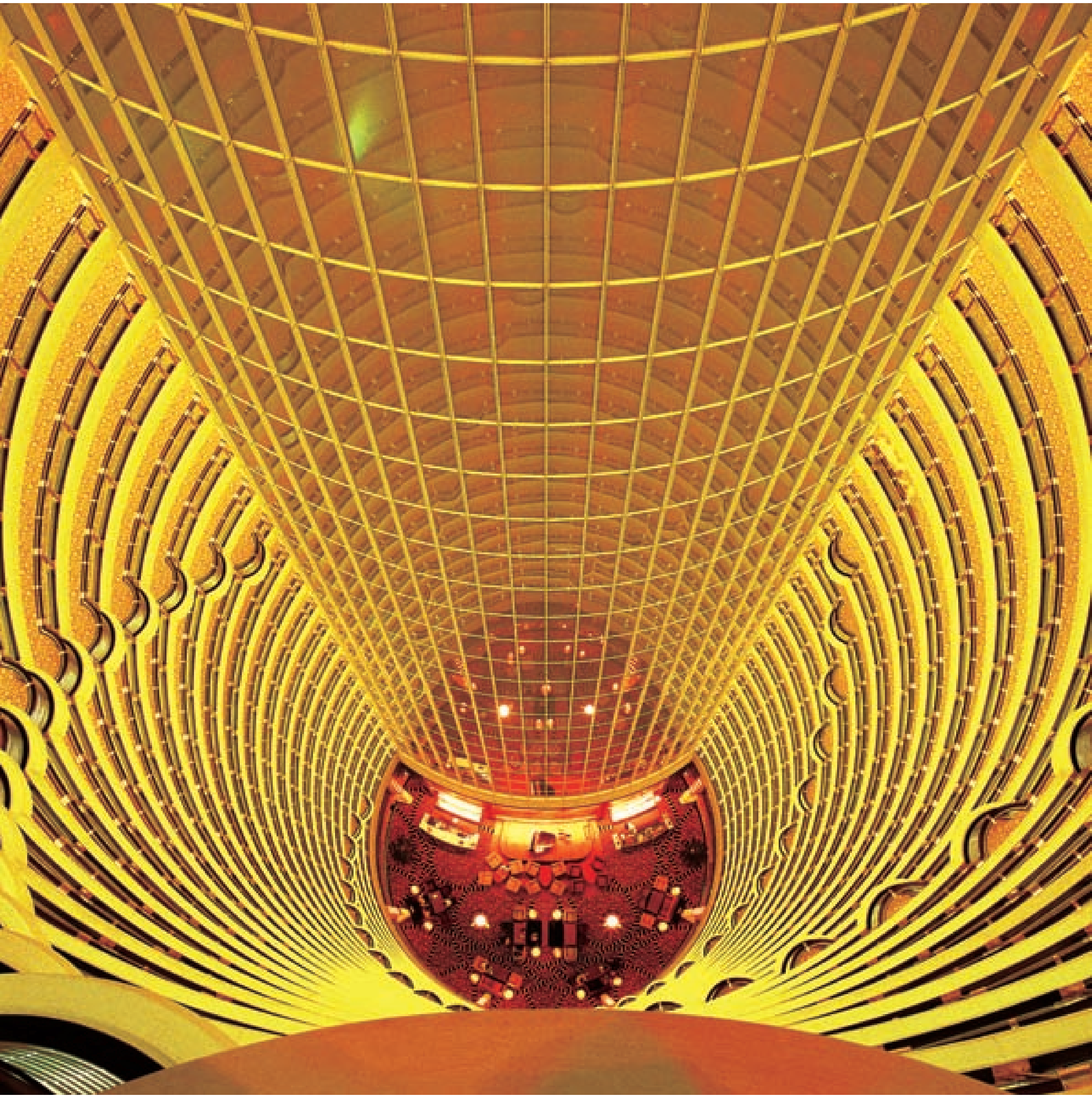
Guest structure of Westin Beijing, Chaoyang



- Mainland China – 51%
- Hong Kong and Taiwan – 12%
- Overseas – 37%

Grand Hyatt Shanghai

(100% owned by the Group)



Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai Hotel is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

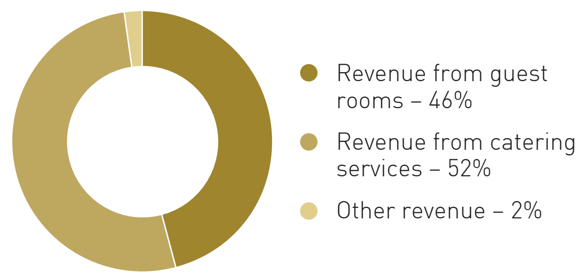
Grand Hyatt Shanghai Hotel was opened in 1999 with a total gross floor area of 80,410 square metres. The hotel has 555 luxury guest rooms each decorated with panorama glass curtain walls, thus allowing guests to enjoy the breathtaking scenery of Shanghai city. The 11 unique restaurants and bars housed in the hotel offer classic dining ambience, dainty services and well-prepared delicious dishes. The guest hall on 83rd floor offers various services such as check-in service within guest rooms, 24-hour concierge service, finely-prepared breakfasts, night cocktails and round-the-clock tea snacks to the guests in the executive suites on 8 floors. The Oasis Gym on 57th floor provides guests with privacy to overlook the charming urban scenery and relax their nerves after a day's hard work.

The hotel houses various banquets and conference facilities, which include a 1,200-seat banquet hall, an 800-seat guest hall and 10 multifunction halls, all of which are equipped with advanced multimedia appliances and audio-visual devices. Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference and Forbes' Global CEO Conference.

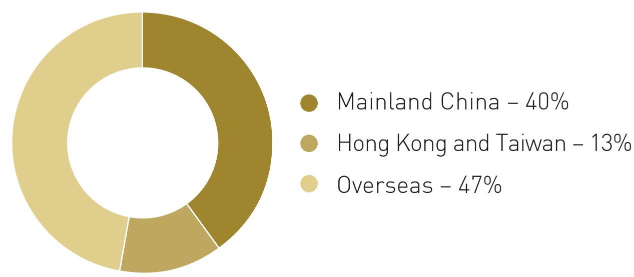
During the period under review, Grand Hyatt Shanghai Hotel still outperformed its local competitors despite its operation in general was adversely affected to some extent by economic conditions at home and abroad. As at 31 December 2008, its average occupancy rate was 59.5% (31 December 2007: 72.1%).

Currently, the Company owns 100% interest in Grand Hyatt Shanghai Hotel through its wholly-owned subsidiary Jin Mao Group.

Revenue structure of Grand Hyatt Shanghai Hotel



Guest structure of Grand Hyatt Shanghai Hotel



Site map

Grand Hyatt Shanghai Hotel	2007	2008
Average occupancy rate	72.1%	59.5%
Average room rate (RMB)	2,514	2,308
Revenue per available room (RMB)	1,813	1,373

Hilton Sanya Resort & Spa

(60% owned by the Group)

Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 76,666 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics everywhere.

Inside the hotel, guests can enjoy the tranquil and beautiful natural scenery, partake in various activities and taste fantastic dine and wine. The hotel takes the five fundamental elements of the Chinese traditional theory, namely metal, wood, water, fire and earth, as the basics, and make delicious cuisine to Chinese and foreign tourists. Besides, the spa centre in the hotel is also a perfect combination of ancient Eastern wisdom and modern spa facilities.

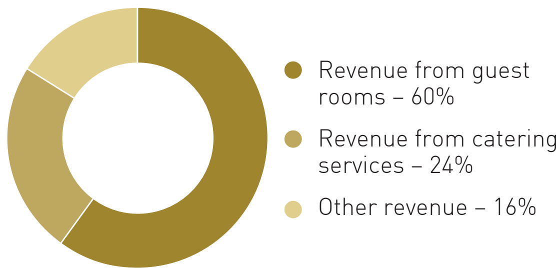
In addition, this hotel has a separate convention centre which is equipped with comprehensive meeting and banquet facilities, spanning a total area of 3,000 square metres. The two-storey complex also provides another spacious area for exhibitions and product release conferences. The complex contains 11 multifunction halls and one grand banquet hall. The banquet hall is connected to a lawn of 3,000 square metres spreading from hillside to seaside, and is well equipped with facilities and wireless communications available for use.

During the period under review, the operation of Hilton Sanya Resort & Spa was stable in general as it was only marginally affected by the economic downturn at home and abroad. As at 31 December 2008, the average occupancy rate of the hotel was 68.5% (31 December 2007: 72.0%).

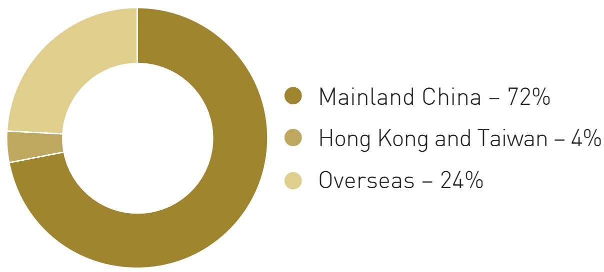
Currently, the Company owns 60% interest in Hilton Sanya Resort & Spa through its wholly-owned subsidiary Jin Mao Group.

Hilton Sanya Resort & Spa	2007	2008
Average occupancy rate	72.0%	68.5%
Average room rate (RMB)	1,557	1,637
Revenue per available room (RMB)	1,121	1,121

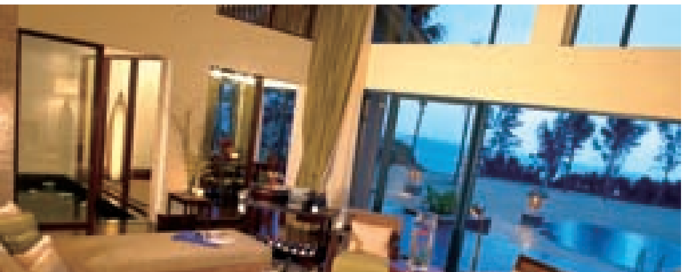
Revenue structure of Hilton Sanya Resort & Spa

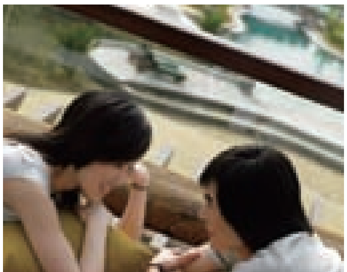


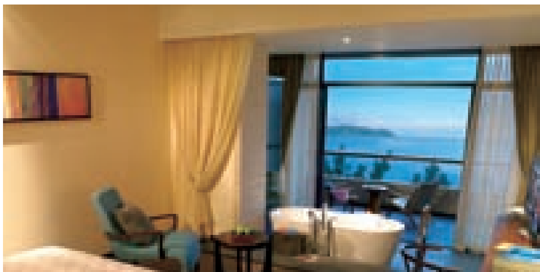
Guest structure of Hilton Sanya Resort & Spa



Site map







Wangfujing Grand Hotel

(100% owned by the Group)

王府井大飯店
WANGFUJING GRAND HOTEL

Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Wangfujing Grand Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities, short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and a bird's-eye view of The Forbidden City. The hotel is neighbour to a number of culturutal facilities, such as National Art Museum of China and Beijing People's Art Theatre, etc., and row upon row of financial institions, large luxury shopping malls and famous firms as well as splendid famous brands and shops. By virtue of its convenience of location, Wangfujing Grand Hotel has attracted lots of tourists to check in. At the same time, a mass of business tourists also checked in the hotel thanks to its well-established business relationship with numerous international corporations, hence laying a solid foundation for the hotel's operation.

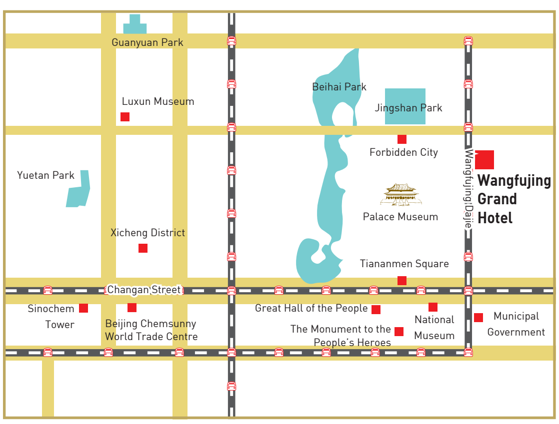
Wangfujing Grand Hotel	2007	2008
Average occupancy rate	75.1%	69.3%
Average room rate (RMB)	775	896
Revenue per available room (RMB)	582	621

The Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 guest rooms as well as a number of conference rooms, dinning and wine outlets and other facilities. The hotel was constructed on a site area of 9,858 square metres, and has a total gross floor area of approximately 41,349 square metres.

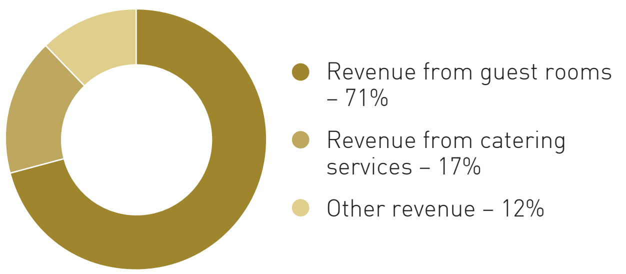
During the period under review, though unavoidably suffering from the current economy downturn at home and abroad, the operation of Wangfujing Grand Hotel was stable in general. Especially, as it successfully fulfilled the task during the Beijing Olympic Games for which it was designated as a reception hotel, the Wangfujing Grand Hotel not only won favorable reputation among the society, but also further enhanced its brand. As at 31 December 2008, the average guest occupancy rate of Wangfujing Grand Hotel was 69.3% (31 December 2007: 75.1%).

Currently, the Company owns 100% interest in Wangfujing Grand Hotel through its wholly-owned subsidiary Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management").

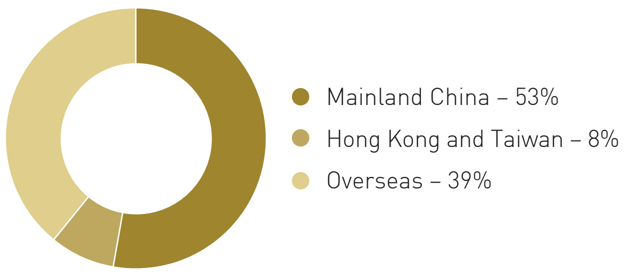
Site map



Revenue structure of Wangfujing Grand Hotel



Guest structure of Wangfujing Grand Hotel



JW Marriott Shenzhen

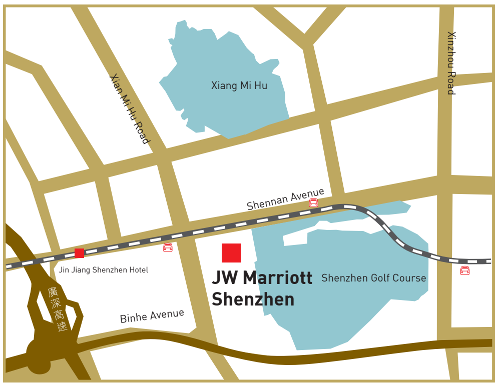
(100% owned by the Group)

JW MARRIOTT®
SHENZHEN
金茂深圳JW万豪酒店

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriot Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

The construction of JW Marriott Shenzhen started in 2007 and completed in January 2009. It had its soft opening in the same month of its completion. Occupying a total gross floor area of approximately 52,000 square metres, JW Marriott Shenzhen boasts 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city. The hotel is committed to become one of Shenzhen's top-grade superior deluxe five-star rating business hotels with a unique design and high quality services.

Site map



Business Review

Property Related Business


金茂海悦

The Company renders the highest standard property management services to its customers through Sinochem Property Management and Beijing Century Chemsunny Property Management Co., Ltd. (both being wholly owned subsidiaries of the Company), as well as Shanghai JM Imtech Facility Services Company Limited (a 60% owned subsidiary of Company). The Group now provides services to several properties, including Sinochem Tower, Beijing Chemsunny World Trade Centre and Jin Mao Tower.

During the period under review, the Group's property management business had a smooth and steady performance. The consolidated property service business of the Group further strengthened the operation of our integrated value chain of real estate development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The Observation Deck on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai. Visitors may gain an unprecedented experience of high speed traveling in one of the two super high-speed elevators there. Moving at 9.1 metres per second, it only takes the elevators 45 seconds to send passengers to the 88th floor from the basement. Standing at the top of the Jin Mao Tower and looking far away visitors can get a panoramic view of the dynamic metropolis of Shanghai, admire extremely moving and spectacular night scenes, and indulge themselves in the lure of the modern city. The Observation Deck on the 88th floor draws over one million visitors a year, and brings a relatively stable revenue to the Group.

Situated on the first floor of the annex building to the Jin Mao Tower is the Jin Mao Concert Hall, one of Shanghai's high standard culture and art centres, where regular music salon series are held, and performances are given by both well-known artists and musicians from China and other countries. The elegant atmosphere the Concert Hall produces also enhances Jin Mao Tower's reputation and quality.

The Group is also engaged in other businesses such as building decoration, automobile services, international yacht services, advertising, consulting and trading, mainly to provide supportive services to its existing operations. For example, making bulk purchase from external sources through the Group's trading subsidiaries may reduce the purchase costs to a considerable extent. And the Group's advertising subsidiaries may offer better promoting and advertising services in respect of the Group's operation of properties and hotels. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.

Financial Review

I. Review on overall results of the Company

Based on the principles of merger accounting, the Company has incorporated the financial information of Jin Mao Group for 2007 and previous years and restated the comparative figures of the Company for the same periods. All the analysis and comparison of the 2007 figures below are made after restatement on the foregoing basis.

For the year ended 31 December 2008, profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax, amounted to HK$826.6 million, representing an increase of 23% compared with HK$672.7 million (restated) in 2007. The Group reclassified certain properties held-for-sale as investment properties in 2007, as a result, the fair value gains on investment properties represented a large proportion of the Group's profit in that year, while there was a significant drop in fair value gains on investment properties in 2008 since the Group did not reclassify any properties held-for-sale as investment properties in that year. Taking into account of the effect of fair value gains on investment properties, the profit attributable to equity holders of the Company would be HK$900.9 million, representing a decrease of 64% compared with HK$2,520.3 million (restated) in 2007.

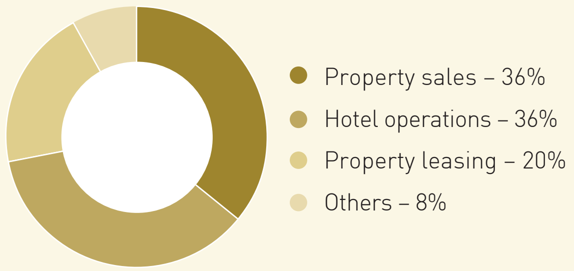
II. Revenue

For the year ended 31 December 2008, the revenue of the Group increased by 39% to HK$3,913.5 million (2007: HK$2,813.0 million (restated)), which was mainly attributable to increased property sales and property leasing.

Revenue by business segments

	For the year ended 31 December				
	2008		2007 (restated)		
	HK$ million	**Percentage of the total revenue (%)**	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property sales	**1,399.6**	**36**	986.1	35	42
Property leasing	**786.1**	**20**	413.0	15	90
Hotel operations	**1,393.9**	**36**	1,117.6	40	25
Others	**333.9**	**8**	296.3	10	13
Total	**3,913.5**	**100**	2,813.0	100	39

The Group aggressively carried out the synergistic development strategy for the three major business segments. After the acquisition of Jin Mao Group, the proportions of the three business segments as a percentage of the total revenue became more balanced. In 2008, revenue from property sales increased by 42% over that of 2007 to approximately HK$1,399.6 million and accounted for 36% of the total revenue, which was mainly attributable to sales of some floors on the Eastern Tower of the Beijing Chemsunny World Trade Centre and Zhuhai Every Garden project. In the year under review, revenue from property leasing increased by 90% over that of 2007 and accounted for 20% of the total revenue, which was primarily driven by the significant increase in the rental income from Beijing Chemsunny World Trade Centre and Jin Mao Tower. Revenue from hotel operations increased by 25% over that of 2007 and accounted for 36% of the total revenue, which was primarily attributable to the revenue contributions from the hotels newly opened during the year. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management, trade and building decoration) accounted for 8% of the total revenue.



III. Cost of sales and gross profit margin

Cost of sales of the Group for the year ended 31 December 2008 was approximately HK$1,715.5 million (2007: HK$1,135.4 million (restated)) and the overall gross profit margin of the Group in 2008 dropped slightly to 56% from 60% in 2007.

The gross profit from property sales decreased from that of 2007 mainly because the property sales this year included sales of certain residential projects, while those of 2007 were mainly attributable to sales of office premises; the increase in gross profit from property leasing was mainly driven by higher occupancy rates and higher rental levels of office premises this year; and the decrease in gross profit from hotel operations from that of 2007 was mainly due to the higher start-up costs of newly opened hotels. Gross profits from other business sectors were maintained at a normal level.

Gross profit margin by business segments

	For the year ended 31 December	
	2008 Gross profit margin (%)	2007 (restated) Gross profit margin (%)
Overall	**56**	60
Property Sales	**51**	59
Property leasing	**81**	76
Hotel operations	**52**	60
Others	**36**	37

IV. Other income and gains

Other income and gains of the Group for the year ended 31 December 2008 decreased by 88% from HK$3,277.6 million (restated) in the same period of 2007 to approximately HK$381.3 million. The decrease was mainly due to (i) a decrease of 97% in the fair value gains on investment properties held by the Group from HK$2,892.1 million (restated)) in 2007 to approximately HK$99.4 million in 2008; (ii) no disposal of interests in subsidiaries occurred in 2008 after a gain of HK$108.7 million was recorded by the Group upon disposal of its interests in two subsidiaries in Zhuhai in April 2007.

Analysis on other income and gains

	For the year ended December 31		
	2008 (HK$ million)	2007 (restated) (HK$ million)	Year-on-year change (%)
Bank interest income	**197.9**	152.0	30
Fair value gains on investment properties	**99.4**	2,892.1	-97
Gain on disposal of subsidiaries	**–**	108.7	-100
Gain on stock investment	**35.8**	83.6	-57
Net exchange gain	**26.7**	23.7	12
Others	**21.5**	17.5	23
Total	**381.3**	3,277.6	-88

V. Selling and marketing expenses

Selling and marketing expenses of the Group for the year ended 31 December 2008 amounted to HK$168.9 million, corresponding to the HK$173.2 million (restated) in the same period in 2007. Selling and marketing expenses comprise primarily the advertising expenses incurred in the Group's daily operations, commissions paid to the relevant sales agencies and other expenses in relation to market promotion. Selling and marketing expenses accounted for 4% (2007: 6% (restated)) of the Group's total revenue.

VI. Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2008 amounted to HK$494.6 million, representing an increase of 28% from HK$386.0 million (restated) in the same period in 2007. The increase was mainly attributable to the pre-operating expenses of the newly-opened hotels and the increase in staff costs. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 13% (2007: 14% (restated)) of the Group's total revenue.

VII. Finance cost

Finance cost of the Group for the year ended 31 December 2008 was HK$405.6 million, representing an increase of 33% from HK$304.2 million (restated) in 2007. The increase in finance cost was mainly attributable to the increase in loans and that the interest expenses of those newly-opened hotels can no longer be capitalized after the commencement of their operations.

VIII. Tax

The Group had a tax charge of HK$401.8 million for the year ended 31 December 2008, representing a decrease of 68% from HK$1,241.9 million (restated) in the same period of 2007. The decrease in tax charge was primarily attributable to lower fair value gains on investment properties resulting in lower deferred tax charge thereon as compared with that of last year. The Group's applicable income tax rate for 2008 was 27% (2007: 30% (restated)).

IX. Profit attributable to equity holders of the Company

For the year ended 31 December 2008, profit attributable to equity holders of the Company amounted to HK$900.9 million, representing a decrease of 64% compared with HK$2,520.3 million (restated) in the same period of 2007. Profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax, amounted to HK$826.6 million, an increase of 23% compared with HK$672.7 million in the same period of 2007.

Basic earnings per share for the year were HK14.76 cents, a decrease of 79% compared with HK68.72 cents (restated) in the same period of 2007. The decrease in basic earnings per share was primarily attributable to lower fair value gains on investment properties for 2008 as compared with the same period of last year and the higher weighted average number of ordinary shares in issue (approximately 6,105.4 million) in 2008 as compared with the same period of last year (2007: approximately 3,667.3 million), which further diluted the basic earnings per share. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK13.54 cents (2007: HK18.34 cents (restated)).

Comparison of profit attributable to equity holders of the Company before and after fair value gains on investment properties, net of deferred tax

	For the year ended December 31		
	2008 (HK$ million)	2007 (restated) (HK$ million)	Year-on-year change (%)
Profit attributable to equity holders of the Company	**900.9**	2,520.3	-64
Less: fair value gains on investment properties, net of deferred tax	**(74.3)**	(1,847.6)	-96
Profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax	**826.6**	672.7	23
Basic earnings per share (in HK cents)	**14.76**	68.72	-79
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**13.54**	18.34	-26

X. Investment properties

As at 31 December 2008, investment properties of the Group comprise the Central and West Tower of Beijing Chemsunny World Trade Centre, Jin Mao Tower (the leased portion) and Sinochem Tower. Investment properties increased from HK$10,671.2 million (restated) as at 31 December 2007 to HK$11,359.4 million as at 31 December 2008. The increase was mainly due to the appreciation of investment properties and effect of exchange rate changes.

XI. Properties under development

As at 31 December 2008, the non-current portion of properties under development of the Group comprised property development costs for Eastern Site and Central Site of Shanghai International Shipping Service Center, whereas the current portion of properties under development comprised property development costs for Site B of Shanghai Port International Cruise Terminal.

The increase in properties under development (current and non-current) from HK$4,174.6 million (restated) as at 31 December 2007 to HK$6,736.5 million as at 31 December 2008 was mainly attributable to the additional costs incurred for Site B of Shanghai Port International Cruise Terminal, Eastern Site and Central Site of Shanghai International Shipping Service Center. The costs were partially offset by the transfer of the Zhuhai Every Garden projects recently completed.

XII. Properties held for sale

As at 31 December 2008, properties held for sale of the Group included East Tower of the Beijing Chemsunny World Trade Centre and the unsold portion of Zhuhai Every Garden project.

The increase in properties held for sale from HK$607.8 million as at 31 December 2007 (restated) to HK$616.1 million as at 31 December 2008, was mainly attributable to the project under development, Zhuhai Every Garden project, being completed and then accounted for as properties held for sale, and a portion of the costs being transferred out after sale of some floors of the East Tower of Beijing Chemsunny World Trade Centre and Zhuhai Every Garden project.

XIII.Trade receivables

As at 31 December 2008, trade receivables of the Group were HK$126.2 million, representing a decrease of 49% from HK$245.7 million as at 31 December 2007 (restated). The decrease in trade receivables was primarily due to the receipt in the year of receivables generated by the sales of some floors of the East Tower of Beijing Chemsunny World Trade Centre in 2007.

XIV.Trade and bills payables

As at 31 December 2008, trade and bills payables of the Group were HK$900.9 million, representing a decrease of 25% from HK$1,195.3 million as at 31 December 2007 (restated). The decrease in trade and bills payables was primarily due to the reduction in construction cost payable for the development of Site B of Shanghai Port International Cruise Terminal and Beijing Chemsunny World Trade Centre.

XV. Interest-bearing bank and other borrowings

As at 31 December 2008, interest-bearing bank and other borrowings (including current and non-current) of the Group were HK$10,628.6 million, representing an increase of 9% over HK$9,777.2 million as at 31 December 2007 (restated). The increase in interest-bearing bank and other borrowings was primarily due to the increase in entrustment loans provided to subsidiaries of the Group by the Group and minority shareholders of its subsidiaries through financial institutions, as well as the external loans used for hotel investment and new project development.

Analysis of interest-bearing bank and other borrowings

	As at 31 December		
	2008 (HK$ million)	2007 (restated) (HK$ million)	Year-on-year change (%)
Interest-bearing bank and other borrowings (including current and non-current)	**10,628.6**	9,777.2	9
Less: entrustment loans	**(2,394.2)**	(2,062.8)	21
Loans pledged by bank deposits of the Group	**(100)**	–	N/A
Interest-bearing bank and other borrowings, net of entrustment loans and loans pledged by bank deposits of the Group	**8,134.4**	7,714.4	5

XVI.Gearing ratio

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio of the Group as at 31 December 2008 and 31 December 2007 were as follows:

	As at 31 December	
	2008 **(HK$ million)**	2007 (restated) (HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	**10,628.7**	9,777.2
Less: cash and cash equivalents	**(5,046.8)**	(7,625.8)
Restricted deposits and pledged deposits	**(1,314.3)**	(1,207.7)
Net debt	**4,267.6**	943.6
Total equity	**13,924.1**	15,380.5
Add: amounts due to related parties	**2,776.2**	278.3
Adjusted capital	**16,700.3**	15,658.8
Net debt-to-adjusted capital ratio (%)	**26**	6

XVII. Liquidity and capital resources

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank borrowings and issue of new shares.

As at 31 December 2008, the Group had cash and cash equivalents of HK$5,046.8 million, mainly denominated in RMB, HK dollar and US dollar.

As at 31 December 2008, the Group had total interest-bearing bank and other borrowings of HK$10,628.6 million compared to HK$9,777.2 million (as restated) as at 31 December 2007. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2008	2007 (Restated)
	(HK$ million)	(HK$ million)
Within 1 year	**6,539.7**	7,099.8
In the second year	**2,158.0**	32.1
In the third to fifth years, inclusive	**1,658.3**	2,303.3
Over five years	**272.6**	342.0
Total	**10,628.6**	9,777.2

Interest-bearing bank and other borrowings of approximately HK$6,539.7 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$1,826.4 million provided by the Company and minority shareholders of its subsidiaries to subsidiaries of the Company through financial institutions. It is expected that such entrustment loans will be renewed upon their maturity dates. Interest-bearing bank and other borrowings of approximately HK$2,158.0 million repayable in the second year include entrustment loans totalling approximately HK$567.8 million provided by the Company and minority shareholders of its subsidiaries to subsidiaries of the Company through financial institutions. All of the Group's borrowings are denominated in RMB and bear interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2008, the Group had banking facilities of HK$9,955.0 million denominated in RMB and USD. The amount of banking facilities utilised was HK$9,492.8 million. On 31 December 2007, members of the Group entered into an entrustment loan framework agreement, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. This agreement came into effect on 1 January 2008. During the year, the amount of entrustment loan transactions between members of the Group amounted to HK$913.2 million.

The Group's net cash outflow of HK$2,906.4 million for the year ended 31 December 2008 consisted of:

1. A net cash outflow of HK$324.0 million from operating activities, which was mainly attributable to the payment of construction costs, hotel operating costs, selling expenses and administrative expenses of the Group, which was partially offset by the receipt of the proceeds derived from the sale of Zhuhai Every Garden, and property rental and revenue from hotel operations.

2. A net cash outflow of HK$3,092.9 million from investing activities, which was mainly attributable to the settlement of cash consideration for the acquisition of Jin Mao Group, purchase of fixed assets for hotels, investments in jointly-controlled entities and increase in pledged deposits of the Group.

3. A net cash inflow of HK$510.5 million from financing activities, which was mainly attributable to the capital contribution by minority shareholders of the Company to subsidiaries of the Company and addition of bank and other borrowings, partially offset by repayments of bank and other borrowings and payment of dividends for 2007.

XVIII. Pledge of assets

As at 31 December 2008, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$1,698.5 million, land use rights of HK$378.2 million, investment properties of HK$7,870.0 million and bank deposits of HK$1,297.1 million.

XIX. Contingent liabilities

As at 31 December 2008, the Group provided guarantees in respect of mortgage loans for the buyers of Zhuhai Every Garden Project of HK$301.2 million. Pursuant to the contract, these guarantees will be released upon the issuance of the property ownership certificates. Provision of guarantees is a common practice of the real estate industry in the PRC.

XX. Capital Commitments

The Group had the following capital commitments at the balance sheet date:

	As at 31 December	
	2008 **(HK$ million)**	2007 (Restated) (HK$ million)
Contracted, but not provided for capital expenditure in respect of land and buildings	**171.6**	719.8
Contracted, but not provided for capital expenditure in respect of properties under development	**165.4**	740.1
Total	**337.0**	1,459.9

XXI. Market Risk

The Group's assets are predominantly in the form of land use rights, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market, these assets may not be readily realized.

XXII. Interest Rate Risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of our debt obligations. The Group does not currently use any derivative instruments to manage the Group's interest rate risk.

XXIII. Foreign Exposure Risk

Substantially all of the Group's turnover and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

XXIV. Post Balance Sheet Events

Details of significant post balance sheet events of the Group are set out in note 43 to the financial statements.

Investor Relations Report

Investor relations activities for 2008

January	June
Attended the investors meeting held by CLSA in Hong Kong Attended the investors meeting held by Deutsche Bank in Hong Kong	Participated in the investors' telephone conference in relation to the acquisition of Jin Mao arranged by Deutsche Bank Participated in the investors' telephone conference in relation to the acquisition of Jin Mao arranged by the Citigroup
April	**September**
Announced final results for 2007 – Held press conference – Held analysts briefing Attended non-transaction related roadshow in Hong Kong Attended non-transaction related roadshow in Singapore	Announced interim results for 2008 – Held press conference – Held analysts briefing
May	**October - December**
Attended non-transaction related roadshow in the US Attended non-transaction related roadshow in the Middle East Attended non-transaction related roadshow in Japan	Attended investors meeting (Greater China region) held by Citigroup in Macau Organised reverse roadshow of the collective signing ceremony for Shanghai Port International Cruise Terminal Attended investors meeting for the real estate sector held by CLSA in Hong Kong

" In March 2008, Franshion Properties was included in the Hang Seng Composite Index Series and Hang Seng Freefloat Index series "

Communication with shareholders

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. In addition, these measures also ensure the investors to have a good channel for voicing their opinions and advices on the Company's performance.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report and interim report – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual General Meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries.

- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., timely announce material information about the Company to the market, and timely respond to inquiries by investors and analysts. For example, in June 2008, the Company announced the progress of its acquisition of Jin Mao Group and Shanghai Yin Hui to investors and the media by way of extraordinary shareholders' meeting and press release.

- Periodic meetings with institutional investors and securities analysts on its own initiative – provide non-price sensitive information in relation to the Company's latest business development to attract more attention from the market.

- Arrange on-site visit and reverse roadshows for investors – to promote investors' understanding of the Company's development by arranging on-site visit of various projects of the Company and enable them to have direct communication with the management.

In 2008, the Company's management participated in various investors meetings, including institutional investors' conferences and non-transaction related international roadshows (including those in Hong Kong, UK, US, Singapore, Middle East and Japan), to promote our exposure to international and Hong Kong investors. During the year under review, the Company received more than 500 investors, and hosted over 200 investors to visit our project sites in Shanghai, Beijing, and Zhuhai. In particular, in order to match up the Company's non-transaction related roadshows, our investor relations department organised a large-scale reverse roadshow activity to visit our Shanghai Port International Cruise Terminal project in May 2008, and received positive feedback from our investors.

Feedback from investors

The Company regards investors' feedback as highly important. During the year, the Company conducted several surveys on investors' opinions, with a view to acquiring an in-depth and comprehensive understanding of the effectiveness of the Company's external communication, and to collect data on our investors' requirements of the Company's information disclosure and the work to be done to improve our investor relations. The surveys have received active response from our investors and showed us the direction for subsequent improvement in investor relations. Meanwhile, we have also established a hotline and an email contact for our investors. These measures enable the relevant investors to have a clear picture of the Company's business operations and facilitate an efficient communication between the Company and investors.

Market recognition and honours

The Company's efforts in investor relations are well recognised in the industry. In the award of "Best Overall Investor Relations – HKEX Listed IPO of Hong Kong, China Mainland and Taiwan" for 2008 organised by IR Magazine, an internationally renowned magazine in investor relations, Franshion Properties excelled over tens of eligible newly listed companies to become one of the three nominated companies, and was accredited with the excellent award.

Prospects of our investor relations work

The Company will continue to aggressively strengthen our investor relations efforts, to promote public investors' understanding of the Company's strategic development. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations in Hong Kong. On the basis of compliance with relevant provisions, we will continue to deliver to the investors all over the world the Company's latest information and to ensure the transparency of the Group's corporate governance standard, with a view to gain more trust and support from investors.

Contact details for investors

Tel: 852-28299668
Fax: 852-28240300
E-mail: franshion@sinochem.com

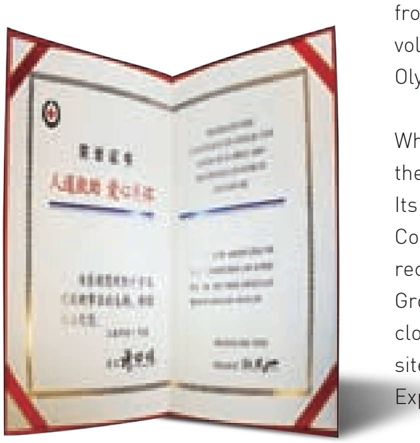
Corporate Social Responsibility Report

1. Social and community contributions

The Group strives to pursue sound corporate citizenship, to participate in social and community activities, and to improve the Group's and its employees' awareness of social responsibility through different channels and means. In addition, the Group is also committed to practicing the philosophy of "one who benefits from the society shall repay the society", so as to help establish a harmonious society.

After the Wenchuan earthquake which took place on 12 May 2008, apart from donating money and supplies directly, the Group also conducted charity sales for disaster relief, held photo exhibition under the theme "Sichuan, we will work with you" and organised the earthquake-injured people and their relatives to visit Jin Mao Tower. In addition to the above efforts, our staff also organised blood donation on their own initiatives, which expressed the deep affection and desire to share their love to the people in the disaster area through concrete actions. Jin Mao Group, a subsidiary of the Group, was also accredited with "Silver Award for Excellent Contribution in Disaster Relief" granted by Shanghai Red Cross.

During the Beijing Olympics in 2008, as a "2008 Beijing Olympic Games Designated Hotel for Official Guest Reception", the Group's Wangfujing Grand Hotel implemented all the plans for reception of Olympic groups, competed all tasks successfully. Accordingly, the hotel was accredited with "Advanced Entity Award for Olympic Reception" granted by Beijing Municipal Tourism Administration. The Group's Westin Beijing, Chaoyang, due to having accommodated a number of celebrities, including the US Former President George W. Bush's family and Singapore President S.R. Nathan and providing quality services, particular services and excellent safety measures, also received recognitions from various institutions. The Group also encouraged its staff to work as Olympic volunteers, and some staff with excellent performance were also elected as "Beijing Olympic Games Voluntary Service Advanced Individuals" by the BOCOG.



While paying attention to significant matters relating to the community and society, the Group also showed continuous enthusiasm in daily social community welfares. Its subsidiary Jin Mao Advertising held "Yalong Golf-the 7th Beach Charity Music Conference" in Hilton Sanya Resort & Spa, all income of which was used for eyesight recovery surgery for the Hainan children who were suffering from eye diseases. The Group also encouraged all staff to exercise lean management, and donated winter clothes from office resource savings to migrant workers working in the construction site of JW Marriott Shenzhen, which caught the attention of Bureau of Shanghai World Expo Coordination and drew it into that event.

2. Environment protection

The Company always emphasizes environment protection. Apart from complying with environment protection law and provisions promulgated by the central, provincial and municipal governments of the PRC, we also strive to incorporate the environment protection concept into all stages of implementation of its projects. In designing stage, we integrate essential environment protection control system into the design of the relevant project; while in implementation stage, the Group will only employ high-quality, experienced and highly qualified contractors that strictly adhere to environment protection regulations to undertake the work, and will also appoint an independent third party advisor to monitor the compliance with environment, society, sanitation and safety regulations. When a project is completed, the Group shall obtain relevant reports approved by environment authorities before transferring that project to the clients.

Leveraging on its unique technology in design and advanced energy saving and environment protection, the Group's Beijing Chemsunny World Trade Centre was recognised as one of the "Top 10 Office Buildings" in Beijing. The Group's Shanghai Port International Cruise Terminal, a project under construction, also installed advanced intelligent and energy-saving facilities to ensure lower energy consumption and save resources. In addition to that, Zhuhai Every Garden project, which was delivered to the purchasers during the year, also received comprehensive recognitions from the purchasers for its excellent environment protection and energy saving design.

In 2008, the Group comprehensively promoted lean management, which encouraged the staff to integrate green environment protection concept into the daily work so as to emphasize energy saving and pollution reduction. The Group's Wangfujing Grand Hotel was named a "Golden-Leaf Grade Green Tourist Hotel" by the National Tourist Hotels Star-rating Accreditation Committee due to its continuous efforts in implementing green management. Besides solely promoting energy saving and environment protection activities, the Group also proactively organised its tenants and the public to join these activities. The Group's Jin Mao Tower held a one month activity called "Care about Environment, Exercise Energy Saving" for its tenants, and sponsored a "casual clothes week" for office staff in summer season. The air-conditioning temperature was reasonably adjusted upward in the office building, and office staff in the tower were encouraged to participate in the environment protection activities, so as to advocate its tenants and the public to contribute to the energy saving and consumption cutting campaign.

3. Safety management

The Group strives to reduce potential safety risks through selecting qualified and experienced partners. We believe these partners have enormous experiences, and have strong ability to tackle the risks arising from the construction works. All the contractors engaged by the Group have prepared relevant emergency plans, to ensure a prompt response will be made when emergencies take place. The Group has also established HSE management department, which assumes liability to carry out safety inspections on construction projects, to ensure that appropriate facilities are equipped at the construction site and safety management system are implemented, thereby minimising the risk of occurrence.

In 2008, the Group carried out thorough inspection to remove potential risks and made safety management improvement for its hotels, which ensured that the hotels had completed Olympic reception tasks successfully, and fulfilled our goal of realising a "Safe Olympic". While imposing safety management on its investment properties, the Group also held several safety evacuation rehearsals to improve its ability in tackling emergencies.

4. Employee development

On 31 December 2008, the group had 5,410 employees, mainly staff working in China. The Group always views human resources as its foundation for development. Accordingly, it is committed to grooming its staff and helping them to achieve their full potential, so as to ensure an ability to complete their relevant works. For this purpose, we create a sound working environment, provide competitive salaries and other benefits, which included retirement plan, medical insurance plan, accident insurance plan, unemployment insurance plan and housing grants. The Group will periodically review its salary level according to market standard.

The Group encourages its staff to take further studies, subsidizes them to participate in external courses and conferences that are related to their works, and provides internal trainings to improve their skills. The Group provides a series of training courses, covering leadership skills, business strategies and technical skills. The Group has also designed systematic training plans for its newly recruited staff, to enable them to understand the Company's corporate culture and perform their duties without delay. Management staff also can participate in seminars presided over by

experts, which will improve their abilities in human resource management and leadership techniques, thereby ensuring them a better technique in human resource management, and enabling them to lead their teams and fulfill their goals efficiently.

The Group focuses on its staff's safety and health. Apart from purchasing medical and accident insurance plans for them, the Group also organises its staff to go through health screening periodically and provides them with sports premises and facilities, to strengthen their body. The Group also held several outdoor activities, including building climbing, staff basketball game and staff soccer game, which were well received by its staff.

The Group emphasizes promotion of its team construction and corporate culture. During the period under review, it held a conference under the theme of "Prospectus and Missions of Franshion Properties" for its staff, which brought our staff closer to the Company, fostered their pride and encouraged their loyalty. Meanwhile, the Group also arranged outdoor exploration activities and choir contest, which served to strengthen the staff's emotional connections and foster the Company's solidarity. In addition, through communication between the management and staff, the Group created an active working environment and fostered a powerful corporate solidarity.

Profile of Directors and Senior Management


Mr. HE Cao


Ms. LI Lun


Mr. WANG Hongjun

Directors

Mr. HE Cao
Chairman and non-executive director
Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive director of the Company. Mr. HE joined Sinochem Corporation in 1979 and had held a number of senior positions in finance management, corporate governance and investment enterprises of Sinochem Corporation before he was appointed as its Assistant President in 2002. Since 2002, Mr. He has been the President, Vice Chairman and Chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jinmao Tower. Grasping the development opportunities in the industry, Mr. He participated in the investment, acquisition and development of luxury five-star hotels and properties in a host of first tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. He has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Mr. He has over 20 years of experience in corporate governance, hotel and property investment, development and operation. Mr. He graduated from Jilin Finance and Trade College in 1978 and majored in economics at Renmin University of China from 1983 to 1986. Mr. He obtained a master's degree in business administration from China Europe International Business School in 2004. Mr. He has been a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality since 2003 and was awarded the title of Model Worker of Shanghai in 2007.

Ms. LI Lun
Vice Chairman and non-executive director
Ms. LI Lun, who was born in November1952, was in charge of the establishment of the Company and served as the Vice Chairman, executive director and Chief Executive Officer of our Company from June 2004 to December 2005. Ms. Li is currently the Vice Chairman and non-executive director of the Company. Ms. Li joined Sinochem Corporation in February 1977 and has served in various senior positions of a number of subsidiary companies of the Sinochem Corporation. She is currently the Vice Chairman of Sinochem Hong Kong (Group) Company Limited, Vice Chairman and General Manager of Rillfung Company Limited and Franshion Company Limited, and Vice Chairman of several joint ventures, namely Shanghai Dongfang Bulk Packaging Co., Ltd., Qingdao Gangxing Packaging Company Limited, Tianjin Beifang Packaging Company Limited, Tianjin Beihai Industrial Company Limited, Shanghai Orient Terminal Co., Ltd. and Sinochem Xingyuan Petroleum Storage and Transportation (Zhoushan) Co. Ltd. In over a decade since February 2006, she served as the Vice Chairman of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Port International Cruise Terminal Development Co., Ltd., Shanghai Ke Yi Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited, Guangzhou Xin Kang Real Estate Co., Ltd. and Wangfujing Hotel Management Company Limited, the Chairman of Sinochem Franshion Real Estates (Zhuhai) Co., Ltd., and a director of Beijing Chemsunny Property Company Limited. She has been involved in Sinochem Corporation's property investment and development projects since the 1980s and has been substantially involved in the making of key strategic decisions at the board level and responsible for the actual project management and operation of all the property projects developed by our Group since 1993. She has rich experience in enterprise management and real estate development. Ms. Li earned a Bachelor's degree from the Beijing Institute of Foreign Studies in 1975.

Mr. WANG Hongjun
Non-executive director
Mr. WANG Hongjun, who was born in November1964, joined our Company in March 2007 and has been a non-executive Director of our Company since then. He joined Sinochem Corporation in June 1995 and has been the general manager of the strategic planning department of Sinochem Corporation since 2004. Currently he is a non-executive director of Beijing Chemsunny Property Company Limited, Sinochem Ningbo Ltd., Sinochem Qingdao Industrial Co., Ltd., Sinochem International Tendering Co., Ltd., China Foreign Economy and Trade Trust & Investment Co., Ltd., China New Technology Development and Trade Co., Ltd. and Sinochem Japan Co., Ltd. He has over 10 years of experience in corporate management. Mr. Wang earned a Bachelor's degree from Shenyang Institute of Construction and Engineering in 1985, a Master of Economics degree from Renmin University of China in 1991 and a Master's degree in executive business administration from CEIBS in 2003.

Ms. LI Xuehua

Mr. HE Binwu

Mr. JIANG Nan

Mr. LAU Hon Chuen, Ambrose

Ms. LI Xuehua

Executive director and Chief Executive Officer

Ms. LI Xuehua, who was born in January 1958, joined our Company in December 2005 and has been an executive director and Chief Executive Officer of our Company since then, responsible for the general operation and management of the Company. She joined Sinochem Corporation in October 2004 as deputy general manager of Sinochem Kingsway Capital Inc., and was an executive director of Sinochem Kingsway Asset Management Limited. She is currently the Chairman and an executive director of Beijing Chemsunny Property Company Limited, Beijing Century Chemsunny Property Management Co., Ltd. and Sinochem International Property & Hotels Management Co., Ltd., the Vice Chairman of Wangfujing Hotel Management Company Limited, an executive director of Sinochem Franshion Real Estates (Zhuhai) Co., Ltd., and a non-executive director of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Port International Cruise Terminal Development Co., Ltd., Shanghai Huigang Real Estate Development Co., Ltd., and a director and general manager of China Jin Mao (Group) Company Limited. Ms. Li is also a director of several subsidiaries of the Company. She was a director of Sino-Ocean Land Limited from July 2006 to March 2007. Prior to joining Sinochem Corporation, she had worked in various senior financial management positions in China National Machinery Import and Export Corporation. Ms. Li has over 20 years of experience in corporate finance management. Ms. Li earned a diploma certificate from Jingqiao University of China in 1987 and a Master's degree from University of International Business and Economics in 1997.

Mr. HE Binwu

Executive director and Vice President

Mr. HE Binwu, who was born in November 1948, has been an executive Director and the Vice President of the Company since June 2004 (when our Company was incorporated). He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been its director and General Manager since then. He has served as a director and Deputy General Manager of Franshion Company Limited since 1987. He is currently also a director and General Manager of Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai Huigang Real Estate Development Co., Ltd. He is also a non-executive director of Guangzhou Xin Kang Real Estate Co., Ltd. He served as non-executive director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. He has over 15 years of experience in the real estate development industry. In January 2007 he was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006 and 2007. Mr. He earned a diploma certificate from Shanghai Jiao Tong University in 1976.

Mr. JIANG Nan

Executive director and Chief Financial Officer

Mr. JIANG Nan, who was born in April 1973, joined our Company in January 2006 as our Chief Financial Officer and has been involved in the day-to-day management of our Company since then. He has been an executive Director of our Company since March 2007. He is responsible for the direction and strategic planning, and management of finance and risks of our Company. He joined Sinochem Corporation in August 1995 and worked in the Finance Department of Sinochem Corporation from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006 with responsibility in handling its financial management and investment affairs and the operation of the overseas funds of Sinochem Corporation. He is currently an executive director of Sinochem International Property & Hotel Management Co., Ltd. and Beijing Chemsunny Property Company Limited, and a non-executive director of Shanghai Pudong Jinxin Real Estate Development Co., Ltd., Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Huigang Real Estate Development Co., Ltd and China Jin Mao (Group) Company Limited. He has over 14 years of experience in corporate finance and accounting management. Mr. Jiang earned a Bachelor's degree in finance from the China Institute of Finance in 1995 and a Master's degree in finance from Central University of Finance and Economics in 2003. He obtained Accounting Qualification Certificate in 1999.

Mr. LAU Hon Chuen, Ambrose

Independent non-executive director, G.B.S., J.P.

Mr. LAU Hon Chuen, Ambrose, who was born in July 1947, has been an independent non-executive Director of our Company since March 2007. He is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. Lau is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. Lau was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. Lau is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Guangzhou Investment Company Ltd., GZI Transport Ltd., Qin Jia Yuan Media Services Co., Ltd., The Hong Kong Parkview Group Ltd., and Wing Hang Bank, Ltd. He served as an independent non-executive director of Beijing Enterprises Holdings Limited between 1997 and 2008. He is the Director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. Lau also served as Chairman of the Central and Western District Board between 1988 and 1994, President of the Law Society of Hong Kong in 1992-1993, Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has over 35 years of experience in legal practice and over ten years of experience in corporate management. Mr. Lau obtained a Bachelor of Laws degree from the University of London in 1969 and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public.


Professor SU Xijia


Professor LIU Hongyu


Mr. NGAI Wai Fung


Dr. GAO Shibin

Professor SU Xijia
Independent non-executive director
Professor SU Xijia, who was born in September 1954, has been an independent non-executive Director of our Company since March 2007. He has been an assistant professor since 1996 and later an associate professor in the Department of Accountancy of City University of Hong Kong. He is also an associate professor of Guangzhou Ji-Nan University and Shanghai University of Finance and Economics. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed the Special Investigator by the CICPA since 2005. He has also given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He has served as an independent director of Shenzhen SEG Co., Ltd, a company listed on the Shenzhen Stock Exchange since June 2002. He also serves as an independent director of Shenzhen Topray Solar Co., Ltd. since February 2007. Professor Su has over 20 years of experience in corporate governance and accounting practice. He worked as an audit assistant for Da Hua Certified Public Accountants Co., Ltd (now Ernst & Young Dahua Certified Public Accountants Co., Ltd.) in 1984 and worked in the Xiamen University Certified Public Accountants Co., Ltd. from 1987 to 1988. Professor Su earned a Bachelor's degree and a Master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Professor LIU Hongyu
Independent non-executive director
Professor LIU Hongyu, who was born in October 1962, has been an independent non-executive Director of our Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000 and since April 2004 he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996 he has also been director of the Institute of Real Estate Studies of Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. He has served as an independent director of a Shenzhen Stock Exchange listed company, COFCO Property (Group) Co., Ltd. since April 2006, and an independent director of a Shanghai Stock Exchange listed company, Beijing Tianhong Baoye Property Co., Ltd. since April 2002. From 2002 to 2008, he served as an independent director of China Merchants Property Development Co., Ltd., a Company listed on the Shenzhen Stock Exchange. He is a vice chairman of the China Institute of Real Estate Appraisers and Agents and a director of Asian Real Estate Society. He is also a Hon. Professor of the University of Hong Kong and a Fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 20 years of experience in real estate industry and construction engineering. Professor Liu earned a Bachelor's degree in Structural Engineering and a Master's degree in Management Engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Mr. NGAI Wai Fung
Independent non-executive director
Mr. NGAI Wai Fung, who was born in January 1962, has been an independent non-executive Director of our Company since May 2007. He has been an independent non-executive director of China Railway Construction Corporation Limited since November 2007, an independent non-executive director of Bosideng International Holdings Limited since September 2007 and an independent non-executive director of China Life Insurance Company Limited since December 2006. He also served as an independent non-executive director of China Chief Cable TV Group Limited between 2004 and 2007. He is also the director and Head of Listing Services of KCS Hong Kong Limited (formally the corporate services division of KPMG and Grant Thornton), vice president of the Hong Kong Institute of Chartered Secretaries and the Chairman of its Membership Committee. He also served as director of Top Orient (H.K.) Limited, Top Orient Capital (Asia) Limited, Hong Kong City Development Limited, Asia Business Consultants (H.K.) Limited and Yi Jia International Development Co. Limited. He was the Company Secretary and Head of the Secretariat of ICBC (Asia) in 2005, the Company Secretary of China Unicom Limited from 2001 to 2003, the Executive Director, the Company Secretary and the Chief Financial Officer of Oriental Union Holdings Limited from 1999 to 2001. Mr. Ngai is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, a member of the Association of Chartered Certified Accountants in the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Hong Kong Securities Institute. He has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major H Shares and red chips companies. Mr. Ngai graduated from Andrews University, Michigan, in 1992, and obtained a Master's degree in Business Administration. He graduated from the Hong Kong Polytechnic University in 2002 and obtained a Master's degree in Corporate Finance. He is studying a doctorate degree (thesis stage) in Finance at Shanghai University of Finance and Economics.

Dr. GAO Shibin
Independent non-executive director
Dr. GAO Shibin, who was born in March 1964, has been an independent non-executive Director of our Company since July 2007 and the Managing Director of Standard Chartered-Istithmar Real Estate Advisory Services (Hong Kong) Limited since June 2008. Dr. Gao worked with Jones Lang LaSalle in the PRC from 2003 to 2008. Before his resignation, he held the National Director position, managing real estate transactions and advising institutional investors in relation to real estate investments, developments, asset purchases and disposals in China. He had worked as project manager, senior business manager or senior investment manager for several investment and management companies in the UK, Hong Kong and Canada between 1996 and 2003, and was involved in development, operation and management of real estate investments and in risk management of real estate portfolios. He has over ten years of experience in real estate investment and management industry. Dr. Gao earned a Bachelor's degree in Building Engineering and a Master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in 1998. Dr. Gao is a member of the Royal Institution of Chartered Surveyors.

Mr. LI Congrui

Ms. LAN Haiqing

Mr. YANG Baojian

Mr. GAI Jiangao

Mr. GAO Bo

Mr. LIAO Chi Chiun

Other senior management

Mr. LI Congrui
Mr. LI Congrui, who was born in March 1971, has been a Vice President of the Company since April 2009. Mr. Li joined Sinochem Corporation in 1997, and has worked in various management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Corp. Since 2003 and prior to joining the Company, Mr. Li was a director and general manager of 舟山國家石油儲備基地有限責任公司 (Zhoushan State Oil Reserve Base Company Limited). Mr. Li has accumulated rich experience in appraisal and analysis on project investment, investment decisions, corporate governance, project control and large-sized project construction. He was also familiar with corporate management in strategies, organization, procedures and human resources. Mr. Li obtained a bachelor degree from the petroleum department of China University of Geosciences (Wuhan) in 1994. He received a master degree major in petroleum development from the Research Institute of Petroleum Exploration & Development in 1997 and a master of business administration from China Europe International Business School in 2007.

Ms. LAN Haiqing
Ms. LAN Haiqing, who was born in July 1966, had been appointed as the Vice President of the Company since December 2007. Ms. Lan has served as the Managing Director and Managing General Manager of Wangfujing Hotel Management Company Limited since February 2005 and January 2002, respectively. From May 1997 to December 2001, she was the General Manager of Golden Beach Hotel, Qingdao. She has over 20 years of hotel management experience. Ms. Lan graduated from Shandong University in 1998 (EMBA), and obtained a Master's degree from Les Roches School of Hospitality Management in Switzerland in June 2000. Ms. Lan participated in corporate governance and capital operation training in Tsinghua University and Sinochem Management Institute from 2002 to 2005.

Mr. YANG Baojian
Mr. YANG Baojian, who was born in October 1958, had been appointed as the Vice-President of the Company since December 2007. Mr. Yang joined Sinochem Corporation in June 1996, and had served as the General Manager of Sinochem International Property & Hotels Management Co., Ltd. since January 2007. Before joining the Company, Mr. Yang served as the General Manager of Beijing Eastern Garden International Convention Center from June 1996 to January 2007. He served in the Beijing Qianmen Hotel from 1978 to 1996 and was appointed as the Deputy General Manager of Beijing Qianmen Hotel in 1989. Mr. Yang has about 30 years of experience in hotel management and property management.

Mr. GAI Jiangao
Mr. GAI Jiangao, who was born in November 1974, has been a Vice President of the Company since January 2007. Mr. Gai joined Sinochem Corporation in July 2000 taking charge of litigation matters and real estate legal matters and served as deputy General Manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Corporation, he worked in Rong Bao Zhai, with responsibility for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. Gai earned an LLB degree from the Capital University of Economics and Business in 1997. He has been qualified as a PRC lawyer since March 2000, obtained the qualification of enterprise legal counsel in January 2003, and earned the capacity of an associated member of Hong Kong Institute of Chartered Secretaries in July 2008.

Mr. GAO Bo
Mr. GAO Bo, who was born in January 1969, joined the Company in August 2007 as Assistant to the President. Mr. Gao has been serving as Deputy General Manager and assistant General Manager of Beijing Chemsunny Property Company Limited since May 2002 and as a director of Beijing Chemsunny Property Company Limited since May 2007. He joined Sinochem Corporation in 1993. He served in various senior positions of Sinochem Corporation, and managed and coordinated a number of real estate development projects including Jin Mao Tower and Chemsunny World Trade Centre. He has over 12 years of experience in the real estate development industry. Mr. Gao earned a Bachelor's degree in civil engineering from Southeast University in 1991.

Mr. LIAO Chi Chiun
Mr. LIAO Chi Chiun, who was born in January 1968, has been the Chief Accountant of our Company, our qualified accountant and company secretary since March 2007. Before joining the Company he served as accountant of S E A Holdings Ltd between 1997 and 2006. He has over ten years of experience in Hong Kong and PRC accounting practice relating to property leasing and developments. Mr. Liao holds a BA (Hons) Accounting degree from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Code on corporate governance

Since its establishment, the Company has been committed to enhancing its corporate governance standards. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except as described below, and most of the recommended best practices set out in the Code on Corporate Governance Practices ("Corporate Governance Code") in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company will continue to improve its corporate governance practices by emphasizing the attainment and maintenance of a quality board, sound internal controls, high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is important to maintaining its long-term healthy development and is in the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a director may be elected by the shareholders at the first annual general meeting after the appointment. There exists minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the directors who fill casual vacancy will not affect adversely the operations of the Company.

Board of directors

The Board is accountable to the shareholders, who is responsible for the Group's overall strategy, internal control and risk management. In order to discharge its responsibilities, the Board has established and adhered to clear operating policies and procedures, reporting lines and delegated authority. The management are authorised to handle the daily operational affairs of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditure as well as proposing changes in areas critical to the Group's performance;

- strategic capital investments and new projects, which are subject to stringent project approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;

- financial and operational performance, which are subject to overall strategic planning as well as the implementation and sustainment of the monitoring system for financial and operational performance;

- the management of relationship among parties who have interests in the Company, which is conducted through ongoing communication with partners, governments, customers and other parties who have interests in the business of the Company; and

- risk management, which is conducted through ongoing verification on the review reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company.

At the date of this report, the Board consisted of the following 11 directors:

Non-executive Directors
Mr. HE Cao (Chairman)
Ms. LI Lun (Vice Chairman)
Mr. WANG Hongjun

Executive Directors
Ms. LI Xuehua (Chief Executive Officer)
Mr. HE Binwu (Vice President)
Mr. JIANG Nan (Chief Financial Officer)

Independent Non-executive Directors
Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Mr. PAN Zhengyi resigned as a non-executive Director and the chairman as well as a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009. At the same time, Mr. HE Cao was appointed by the Board as a non-executive Director and the chairman as well as a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009, and will be approved by the shareholders at the first annual general meeting after the appointment.

Biographical details of the directors are set out on pages 74 to 76 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance cover in respect of legal actions against its directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfill their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management, they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, help to ensure that adequate checks and balances are provided and that the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

The Company has five independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive Director has confirmed his independence to the Company, and the Company considers these Directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors are free to have access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsel and other professionals for independent advice at the Company's expense if they require it.

Board meetings

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to include matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing the agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from consents obtained through circulation of written resolutions to all Board members, the Board met 5 times during the period under review at which the Directors considered and approved significant matters including the acquisition of 100% of interests of Jin Mao Group, the 2007 annual results report and the 2008 interim results report of the Company. Individual attendance of each Director at such Board meetings during 2008 is set out below:

Position	Name	Meetings Attended	Attendance Rate
Non-executive Director	Mr. PAN Zhengyi *	4/4	100%
Non-executive Director	Ms. LI Lun	4/4	100%
Non-executive Director	Mr. WANG Hongjun	4/4	100%
Executive Director	Ms. LI Xuehua	5/5	100%
Executive Director	Mr. HE Binwu	4/5	80%
Executive Director	Mr. JIANG Nan	5/5	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	5/5	100%
Independent non-executive Director	Professor SU Xijia	5/5	100%
Independent non-executive Director	Professor LIU Hongyu	5/5	100%
Independent non-executive Director	Mr. NGAI Wai Fung	5/5	100%
Independent non-executive Director	Dr. GAO Shibin	5/5	100%

* Mr. PAN Zhengyi resigned as a Director of the Company on 13 February 2009, he was the chairman and a non-executive Director of the Company and attended all board meetings in 2008.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services of the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with, and to enhance their awareness of, good corporate governance practices.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. PAN Zhengyi had acted as the chairman and a non-executive Director of the Company since the listing of the Company, and he resigned from those positions on 13 February 2009. Mr. HE Cao was appointed as the chairman and a non-executive Director of the Company on 13 February 2009. Ms. LI Xuehua has acted as the Chief Executive Officer of the Company since the listing of the Company.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balance of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. He makes effective plans for Board meetings and ensures the Board act in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the business of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. She also advises the Board on any significant developments and issues.

Rules for nomination, appointment, re-election and removal of directors

The Company has a formal, considered and transparent procedure for the appointment and replacement of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; and the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company, are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period after the date of dispatch of the notice of the meeting to 7 days before the date of the general meeting. The Remuneration and Nomination Committee of the Company may also provide relevant advices to the Board in respect of the nomination. Qualifications and competence of the nominees should be considered during nomination.

Responsibilities of directors

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skill as executive Directors.

The non-executive Directors of the Company possess sufficient experience and talent and fully participate in the Board to fulfill the functions specified in the provisions A.5.2(a) to (d) of the Code on Corporate Governance.

Responsibility in respect of the financial statements

The Board is responsible for the preparation of financial statements of each financial year which give a true and fair view of the operation and state of affairs of the Company. When preparing the financial statements, the Directors of the Company have selected appropriate accounting policies and applied them consistently, and have made judgments that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors Report" on pages 101 to 102.

The Board Committees

In order to review the special matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Investment Committee.

Remuneration and Nomination Committee

As of the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia and Mr. HE Cao, all being non-executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to review the candidates for directorship and management and make recommendations;

– to make recommendations to the Board on the policy and structure for all remuneration and share option scheme of Directors and other senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and

– to determine the specific remuneration packages of all executive Directors and other senior management.

Two meetings were held by the Remuneration and Nomination Committee in 2008 to review and approve the appointment of some senior management personnel, remuneration proposal for directors and senior management, and the share option scheme of the Company. Individual attendance of each member at such meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Professor SU Xijia	2/2	100%
Non-executive Director	Mr. PAN Zhengyi *	2/2	100%

* Mr. PAN Zhengyi resigned as a Director of the Company on 13 February 2009, he was a member of the Remuneration and Nomination Committee of the Company and attended the relevant meetings in 2008.

The Audit Committee

The Audit Committee is responsible for communicating with management and the internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit processes jointly with them. As of the date of this report, the members of the Audit Committee are Professor SU Xijia, Professor LIU Hongyu, Mr. WANG Hongjun and Mr. NGAI Wai Fung. The chairman of the Audit Committee is Professor SU Xijia. All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial status, compliance and risk exposure of the Company as well as to impartially discharge their duties and responsibilities.

The functions of the Audit Committee include:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remunerations and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

- to develop and implement policies on the engagement of external auditor for non-audit services;

- to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

- to review the Group's financial and accounting policies and practices, to review the external auditor's management letter, and to response to any queries raised by the management and the Board.

During 2008, financial reporting and control reviews undertaken by the Audit Committee include the following:

- reviewed the completeness and accuracy of the 2007 Annual Report, the 2008 Interim Report and formal announcements relating to the Group's financial performance;

- reviewed the financial reporting and audit processes and policies; and

- conducted discussions with the external auditors on financial reporting, compliance, accounting treatment and impact on the Company of accounting standards.

The Audit Committee held three meetings in 2008. The attendance of individual members at Audit Committee meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Professor SU Xijia	3/3	100%
Independent non-executive Director	Professor LIU Hongyu	3/3	100%
Non-executive Director	Mr. WANG Hongjun	3/3	100%
Independent non-executive Director	Mr. NGAI Wai Fung	3/3	100%

The Chief Financial Officer, the qualified accountant and the auditor also attended the three meetings.

Independent Board Committee

At the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Dr. GAO Shibin, Mr. NGAI Wai Fung, Professor LIU Hongyu and Professor SU Xijia. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether the Company should exercise the separate options granted by Sinochem Corporation to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any redevelopment business in connection with the Non-Competition Undertaking or properties held by Sinochem Corporation, and the new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Corporation in writing;

– to review, at least on a semi-annual basis, all decisions made in the relevant six-month period in relation to whether to exercise an option or pursue a new opportunity, and the compliance with and enforcement of the Non-Competition Undertaking by Sinochem Corporation;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers in connection with the exercise of options and pursuance of new opportunities; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held four meetings in 2008 to consider the connected transactions and whether the Company should pursue the new business opportunities for investments intended by Jin Mao Group, which is controlled by the Sinochem Corporation, as well as the three independent options granted by the Sinochem Corporation. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	4/4	100%
Independent non-executive Director	Professor SU Xijia	4/4	100%
Independent non-executive Director	Dr. GAO Shibin	4/4	100%
Independent non-executive Director	Mr. NGAI Wai Fung	4/4	100%
Independent non-executive Director	Professor LIU Hongyu	4/4	100%

Investment Committee

At the date of this report, the members of the Investment Committee of the Company are Ms. LI Xuehua, Mr. HE Cao, Mr. HE Binwu, Mr. JIANG Nan and Dr. GAO Shibin. The chairman of the Investment Committee is Ms. LI Xuehua.

The functions of the Investment Committee include:

– to formulate the long term investment plan of the Company;

– to review the annual investment budget submitted by the Company's management; and

– to review requests of the Company's management about annual investment budget adjustments.

The Investment Committee held two meetings in 2008 to consider and pass the 2008 Investment Report and 2009 Investment Plan Report of the Company, etc.. The attendance of each individual member at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Executive Director	Ms. LI Xuehua	2/2	100%
Non-executive Director	Mr. PAN Zhengyi*	2/2	100%
Executive Director	Mr. HE Binwu	2/2	100%
Executive Director	Mr. JIANG Nan	2/2	100%
Independent non-executive Director	Dr. GAO Shibin	2/2	100%

* Mr. PAN Zhengyi resigned as a Director of the Company on 13 February 2009, he was a member of the Investment Committee under the Board of the Company and attended the relevant meetings in 2008.

External auditor

During the period under review, the remuneration paid/payable to the Company's auditors. Ernst & Young amounted to a total of HK$4,508,000, of which HK$4,468,000 was for audit services fees and HK$40,000 for non-audit services fees (tax compliance services fees).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$1,993,000, all of which was for audit services fees.

Internal control

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, performs regular checks on office procedures, practices and systems to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all material controls, including financial, operational and compliance controls and risk management functions of the Company.

The Directors of the Company consider that the Group's existing internal control system is effective.

Price-sensitive information

The Company has taken every precaution in handling price-sensitive information, for which the Company has formulated an effective system and measures of confidentiality. Personnel who have access to price-sensitive information must ensure that such information is kept confidential, and should not divulge such sensitive information of the Company in any manner. Consultants and intermediaries hired by the Company have entered into confidentiality agreements with the Company.

Compliance with the Model Code

The Company has adopted the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2008.

All the employees of the Group shall comply with "Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 to the Listing Rules in their dealings in the Company's securities.

Rights of shareholders

Shareholders have the right to raise questions and make suggestions about the business of the Company. All shareholders shall be on an equal footing according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to be informed and participate in the material matters of the Company as prescribed by laws, administrative decrees and the Articles of Association of the Company.

General Meeting

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication means, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 18 June 2008 to consider and approve the audited financial statements, directors' report and the auditor's report for the year ended 31 December 2007; and an extraordinary general meeting on 18 July 2008 to consider and approve the acquisition agreement entered into between Sinochem Hong Kong and Jin Mao's other shareholders and the increase of HK$12 billion in the authorised share capital of the Company.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

Principal activities

The Company is an investment holding company, and the principal activities of its subsidiaries are development of and investment in real estate projects, focusing on commercial real estate development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 20 to the financial statements.

Results and dividends

Details of the Group's results for the year ended 31 December 2008 are set out in the consolidated income statement on page 103 of this annual report.

The Board recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December 2008. The proposed final dividend shall be subject to approval of shareholders in the Annual General Meeting. No interim dividend was paid for the period ended 30 June 2008. This recommendation has been accounted for in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

Share capital and share options

As at 31 December 2008, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 6,493,627,466 ordinary shares.

Upon the completion of the acquisition of the entire interests in Wise Pine Limited (representing 100% interest in Jin Mao Group) and the allotment and issue of new shares as part of the consideration on 5 January 2009, the total issued share capital of the Company increased to 7,073,292,268 ordinary shares.

On 25 March 2009, a rights issue of 23 rights share for every 100 shares held by members on the register of member was made, resulting in the issue of 1,626,857,221 ordinary shares. The total issued share capital of the Company increased to 8,700,149,489 ordinary shares.

Details of movement in the Company's share capital and share options during the year are set out in notes 33 and 34 to the financial statements.

Reserves

Movements in reserves of the Company and of the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable reserves

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$477,122,000, of which HK$174,003,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$3,680,115,000 may be distributed in the form of fully paid bonus shares.

Major suppliers and customers

Sales to major customers and purchases from major suppliers of the Group in the year are set out below:

	For the year ended 31 December 2008
	Percentage of total turnover (%)
Five largest customers	**21**
The largest customer	**14**
	Percentage of total purchase (%)
Five largest suppliers	**25**
The largest supplier	**11**

The above five largest customers and suppliers of the Group are independent third parties. None of the Directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

Bank and other borrowings

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2008 are set out in note 30 to the financial statements.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$2,354,000.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 17 to the financial statements, respectively.

Financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 176 of this annual report. This summary does not form part of the audited financial statements.

Biographical details of the directors and senior management

Biographical details of the current directors and senior management of the Company are set out on pages 74 to 77 of this annual report.

Directors' service contracts

As at 31 December 2008, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

Directors' remuneration

The Directors' remuneration is determined by reference to directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2008, details of the remuneration of the directors of the Company and five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Directors' interests in contracts

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2008 or at any time during the year. The Company did not provide any loans to the directors or the management personnel of the Company during the year.

Controlling shareholders' interests in contracts

Sinochem Corporation is the ultimate controlling shareholder of the Company. The material contracts entered into between Sinochem Corporation and its subsidiaries, Sinochem Hong Kong and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Corporation and the Company dated 26 July 2007, as detailed in section "Continuing connected transactions" and "Compliance with non-competition agreement" below.

Compliance with non-competition agreement

Sinochem Corporation has provided its written confirmation in respect of its and its subsidiaries' (other than those which form part of our Group) compliance with its obligations under the Non-competition Undertaking during 2008.

Employees and remuneration policies

For details regarding the employees and remuneration policies of the Group, please refer to the section headed "Corporate Social Responsibility Report-Employee Development" on page 72 of this Annual Report.

Retirement scheme

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") organized by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2008 were HK$40,968,000.

Management contract

The Company and its subsidiaries did not enter into any management contract during the year.

Share option scheme

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to increase the commitment of the participants to the Company and encourage them to fulfil the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion be entitled to grant to any participant certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Director.

The number of Shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10 percent of the then issued share capital of the Company. Based on the issued share capital of 8,700,149,489 Shares of the Company in issue at the date of this report, up to 870,014,949 Shares may be issued by the Company to Participants under the Scheme.

Unless the approval of Shareholders is obtained in a general meeting, if the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to a Participant in any 12-month period in aggregate exceeds 1 percent of the issued share capital of the Company, no further grant of options shall be given to such Participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 34 to the financial statements.

Grant and exercise of options during the period

On 5 May 2008, 5,550,000 share options were granted to eligible participants at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date in respect of such options. During the period under review, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2008:

	Number of share options								
Number or category of Participant	As at 1 January 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2008	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the Shares immediately preceding the grant date HK$
Directors									
Mr. PAN Zhengyi	–	488,000	–	–	488,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Ms. LI Lun	–	488,000	–	–	488,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. WANG Hongjun	–	416,000	–	–	416,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Ms. LI Xuehua	–	488,000	–	–	488,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. HE Binwu	–	488,000	–	–	488,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Mr. JIANG Nan	–	422,000	–	–	422,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
	–	2,790,000	–	–	2,790,000				
Employee in aggregate	–	2,760,000	–	–	2,760,000	05.05.2008	05.05.2010 to 04.05.2015	3.37	3.36
Total	–	5,550,000	–	–	5,550,000				

The share options will vest in three batches with 40%, 30% and 30% of them vesting at the second, third and forth anniversary of the date following the date of grant, respectively. Accordingly, grantees have to remain in service of the Group for at least a period of four years from the date of grant in order to exercise the share options granted to them in full. In addition, the share options will only be vested if the pre-set performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

Directors and chief executives' interests in shares or underlying shares of the Company

Save as disclosed below, as at 31 December 2008, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register kept by the Company; or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of the Director	Capacity	Number of shares held	Number of underlying shares held (Note 1)	Aggregate approximate percentage of the issued share capital of the Company	
				As at 31 December 2008	As at 5 January 2009 (Note 2)
PAN Zhengyi (Note 3)	Beneficial owner	356,000(L)	488,000(L)	0.0130%	0.0119%
LI Lun	Beneficial owner	–	488,000(L)	0.0075%	0.0069%
WANG Hongjun	Beneficial owner	–	416,000(L)	0.0064%	0.0059%
LI Xuehua	Beneficial owner	–	488,000(L)	0.0075%	0.0069%
HE Binwu	Beneficial owner	400,000(L)	488,000(L)	0.0137%	0.0126%
JIANG Nan	Beneficial owner	–	422,000(L)	0.0065%	0.0060%

(L) Denotes long positions.

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

Note 2: Upon the completion of the acquisition of the entire interests in Wise Pine Limited and the allotment and issue of new shares as part of the consideration on 5 January 2009, the total issued share capital of the Company increased to 7,073,292,268 ordinary shares; and there were also changes in the approximate percentage of number of shares held by the directors and chief executives in the issued share capital of the Company as disclosed in above table.

Note 3: Mr. PAN Zhengyi resigned as a director of the Company on 13 February 2009.

Substantial shareholders' interests

So far as is known to the Directors of the Company, as at 31 December 2008, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/short positions	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital	
				As at 31 December 2008	As at 5 January 2009 (Note1)
Sinochem Hong Kong	Long position	Beneficial owner	4,489,031,900	69.13%	63.47%
Sinochem Corporation	Long position	Interest of controlled corporation	4,489,031,900	69.13%	63.47%
COFCO	Long position	Interest of controlled corporation	433,002,519 (Note 2)	6.67%	6.12%
Charm Glory Holdings Limited	Long position	Beneficial owner	363,163,543	5.59%	5.13%

Note 1: Upon the completion of the acquisition of the entire interests in Wise Pine Limited and the allotment and issue of new shares as part of the consideration on 5 January 2009, the total issued share capital of the Company increased to 7,073,292,268 ordinary shares; and there were also changes in the approximate percentage of number of shares held by substantial shareholders in the issued share capital of the Company as disclosed in above table.

Note 2: Transfer of these 433,002,519 shares was completed on 5 January 2009; as at 31 December 2008, COFCO was deemed to have interests in the 433,002,519 new shares.

Save as disclosed above, as at 31 December 2008, the Directors of the Company were not aware of any person (other than the Directors or chief executive of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

Continuing connected transactions

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions:

(1) Lease of property in Hong Kong from Sinochem Hong Kong by the Company;

(2) Provision of advisory services to Shanghai Pudong Jinxin by the Company.

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

(3) Lease of relevant properties in Jin Mao Tower from the Group by five subsidiaries of Sinochem Corporation (transactions under items 3A to 3E below);

(4) Lease of relevant properties in Beijing Chemsunny World Trade Centre from the Group by Sinochem Corporation and its seven subsidiaries (transactions under items 4A to 4H below);

(5) Lease of relevant properties in Sinochem Tower from the Group by Sinochem Corporation and its eleven subsidiaries (transactions under items 5A to 5L below);

(6) Provision of back-to-back guarantee by the Company with Shanghai Real Estate (Group) Co., Ltd. ("Shanghai Real Estate") and Shanghai Pudong Jinxin;

(7) Provision of entrustment loan to Huigang Real Estate by the Group;

(8) Provision of entrustment loan to Shanghai Port International Cruise Terminal Development Co., Ltd. ("Shanghai Terminal Co.,") by the Company;

(9) Financial Services Framework Agreement between the Company and Sinochem Group Finance Co., Ltd. ("Sinochem Finance");

(10) Entrustment Loan Framework Agreement between the Company and the members of the Group.

In relation to these continuing connected transactions, the Company confirmed that it has complied with the requirements in accordance with Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

The approved annual transaction limits and actual transacted amounts of the continuing connected transactions of the Company for the year 2008 are set out below:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

Connected Person		Nature of Transaction	Effective period	Currency	Transaction amount in 2008	Approved cap for 2008
1.	Sinochem Hong Kong	Lease of property in Hong Kong to the Company	2007 to 2009	HKD	1,846,988	2,060,000
2.	Shanghai Pudong Jinxin	Provision of advisory services by the Company	2007 to 2009	USD	500,000	500,000

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

	Connected Person	Nature of Transaction	Effective period	Currency	Transaction amount in 2008	Approved cap for 2008
3.	Five subsidiaries of Sinochem Corporation	Lease of relevant properties in Jin Mao Tower from the Group		RMB	Sum for items 3A-3E 50,721,687	Aggregate annual cap for items 3A-3E is: 53,322,698
	3A Far Eastern Leasing	Lease of relevant property in Jin Mao Tower from the Group	2006 to 2009	RMB	15,674,913	
	3B Sinochem International	Lease of relevant property in Jin Mao Tower from the Group	2007 to 2010	RMB	26,563,046	
	3C Manulife-Sinochem Life Insurance	Lease of relevant property in Jin Mao Tower from the Group	2007 to 2010	RMB	5,828,992	
	3D Donghong Industrial	Lease of relevant property in Jin Mao Tower from the Group	2006 to 2009	RMB	925,255	
	3E Sinochem Pudong	Lease of relevant property in Jin Mao Tower from the Group	2008 to 2009	RMB	1,729,481	
4.	Sinochem Corporation and its seven subsidiaries	Lease of relevant properties in Beijing Chemsunny World Trade Centre from the Group				
	4A Sinochem Corporation	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	64,180,317	71,597,000
	4B Sinochem Fertilizer Company Limited	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	17,538,558	21,476,000
	4C Sinochem International Oil Company	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	16,133,291	19,715,000
	4D Sinochem International Industrial Company	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	879,353	1,038,000
	4E Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	15,392,814	20,015,000
	4F China Foreign Economy and Trade & Investment Co., Ltd	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	9,314,608	10,989,000
	4G International Far Eastern Leasing Co., Ltd.	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2007 to 2009	RMB	1,005,457	1,118,000
	4H Sinochem Finance	Lease of relevant property in Beijing Chemsunny World Trade Centre from the Group	2008 to 2009	RMB	4,961,587	5,010,500
5.	Sinochem Corporation and its eleven subsidiaries	Lease of certain properties in Sinochem Tower from the Group				
	5A Sinochem International Tendering Co., Ltd	Lease of relevant property in Sinochem Tower from the Group	2007 to 2010	RMB	7,646,180	8,347,000
	5B Sinochem Plastics Company	Lease of relevant property in Sinochem Tower from the Group	2007 to 2010	RMB	2,681,240	3,074,000
	5C China National Seed Group Corp.	Lease of relevant property in Sinochem Tower from the Group	2007 to 2010	RMB	3,714,044	4,305,000
	5D CNSGC-DEKALB Seed Co., Ltd.	Lease of relevant property in Sinochem Tower from the Group	2008 to 2009	RMB	251,796	272,000
	5E China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant property in Sinochem Tower from the Group	2007 to 2009	RMB	88,205	116,000
	5F Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	Lease of relevant property in Sinochem Tower from the Group	2006 to 2009	RMB	2,454,106	3,201,000
	5G Sinochem International Information Corporation	Lease of relevant property in Sinochem Tower from the Group	2007 to 2010	RMB	705,362	820,000
	5H Sinochem International Corporation Beijing Branch	Lease of relevant property in Sinochem Tower from the Group	2007 to 2010	RMB	4,054,165	4,184,000
	5I Sinochem Corporation	Lease of relevant property in Sinochem Tower from the Group	2007 to 2009	RMB	1,889,925	2,615,000
	5J Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant property in Sinochem Tower from the Group	2008	RMB	810,715	1,381,000
	5K Rillfung Company Limited Beijing Representative Office	Lease of relevant property in Sinochem Tower from the Group	2008	RMB	299,684	327,000
	5L Sinochem Guangdong Company	Lease of relevant property in Sinochem Tower from the Group	2008 to 2010	RMB	431,112	490,000
6	Shanghai Port	Provision of back-to-back guarantee by the Company	2006 to 2011	RMB	0	3,000,000,000
7	Huigang Real Estate	Provision of entrustment loan by the Group	2007 to 2008	RMB	0	400,000,000
8	Shanghai Terminal Co.	Provision of entrustment loan by the Company	2007 to 2009	RMB	250,000,000	250,000,000
9	Huigang Real Estate	Entrustment loans provided by the Group under the Entrustment Loan Framework Agreement	2008 to 2010	RMB	804,000,000	5,000,000,000

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

1. Lease of property in Hong Kong from Sinochem Hong Kong by the Company

Sinochem Hong Kong entered into a tenancy agreement with the Company on 11 July 2007 pursuant to which Sinochem Hong Kong leased to the Company Rooms 4702-03, 47th Floor, Convention Centre, Office Tower, No. 1 Harbour Road, Wanchai, Hong Kong to be used as offices of the Company in Hong Kong. The term of the tenancy agreement is from 1 July 2007 to 31 December 2009. The Company is responsible for paying the rent, management fees, rates and air conditioning fees per month.

Sinochem Hong Kong is the immediate controlling shareholder of the Company and is therefore a connected person of the Company. Lease of property in Hong Kong from Sinochem Hong Kong by the Company constitutes continuing connected transactions of the Company.

For the year ended 31 December 2008, the annual cap (including the rent, management fees, rates and air conditioning fees) for the continuing connected transaction under the tenancy agreement between the Company and Sinochem Hong Kong is HK$2,060,000, and the actual transacted amount is HK$1,846,988.

2. Provision of advisory services to Shanghai Pudong Jinxin by the Company

The Company entered into an advisory services agreement with Shanghai Pudong Jinxin on 20 June 2007, pursuant to which the Company continued to provide advisory services to Shanghai Pudong Jinxin in respect of the development of Shanghai Port International Cruise Terminal, including coordinating the design and construction works of the development, for an annual advisory service fee of US$500,000 (approximately HK$3,910,000). The fee is based on the estimated costs that will be incurred in relation to such coordination services, including for locating, engaging, liaising and communicating with suitable planners, designers, architects and other professional parties, considering designs and schematics and providing other coordination services between the various parties involved. The fees are payable on a semi-annual basis. The term of the agreement is from 1 January 2007 to 31 December 2009.

Shanghai Real Estate is a substantial shareholder of the Company's non wholly-owned subsidiaries, Shanghai Pudong Jinxin and Shanghai Ke Yi Franshion Business Consultancy Company Limited ("Ke Yi Consultancy"), and Shanghai Real Estate holds more than 30% interest in Shanghai Pudong Jinxin, therefore Shanghai Pudong Jinxin is an associate of Shanghai Real Estate and a connected person of the Company. Provision of advisory services to Shanghai Pudong Jinxin by the Company constitutes continuing connected transactions of the Company.

For the year ended 31 December 2008, the annual cap for the continuing connected transactions between the Company and Shanghai Pudong Jinxin is US$500,000 (approximately HK$3,910,000) and the actual transacted amount is HK$3,681,000.

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

3. Lease of relevant properties in Jin Mao Tower from the Group by five subsidiaries of Sinochem Corporation

Upon the completion of the acquisition of Jin Mao Group by the Company on 31 December 2008, Jin Mao Group became a wholly-owned subsidiary of the Company. Sinochem Corporation is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. According to the Listing Rules, the ongoing transactions under the lease agreements (signed before the completion of the acquisition of Jin Mao Group by the Company) between Jin Mao Group and 5 subsidiaries of Sinochem Corporation have become continuing connected transactions of the Company. Pursuant to the said lease agreements, the 5 subsidiaries of Sinochem Corporation leased the relevant property in Jin Mao Tower from the Group for office uses, and pay Jin Mao Group (located in 88 Shiji Dadao, Shanghai) the rent, property management fees (if any), and other sundry charges actually incurred, including but not limited to parking space rentals, parking fees, electricity, telephone tariffs, overtime air conditioning fees, maintenance and catering.

The above continuing connected transactions have been aggregated pursuant to relevant provisions of Chapter 14A of the Listing Rules for better management, and are regulated by the aggregate annual cap. It is expected that the aggregated annual caps for those consolidated continuing connected transactions will be RMB53,322,698, RMB45,604,261 and RMB30,387,790 for the three years ended 31 December 2010, respectively.

In addition to the standard lease terms set out above, the principal lease terms of each lease agreement and the continuing connected transactions contemplated thereunder are detailed as below:

Lessee	Leased Property	Use	Rental (RMB/month)	Property Management fee (RMB/month)	Date of Entering into Lease Agreement	Term of Lease Agreement
3A Far Eastern Leasing	(1) Unit 04, 33/F, Jin Mao Tower (Block 4)	Office	104,171	13,288.94	29 November 2006	From 24 December 2006 to 31 July 2009
	(2) Unit 04, 05, and 09, 36/F, Jin Mao Tower (Block 4)		142,187.91	–	9 June 2007	From 22 June 2007 to 31 July 2009
	(3) Unit 01, 02, 08 and 09, 33/F, Unit 02, 03, and 04, 35/F, and Unit 09, 36/F Jin Mao Tower (Block 4)		611,636.82	–	9 July 2007	1 August 2007 to 31 July 2009
	(4) Unit 10, 36/F, Jin Mao Tower (Block 4)		37,958.73	–	29 December 2007	1 January 2008 to 31 July 2009
	(5) Unit 01, 08, and 10, 35/F, Jin Mao Tower (Block 4)		323,656.06	–	10 July 2008	1 September 2008 to 31 July 2009
	(6) Unit 04, 34/F, Jin Mao Tower (Block 4)		100,805.10	–	29 December 2007, and entered into two supplemental agreement on 30 September 2008 and 12 December 2008 respectively to extend the terms of lease agreement	1 January 2008 to 31 July 2009
3B Sinochem International	(1) Units 01-09, 18/F, Units 01-08,19/F, Unit 09, 21/F Unit 09, 22/F and carpark space No. 240 and 242, B3/F, Jin Mao Tower (Block 3)	Office	1,533,649.60	–	30 November 2007	1 December 2007 to 30 November 2010
	(2) Units 01, 02B, 03 and 05-10, 26/F, Jin Mao Tower (Block 3)		539,642	–	30 November 2007	1 April 2008 to 30 November 2010
3C Manulife – Sinochem Insurance	(1) Units 01-03, 08, and 10, 21/F Jin Mao Tower (Block 3)	Office	4,110,176.60	–	30 November 2007	1 December 2007 to 30 November 2010
	(2) Unit 04A, 21/F, Jin Mao Tower (Block 3)		57,283.20	–	8 April 2008	1 May 2008 to 30 November 2010
3D Donghong Industrial	(1) Unit 08, 36/F, Jin Mao Tower (Block 4)	Office	64,946.40	10,080.22	1 June 2006	2 June 2006 to 31 July 2009
	(2) Unit 07, 36/F, Jin Mao Tower (Block 4)		81,399.40	–	21 May 2007	1 April 2007 to 31 July 2009
3E Sinochem Pudong	Units 06 and 10, 25/F, Jin Mao Tower (Block 3)	Office	134,397.91	–	24 October 2008	1 December 2008 to 30 November 2009

Details of the annual caps for and actual amount transacted of those continuing connected transactions under each lease agreement above, please refer to the table on page 92.

4. Sinochem Corporation and its seven subsidiaries lease the relevant properties of Beijing Chemsunny World Trade Centre from the Group

Sinochem Corporation and its seven subsidiaries have entered into lease agreements with Chemsunny Property, a wholly-owned subsidiary of the Company, respectively. Pursuant to the lease agreements, each of Sinochem Corporation and its seven subsidiaries leases the relevant properties of Beijing Chemsunny World Trade Centre (located in No. 28, Fuxingmen Nei Street, Beijing) as office premises, and pays the relevant monthly rentals, management fees and other fees incurred, including but not limited to parking spaces rentals, car-park fees, electricity and telephone tariffs, overtime air conditioning fees, maintenance fees and catering charges, to Chemsunny Property.

Pursuant to the Listing Rules, the ongoing transactions between Chemsunny Property and Sinochem Corporation and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Chemsunny and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2008:

Lessee	Leased Properties	Use	Monthly Rental (RMB/month)	Management Fee (RMB/month)	Date	Term
4A Sinochem Corporation	F7 Level, F11 Level, F12 Level, Room C607, F6 Level and 101, Basement 1, Beijing Chemsunny World Trade Centre	Office premises	4,417,901	446,310	25 May 2007	1 June 2007 to 31 December 2009
4B Sinochem Fertilizer Company Limited	F10 Level, Beijing Chemsunny World Trade Centre	Office premises	1,297,296	144,144	8 June 2007	1 June 2007 to 31 December 2009
4C Sinochem International Oil Company	F9 Level, Beijing Chemsunny World Trade Centre	Office premises	1,184,885	136,717	25 May 2007	1 June 2007 to 31 December 2009
4D Sinochem International Industrial Company	F9 Level, Beijing Chemsunny World Trade Centre	Office premises	62,363	7,195	25 May 2007	1 June 2007 to 31 December 2009
4E Sinochem Petroleum Exploration and Production Co., Ltd.	F8 Level, Beijing Chemsunny World Trade Centre	Office premises	1,207,585	144,910	25 May 2007	1 June 2007 to 31 December 2009
4F China Foreign Economy and Trade & Investment Co., Ltd	Rooms C601-606, F6 Level, Beijing Chemsunny World Trade Centre	Office premises	653,600	85,252	25 May 2007	1 June 2007 to 31 December 2009
4G International Far Eastern Leasing Co., Ltd.	Rooms C608, F6 Level, Beijing Chemsunny World Trade Centre	Office premises	68,452	8,928	25 May 2007	1 June 2007 to 31 December 2009
4H Sinochem Finance	Rooms C306-308, F3 Level, Beijing Chemsunny World Trade Centre	Office premises	597,225.60	55,989.90	16 May 2008, and a supplementary agreement was entered into on 8 September 2008 to extend the lease term	1 June 2008 to 31 May 2011

For the annual caps and the actual transaction amount of the continuing connected transactions contemplated under the above lease agreements in 2008, please refer to the table on page 92.

To regulate the leasing relationship between the Company and the Sinochem Group, the Company and Sinochem Group entered into the Framework Agreement for Lease of Properties on 31 December 2008. The lease agreements of Sinochem Corporation and its seven subsidiaries for the lease of Beijing Chemsunny World Trade Centre of the Company were included into and regulated by this Framework Agreement. For details of this Framework Agreement, please refer to the disclosure in "5. Sinochem Corporation and its eleven subsidiaries lease the relevant properties of Sinochem Tower in Beijing from the Group" below.

5. Sinochem Corporation and its eleven subsidiaries lease the relevant properties of Sinochem Tower in Beijing from the Group

Sinochem Property Management is a wholly-owned subsidiary of the Company. Sinochem Corporation and its eleven subsidiaries have entered into lease agreements with Sinochem Property Management. Pursuant to those lease agreements, each of Sinochem Corporation and its eleven subsidiaries leases the relevant properties of Sinochem Tower (located in No. A2 Fuxingmen Wai Street, Beijing) as office premises, and pays the relevant monthly rentals, management fees and other fees incurred, including but not limited to parking spaces rentals, car-park fees, electricity and telephone tariffs, overtime air conditioning fees, maintenance fees and catering charges, to Sinochem Property Management.

Pursuant to the Listing Rules, the ongoing transactions between Sinochem Property Management and Sinochem Corporation and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules since they have all been entered into by Sinochem Property Management and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2008:

Lessee	Leased Properties	Use	Monthly Rental (RMB/month)	Management Fee (RMB/month)	Date	Term
5A Sinochem International Tendering Co., Ltd	19/F, 20/F & 21/F, Sinochem Tower	Office premises	512,613.91	100,671.35	8 Novermber 2007	From 1 November 2007 to 31 October 2010
5B Sinochem Plastics Company	7/F & Room 326 of 3/F, Sinochem Tower	Office premises	7/F: 147,728.08; Room 326 of 3/F: 4,977.82	7/F: 33,557.03; Room 326 of 3/F: 1,193.03	22 October 2007	7/F: from 1 October 2007 to 30 September 2010; Room 326 of 3/F: from 1 December 2007 to 30 September 2010
5C China National Seed Group Corp.	Room 1400, 14/F & Room 1501 of 15/F, Sinochem Tower	Office premises	232,335.24	46,681.68	6 November 2007	From 16 October 2007 to 15 October 2010
5D CNSGC-DEKALB Seed Co., Ltd.	Room 611 of 6/F, Sinochem Tower	Office premises	Original lease agreement: 17,861.34; After renewal: 19,438.5	Original lease agreement: 3,430.32; After renewal: 3,430.32	29 October 2007, renewed upon expiration	From 16 December 2007 to 15 December 2008; from 15 December 2008 to 15 December 2009
5E China Foreign Economy and Trade & Investment Co., Ltd.	Room 810 & 812 of 8/F, Sinochem Tower	Office premises	5,566.22	1,188.39	29 November 2007	16 October 2009
5F Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	4/F, Sinochem Tower	Office premises	176,196.60	44,863.20	16 February 2006	From 20 February 2006 to 19 February 2009
5G Sinochem International Information Corporation	West Wing, 14/F, Sinochem Tower	Office premises	47,321.27	9,507.97	14 November 2007	From 16 October 2007 to 15 October 2010
5H Sinochem International Corporation Beijing Branch	18/F & Room 1108 of 11/F, Sinochem Tower	Office premises	18/F: 167,013.73; Room 1108 of 11/F: 75,793.19	18/F: 33,557.03; Room 1108 of 11/F: 16,778.65	29 November 2007	18/F: from 1 October 2007 to 30 September 2010; Room 1108 of 11/F: from 1 January 2008 to 31 December 2008
5I Sinochem Corporation	4/F & Room 308A, 308B & 323 of 3/F, Sinochem Tower	Office premises	4/F: 53,425.21; 308A of 3/F: 57,602.40; Room 308B & 323 of 3/F: 25,601.98	4/F: 11,826.95; 308A of 3/F: 12,751.68; Room 308B & 323 of 3/F: 5,667.62	29 November 2007	4/F & Room 308A of 3/F: from 13 October 2007 to 12 October 2009; Room 308B & 323 of 3/F: from 13 October 2007 to 31 December 2008
5J Sinochem Quanzhou Petroleum Co., Ltd.	South Wing, 17/F, Sinochem Tower	Office premises	85,436.09	16,778.65	29 November 2007	From 1 January 2008 to 31 December 2008
5K Rillfung Company Limited Beijing Representative Office (renewal)	Room 615 of 6/F, Sinochem Tower	Office premises	20,042.27	4,026.97	29 November 2007, renewed upon expiration	From 1 January 2008 to 31 December 2008; and from 1 January 2009 to 31 December 2009 for renewal
5L Sinochem Guangdong Company	Room 902 of 9/F, Sinochem Tower	Office premises	28,497.34	6,152.03	29 November 2007	From 1 January 2008 to 31 December 2010

For the annual caps and the actual transaction amount of the continuing connected transactions contemplated under the above lease agreements in 2008, please refer to the table on page 92.

To regulate the leasing relationship between the Company and the Sinochem Group, the Framework Agreement for Lease of Properties was entered into by the Company and Sinochem Group on 31 December 2008 with a term of ten years commencing from 1 January 2009 and was approved by the independent shareholders of the Company at the extraordinary general meeting ("EGM") held on 12 February 2009. The Framework Agreement is valid for 10 years from 1 January 2009. Pursuant to this Framework Agreement:

(1) The specific lease agreements entered into by the Company or its subsidiaries with Sinochem Corporation and/or its associates respectively for the units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China (ie., all lease agreements mentioned in no. 4 and 5) are included into and regulated by this Framework Agreement;

(2) Subject to the demand for office premises, Sinochem Corporation and/or its associates are entitled to increase the area or the number of units leased, up to 5% (as long as the rentable area of the leased properties allows) of the existing total lease area annually under this Framework Agreement in 2010 to 2011. All specific lease agreements signed after execution of the Framework Agreement shall be included into and regulated by this Framework Agreement; and

(3) The continuing connected transactions under all specific lease agreements will be aggregated and adjusted by the aggregated annual cap. The proposed total annual caps for the three years ending 31 December 2011 are RMB204 million, RMB246 million and RMB275 million respectively. The relevant annual caps under the existing specific lease agreements will be no longer applicable after the signing of this Framework Agreement.

6. Provision of back-to-back guarantee by the Company with Shanghai Pudong Jinxin and Shanghai Real Estate

Shanghai Terminal Co. has obtained a syndicated loan facility in the amount of RMB3 billion for a term of five years from 28 September 2006 to 27 September 2011. The loan will bear interest at 10% below the base lending rate per annum published by the PBOC. In this connection, a property mortgage was executed by Shanghai Terminal Co. in favour of the bank syndicate. As the RMB3 billion loan would only be used by Shanghai Terminal Co. towards the development of Site B on us and no part of it would be applied towards the development of Site A, Shanghai Pudong Jinxin, Shanghai Real Estate and the Company executed a joint and several back-to-back guarantee for a term consistent with the term of the loan facility in favour of Shanghai Port on 15 September 2006. Under the back-to-back guarantee, the Company, Shanghai Real Estate and Shanghai Pudong Jinxin shall be jointly and severally liable for repayment of the syndicated loan and all costs and expenses incurred in connection therewith. In addition, the Company, Shanghai Real Estate and Shanghai Pudong Jinxin have agreed to indemnify Shanghai Port against any liability incurred by Shanghai Port in connection with the syndicated loan.

Shanghai Port is a substantial shareholder of the Company's non-wholly owned subsidiary, Shanghai Terminal Co., and is therefore a connected person of the Company. Shanghai Real Estate is a substantial shareholder of the Company's another non-wholly owned subsidiary, Shanghai Pudong Jinxin, and is therefore also a connected person of the Company. Accordingly, the back-to-back guarantee in favour of Shanghai Port executed by the Company, Shanghai Pudong Jinxin and Shanghai Real Estate constitutes a continuing connected transaction of the Company.

The back-to-back guarantee has been discharged during the year.

7. Provision of entrustment loan to Huigang Real Estate by the Group

Chemsunny Property, a wholly-owned subsidiary of the Company, entered into an entrustment loan agreement with Bank of Communications, Shanghai Pudong branch ("BOCOM") on 24 May 2007 pursuant to which it deposited a sum of RMB400 million with BOCOM from 25 May 2007 to 24 May 2008. Pursuant to the agreement, BOCOM shall lend a total amount not exceeding RMB400 million to a borrower as instructed by Chemsunny Property in one or more drawdowns, and shall pay interest to Chemsunny Property after deducting BOCOM's administration fees and business tax (if any). Meanwhile, pursuant to the loan agreement between Chemsunny Property, BOCOM and Huigang Real Estate dated 24 May 2007, Chemsunny Property instructed BOCOM to lend RMB400 million (at an interest rate of 6.57% per annum and administration fee rate of 0.01% per month) to Huigang Real Estate from 25 May 2007 to 24 May 2008. Huigang Real Estate may prepay the borrowed sum to BOCOM with the consent of Chemsunny Property. Huigang Real Estate and Chemsunny Property may also agree to extend the term of the loan and to instruct BOCOM to complete related formalities.

Apart from Shanghai Terminal Co., Shanghai Port is also a substantial shareholder of Huigang Real Estate, another non-wholly owned subsidiary of the Company, holding over 30% of Huigang Real Estate. As an associate of Shanghai Port, Huigang Real Estate is a connected person of the Company. Chemsunny is the Company's wholly-owned subsidiary; therefore the provision of entrustment loan from Chemsunny to Huigang Real Estate constitutes a continuing connected transaction of the Company.

The loan had been fully repaid by Huigang Real Estate during the year.

8. Provision of entrustment loan to Shanghai Terminal Co. by the Company

The Company, Shanghai Terminal Co. and Shanghai Real Estate entered into a master entrustment loan agreement ("Master Agreement") on 12 July 2007 pursuant to which the Company and Shanghai Real Estate (or their respective nominees) may appoint China Merchants Bank, Shanghai Jinjiao branch (or any other financial institution licensed to provide entrustment loans) to provide an entrustment loan of RMB500 million in favour of Shanghai Terminal Co. for the development of Site B of the Shanghai Port International Cruise Terminal. As each of the Company and Shanghai Real Estate has a 50% interest in Site B of the Shanghai Port International Cruise Terminal held by Shanghai Terminal Co., each of them will provide RMB250 million out of the total loan of RMB500 million.

Shanghai Pudong Jinxin is a connected person of the Company. Shanghai Terminal Co. is a subsidiary of Shanghai Pudong Jinxin and consequently a connected person of the Company. The provision of entrustment loan to Shanghai Terminal Co. by the Company constitutes a continuing connected transaction of the Company.

Pursuant to the Master Agreement, the Company and Shanghai Real Estate shall each enter into a separate loan agreement with Shanghai Terminal Co. and the relevant bank when the loan is provided. The term of the separate loan agreement will expire on 31 December 2009 and Shanghai Terminal Co. may repay the loan earlier. The loan will bear interest at 30% above the base lending rate per annum published by the PBOC which will be payable annually. The Company and Shanghai Real Estate will pay the relevant bank the administration fees of 0.022% of the loan amount.

The cap amount of the entrustment loan provided to Shanghai Terminal Co. by the Company for the year ended 31 December 2008 was RMB250 million, and the actual transaction amount was RMB250 million.

9. Financial services framework agreement between the Company and Sinochem Finance:

The Company and Sinochem Finance entered into a financial services framework agreement dated 4 December 2008 in relation to the provision of other non-mandatory financial services such as deposit services by Sinochem Finance to the Group. The agreement shall be effective for three year from the date of its signing. Pursuant to such agreement, the Company may, based on its actual needs and wills, use such financial services as deposits, loan services, entrustment loans, settlement services, guarantee services and internet banking to be provided by Sinochem Finance, and, under the financial services framework agreement, pay the relevant interest and service fees to or receive deposit interest from Sinochem Finance. The relevant fees and interest shall be determined pursuant to the standard as set by the People's Bank of China from time to time or market price.

Sinochem Finance is a wholly owned subsidiary of Sinochem Corporation, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of deposit services to the Company by Sinochem Finance. as contemplated under the financial services framework agreement constitutes a continuing connected transaction on the part of the Company.

It is expected that during the term of the financial services framework agreement, the maximum daily balance the Company deposits with Sinochem Finance (including interest accrued thereon, but excluding the additional amount of deposit generated as a result of the entrustment loan) shall be RMB1.13 billion, and the continuing connected transaction has not been carried out for the year ended 31 December 2008.

10. Entrustment loan framework agreement

In order to maximise the utilisation of the Group's working capital and to promote efficient allocation of resources between members of the Group, the Company and other members of the Group entered into the Framework Agreement on normal commercial terms which are fair and reasonable on 31 December 2007, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the Framework Agreement. The Framework Agreement shall be valid for 3 years, effective from 1 January 2008.

Shanghai Terminal Co., Huigang Real Estate, Ke Yi Consultancy and Shanghai Pudong Jinxin are connected persons of the Company. Thus, the provision of an entrustment loan by any member of the Group to Shanghai Terminal Co., Huigang Real Estate, Ke Yi Consultancy or Shanghai Pudong Jinxin (including the provision of entrustment loan amongst the four connected persons themselves) would constitute financial assistance and continuing connected transaction. However, the provision of an entrustment loan by the above-mentioned four connected persons to the Company, Franshion Zhuhai, Chemsunny Property, Sinochem Property Management and/or Wangfujing Hotel Management is exempt from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as no security over the assets of the Company, Franshion Zhuhai, Chemsunny, Sinochem Property Management and/or Wangfujing Hotel Management is granted in respect of the financial assistance and the separate entrustment loan agreements are entered into for the benefit of the Group on normal commercial terms.

The annual cap of the continuing connected transaction for the year ended 31 December 2008 was RMB5 billion, and the actual transaction amount was RMB0.804 billion.

Connected transactions

During the period under review, the non-exempt connected transactions conducted by the Company include:

1. Acquisition of the entire interest of Jin Mao Group

On 5 June 2008, the Company, Sinochem Corporation and Sinochem Hong Kong entered into the Sinochem Hong Kong Acquisition Agreement pursuant to which the Company agreed to acquire, and Sinochem Hong Kong agreed to sell, its entire interest in Wise Pine Limited (which represents 54.87% attributable interest in Jin Mao) for a total consideration of RMB6,035.8 million (equivalent to approximately HK$6,791.2 million). On the same day, the Company entered into seven equity acquisition agreements with seven other shareholders of Wise Pine Limited ("Other Shareholders") to acquire Other Shareholders' entire interest in Wise Pine Limited, which in aggregate represents a 45.13% attributable interest in Jin Mao, for a total consideration of RMB4,964.2 million (equivalent to approximately HK$5,585.5 million). Pursuant to the agreements, the Company will acquire the 100% interests in Jin Mao Group for an aggregate consideration of RMB11,000 million (equivalent to approximately HK$12,376.7 million), which will be satisfied by the Company in cash and the allotment and issue of consideration shares, to Sinochem Hong Kong and each Other Shareholder. Among which, RMB4,421.3 million (equivalent to approximately HK$4,974.6 million), representing approximately 40% of the aggregate consideration, will be paid by cash and RMB6,578.7 million (equivalent to approximately HK$7,402.1 million), representing approximately 60% of the aggregate consideration, will be paid by allotting and issuing consideration shares at a price of HK$3.43 per share (a total of approximately 2,158 million consideration shares). During the extraordinary shareholders' general meeting of the Company held on 18 July 2008, the resolution regarding the acquisition of 100% interests in Jin Mao was passed.

As Sinochem Hong Kong is a connected person of the Company by reason of it being a substantial shareholder of the Company, the Sinochem Hong Kong Acquisition also constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, by virtue of Rule 14A.13(1)(b)(i) of the Listing Rules, the Other Shareholders Acquisition also constitutes a connected transaction of the Company since the substantial shareholder of Jin Mao is the controlling shareholder of the Company. Each Other Shareholders Acquisition, if aggregated with the Sinochem Hong Kong Acquisition, also constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

On 29 December 2008, the Company and Sinochem Hong Kong entered into a deferred payment arrangement in connection with the cash payment of HK$2,716,473,000 to be made by the Company to Sinochem Hong Kong pursuant to the Sinochem Hong Kong Agreement, pursuant to which, the cash payment will be settled by no later than 30 June 2009, or such later date as the Company and Sinochem Hong Kong may agree in writing. Interest based on the normal market rate will be charged on the outstanding deferred payment.

Notwithstanding the deferred payment arrangement between the Company and Sinochem Hong Kong, the said acquisition was completed on 5 January 2009, and Jin Mao has become a wholly-owned subsidiary of the Company. Upon completion of the said acquisition, the number of shares held by Sinochem Hong Kong in the Company amounted to 4,489,031,900, representing 63.47% of the issued share capital of the Company. Details of the completion of the said acquisition are set out in Note 1 to the financial statements.

Confirmation of independent non-executive directors

In the opinion of the independent non-executive Directors, the continuing connected transactions for the year ended 31 December 2008 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, expressing that these connected transactions:

- have received the approval of the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2008.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

Purchase, sale or redemption of securities

Save for the allotment and issue of new shares by the Company as part of the consideration for the acquisition of the entire interest in Wise Pine Limited, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Review by Audit Committee

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the year.

Material acquisitions and disposals

On 5 June 2008, the Company, Sinochem Corporation and Sinochem Hong Kong entered into an acquisition agreement pursuant to which the Company agreed to acquire, and Sinochem Hong Kong agreed to sell, its entire interest in Wise Pine Limited (which represents a 54.87% attributable interest in Jin Mao Group) for a total consideration of RMB6,035.8 million (equivalent to approximately HK$6,791.2 million). On the same day, the Company entered into seven share acquisition agreements with the seven other shareholders ("Other Shareholders") of Wise Pine Limited to acquire such Other Shareholders' entire interest in Wise Pine Limited, which in aggregate represents a 45.13% attributable interest in Jin Mao Group, for a total consideration of RMB4,964.2 million (equivalent to approximately HK$5,585.5 million). Pursuant to the agreements, the Company will acquire the 100% interests in Jin Mao Group for an aggregate consideration of RMB11,000 million (equivalent to approximately HK$12,376.7 million), which will be satisfied by the Company in cash and the allotment and issue of consideration shares, to Sinochem Hong Kong and each Other Shareholders. Among which, RMB4,421.3 million (equivalent to approximately HK$4,974.6 million), representing approximately 40% of the aggregate consideration, will be paid by cash and RMB6,578.7 million (equivalent to approximately HK$7,402.1 million), representing approximately 60% of the aggregate consideration, will be paid by allotting and issuing consideration shares at a price of HK$3.43 per share (a total of approximately 2,158 million consideration shares).

During the extraordinary shareholders' general meeting of the Company held on 18 July 2008, the resolution regarding the acquisition of 100% interests in Jin Mao Group was passed. The whole acquisitions from Sinochem Hong Kong and other shareholders were completed on 5 January 2009. Details of the completion of the said acquisition are set out in Note 1 to the financial statements.

Save as disclosed above, the Company did not engage in any material acquisitions or disposals during the period under review.

Material litigation

For the year ended 31 December 2008, the Company was not subject to any material litigation that could have an adverse impact on the Company.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 43 to the financial statements.

Auditors

The financial statements of the Group have been audited by Ernst & Young and it has indicated its willingness to be re-appointed. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

Independent Auditors' Report

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Franshion Properties (China) Limited set out on pages 103 to 175, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

23 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
REVENUE	5	**3,913,468**	2,812,981
Cost of sales		**(1,715,516)**	(1,135,369)
Gross profit		**2,197,952**	1,677,612
Other income and gains	5	**381,250**	3,277,618
Selling and marketing expenses		**(168,912)**	(173,218)
Administrative expenses		**(494,582)**	(385,978)
Other expenses		**(2,923)**	(2,043)
Finance costs	7	**(405,641)**	(304,234)
Share of profits and losses of:			
Jointly-controlled entities		**(6,208)**	5,227
An associate		**–**	(410)
PROFIT BEFORE TAX	6	**1,500,936**	4,094,574
Tax	10	**(401,788)**	(1,241,909)
PROFIT FOR THE YEAR		**1,099,148**	2,852,665
Attributable to:			
Equity holders of the Company		**900,934**	2,520,302
Minority interests		**198,214**	332,363
		1,099,148	2,852,665
DIVIDENDS			
Proposed final	12	**174,003**	98,305
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**HK cents**	HK cents
Basic	13	**14.76**	68.72
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,391,062**	6,249,425
Properties under development	15	**3,223,302**	3,744,701
Investment properties	17	**11,359,374**	10,671,220
Prepaid land lease payments	18	**1,471,901**	287,275
Intangible assets	19	**9,775**	10,812
Interests in jointly-controlled entities	21	**123,231**	45,562
Available-for-sale investments	22	**317**	299
Deferred tax assets	32	**98,431**	14,000
Pledged deposits	27	**283,950**	267,200
Total non-current assets		**23,961,343**	21,290,494
CURRENT ASSETS			
Properties under development	15	**3,513,153**	429,870
Properties held for sale	16	**616,064**	607,847
Inventories	23	**36,570**	24,854
Trade receivables	24	**126,186**	245,726
Prepayments, deposits and other receivables	25	**171,927**	185,601
Due from related parties	26	**10,689**	322,445
Tax recoverable		**33,895**	28,706
Restricted bank balances	27	**17,169**	15,997
Pledged deposits	27	**1,013,133**	924,512
Cash and cash equivalents	27	**5,046,807**	7,625,833
Total current assets		**10,585,593**	10,411,391
CURRENT LIABILITIES			
Trade and bills payables	28	**900,878**	1,195,279
Other payables and accruals	29	**4,172,655**	3,202,975
Interest-bearing bank and other borrowings	30	**6,539,727**	7,099,810
Due to related parties	26	**2,776,225**	278,318
Tax payable		**62,629**	73,386
Provision for land appreciation tax	31	**418,390**	278,782
Total current liabilities		**14,870,504**	12,128,550
NET CURRENT LIABILITIES		**(4,284,911)**	(1,717,159)
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,676,432**	19,573,335
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**4,088,880**	2,677,344
Deferred tax liabilities	32	**1,663,410**	1,515,462
Total non-current liabilities		**5,752,290**	4,192,806
Net assets		**13,924,142**	15,380,529

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	33	**6,493,627**	6,103,226
Reserves	35(a)	**4,372,415**	5,833,615
Proposed final dividend	12	**174,003**	98,305
		11,040,045	12,035,146
Minority interests		**2,884,097**	3,345,383
Total equity		**13,924,142**	15,380,529

Li Xue Hua
Director

Jiang Nan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

		Attributable to equity holders of the Company											
	Notes	Issued capital HK$'000 Note 33	Share premium account HK$'000 Note 33	Capital reserve HK$'000 Note 35(a)(iii)	PRC statutory surplus reserve HK$'000 Note 35(a)(iv)	Merger reserve HK$'000 Note 35(a)(ii)	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007 (restated)		1,660,462	1,247,360	3,726	131,909	(790,049)	215,248	–	1,702,822	–	4,171,478	2,798,080	6,969,558
Exchange realignment		–	–	–	–	–	480,959	–	–	–	480,959	215,389	696,348
Profit for the year		–	–	–	–	–	–	–	2,520,302	–	2,520,302	332,363	2,852,665
Total income and expense for the year		–	–	–	–	–	480,959	–	2,520,302	–	3,001,261	547,752	3,549,013
Issue of shares		4,442,764	2,190,731	–	–	–	–	–	–	–	6,633,495	–	6,633,495
Share issue expenses		–	(167,898)	–	–	–	–	–	–	–	(167,898)	–	(167,898)
Transfer to reserve		–	–	–	15,943	–	–	–	(15,943)	–	–	–	
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	(98,305)	98,305	–	–	–
Acquisition of minority interests of a subsidiary by Sinochem Hong Kong		–	–	(944,023)	–	964,414	–	–	–	–	20,391	(20,391)	–
Acquisition of minority interests		–	–	(4,414)	–	–	369	–	–	–	(4,045)	(2,955)	(7,000)
Capital contribution from shareholders		–	–	–	–	714,044	–	–	–	–	714,044	–	714,044
Capital contribution by a minority shareholder		–	–	–	–	–	–	–	–	–	–	271,584	271,584
Disposal of subsidiaries	36	–	–	–	–	–	–	–	–	–	–	(15,189)	(15,189)
Deemed distribution to equity owners	35(a)(v)	–	–	–	–	(2,000,132)	–	–	(238,868)	–	(2,239,000)	–	(2,239,000)
Dividends paid by Jin Mao Group to Sinochem Hong Kong	12	–	–	–	–	–	–	–	(94,580)	–	(94,580)	–	(94,580)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(233,498)	(233,498)
At 31 December 2007		6,103,226	3,270,193*	(944,711)*	147,852*	(1,111,723)*	696,576*	–*	3,775,428*	98,305	12,035,146	3,345,383	15,380,529
At 1 January 2008 (restated)		**6,103,226**	**3,270,193**	**(944,711)**	**147,852**	**(1,111,723)**	**696,576**	**-**	**3,775,428**	**98,305**	**12,035,146**	**3,345,383**	**15,380,529**
Exchange realignment		**-**	**-**	**-**	**-**	**-**	**586,429**	**-**	**-**	**-**	**586,429**	**219,697**	**806,126**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**900,934**	**-**	**900,934**	**198,214**	**1,099,148**
Total income and expense for the year		**-**	**-**	**-**	**-**	**-**	**586,429**	**-**	**900,934**	**-**	**1,487,363**	**417,911**	**1,905,274**
Final 2007 dividend declared		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(98,305)**	**(98,305)**	**-**	**(98,305)**
Transfer to reserve		**-**	**-**	**-**	**61,158**	**-**	**-**	**-**	**(61,158)**	**-**	**-**	**-**	**-**
Equity-settled share option arrangements		**-**	**-**	**-**	**-**	**-**	**-**	**1,014**	**-**	**-**	**1,014**	**-**	**1,014**
Acquisition of minority interests		**390,401**	**409,922**	**(469,023)**	**-**	**-**	**-**	**-**	**-**	**-**	**331,300**	**(1,267,979)**	**(936,679)**
Capital contribution by a minority shareholder		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**389,409**	**389,409**
Deemed distribution to equity owners	1, 35(a)(v)	**-**	**-**	**-**	**-**	**1,111,723**	**-**	**-**	**(3,828,196)**	**-**	**(2,716,473)**	**-**	**(2,716,473)**
Proposed final 2008 dividend	12	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(174,003)**	**174,003**	**-**	**-**	**-**
Dividends paid to minority shareholders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(627)**	**(627)**
At 31 December 2008		**6,493,627**	**3,680,115***	**(1,413,734)***	**209,010***	**-***	**1,283,005***	**1,014***	**613,005***	**174,003**	**11,040,045**	**2,884,097**	**13,924,142**

* These reserve accounts comprise the consolidated reserves of HK$4,372,415,000 (2007: HK$5,833,615,000 (restated)) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,500,936**	4,094,574
Adjustments for:			
Finance costs	7	**405,641**	304,234
Share of profits and losses of jointly-controlled entities and an associate		**6,208**	(4,817)
Interest income	5	**(197,849)**	(151,989)
Gain on disposal of equity investments at fair value through profit or loss	5	**(35,797)**	(83,601)
Gain on disposal of subsidiaries	5,36	**–**	(108,720)
Loss on disposal of items of property, plant and equipment	6	**569**	2,043
Fair value gains on investment properties	5	**(99,414)**	(2,892,129)
Depreciation	6	**163,303**	109,464
Recognition of prepaid land lease payments	6,18	**19,978**	6,280
Amortisation of intangible assets	6,19	**1,997**	1,230
Equity-settled share option expense	34	**1,014**	–
		1,766,586	1,276,569
Increase in properties under development		**(2,638,946)**	(2,201,573)
Decrease in properties held for sale		**480,510**	411,412
(Increase)/decrease in inventories		**(11,716)**	302
Decrease/(increase) in trade receivables		**119,540**	(139,923)
Decrease/(increase) in prepayments, deposits and other receivables		**29,255**	(73,784)
Decrease in trade and bills payables		**(294,401)**	(347,958)
Increase in other payables and accruals		**963,506**	2,280,822
Effect of exchange rate change, net		**(18,489)**	(14,156)
Cash generated from operations		**395,845**	1,191,711
Interest received		**197,849**	151,989
Interest paid		**(588,170)**	(380,861)
PRC corporate income tax paid		**(298,181)**	(123,442)
Land appreciation tax paid	31	**(31,297)**	(7,522)
Net cash (outflow)/inflow from operating activities		**(323,954)**	831,875

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Net cash (outflow)/inflow from operating activities		**(323,954)**	831,875
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,008,884)**	(2,184,266)
Additions to intangible assets		**(304)**	(1,246)
Acquisition of minority interests		**(936,679)**	(7,000)
Proceeds from disposal of items of property, plant and equipment		**2,094**	122
Proceeds from disposal of intangible assets		**–**	67
Proceeds from disposal of equity investments at fair value through profit or loss		**82,899**	160,215
Purchase of equity investments at fair value through profit or loss		**(47,102)**	(72,907)
Acquisition of a subsidiary		**–**	4,984
Disposal of subsidiaries	36	**–**	152,675
Deemed distribution to equity owners		**–**	(2,239,000)
Increase in pledged deposits		**(105,371)**	(694,720)
Increase in restricted bank deposits		**(1,172)**	(15,777)
Investments in jointly-controlled entities		**(78,391)**	–
Investment in an associate		**–**	(2,083)
Net cash outflow from investing activities		**(3,092,910)**	(4,898,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	6,633,495
Share issue expenses		**–**	(167,898)
Proceeds from capital contributions		**389,409**	985,628
New bank and other borrowings		**17,609,379**	12,414,530
Advances received from related parties		**–**	243,894
Advances received from fellow subsidiaries		**–**	2,117
Advances paid to related parties		**–**	(220,169)
Repayment of advances from related parties		**–**	335,959
Repayment of advances to related parties		**(219,228)**	(324,514)
Repayment of advances from jointly-controlled entities		**850**	1,813
Repayment of advances to jointly-controlled entities		**(3,915)**	(2,286)
Repayment of advances from fellow subsidiaries		**311,756**	17,000
Repayment of bank and other borrowings		**(17,478,819)**	(8,422,698)
Dividends paid		**(98,305)**	–
Dividends paid by the Jin Mao Group to Sinochem Hong Kong		**–**	(94,580)
Dividends paid to minority shareholders		**(627)**	(233,498)
Net cash inflow from financing activities		**510,500**	11,168,793
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,906,364)**	7,101,732
Cash and cash equivalents at beginning of year		**7,625,833**	540,375
Effect of foreign exchange rate changes, net		**327,338**	(16,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,046,807**	7,625,833
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**4,985,362**	4,245,051
Non-pledged time deposits with original maturity of less than three months when acquired	27	**61,445**	3,380,782
		5,046,807	7,625,833

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,188**	1,691
Interests in subsidiaries	20	**11,932,081**	4,381,913
Total non-current assets		**11,934,269**	4,383,604
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**7,970**	4,768
Cash and cash equivalents	27	**1,447,760**	3,026,722
Total current assets		**1,455,730**	3,031,490
CURRENT LIABILITIES			
Other payables and accruals	29	**20,986**	7,840
Due to related parties	26	**2,717,135**	–
Total current liabilities		**2,738,121**	7,840
NET CURRENT (LIABILITIES)/ASSETS		**(1,282,391)**	3,023,650
Net assets		**10,651,878**	7,407,254
EQUITY			
Issued capital	33	**6,493,627**	4,915,264
Reserves	35(b)	**3,984,248**	2,393,685
Proposed final dividend	12	**174,003**	98,305
Total equity		**10,651,878**	7,407,254

Li Xue Hua
Director

Jiang Nan
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

- hotel operation
- property development
- property leasing
- provision of building management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the Company's ultimate holding company is Sinochem Corporation, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Pursuant to the group reorganisation (the "Reorganisation") in June 2008, the Company entered into an acquisition agreement (the "Sinochem Acquisition Agreement") with Sinochem Hong Kong, to acquire Sinochem Hong Kong's entire equity interest in Wise Pine Limited ("Wise Pine"), which represents a 54.87% equity interest in China Jin Mao (Group) Company Limited and its subsidiaries (collectively referred to as the "Jin Mao Group") for an initial total consideration of RMB6,035,799,000 (approximately HK$6,791,182,000). The final consideration for the acquisition will be satisfied by the Company, partly in cash of RMB2,414,320,000 (approximately HK$2,716,473,000) and partly by the Company issuing and allotting 1,187,962,000 of the Company's new ordinary shares at the market price on the date of completion of acquisition.

Further on the same day, the Company entered into seven separate acquisition agreements ("Other Shareholder Acquisition Agreement") with other independent parties ("Other Shareholder"), to acquire their entire equity interest in Wise Pine, which represents a 45.13% equity interest in the Jin Mao Group for an initial total consideration of RMB4,964,201,000 (approximately HK$5,585,473,000). The final consideration for the acquisition will be satisfied by the Company, partly in cash of RMB2,006,972,000 (approximately HK$2,258,146,000) and partly by the Company issuing and allotting 970,066,000 of the Company's new ordinary shares at the market price on the date of completion of acquisition. Each Other Shareholder Acquisition Agreement and the Sinochem Acquisition Agreement contain similar terms in general, save for terms relating to the amounts of the consideration.

Sinochem Acquisition Agreement was completed on 29 December 2008. Pursuant to the agreement, the Company settled the share payment by issuing and allotting 1,187,962,000 ordinary shares of HK$1 each at HK$2.05 per share to Sinochem Hong Kong. In connection to the cash payment of HK$2,716,473,000, the Company and Sinochem Hong Kong entered into a deferred payment arrangement. According to such deferred payment arrangement, the cash payment is repayable by no later than 30 June 2009, or such later date as the Company and Sinochem Hong Kong may agree in writing. The total final consideration for the acquisition was HK$5,151,795,000, in which the cash payment of HK$2,716,473,000 to Sinochem Hong Kong, was considered as deemed distributions to equity owners (note 35a)(v)).

Other Shareholder Acquisition Agreement was partly completed on 29 December 2008, in which 18.36% equity interest in Wise Pine was acquired from certain Other Shareholder. The total final consideration for the acquisition was HK$1,732,969,000, which consisted of cash payment of HK$932,647,000 and 390,401,000 Company's new ordinary shares of HK$1 each at HK$2.05 per share, the market price on the date of completion of acquisition.

The remaining 26.77% equity interest in Wise Pine was subsequently acquired on 5 January 2009. The total final consideration for the acquisition was HK$2,565,982,000, which consisted of cash payment of HK$1,325,499,000 and 579,665,000 Company's new ordinary shares of HK$1 each at HK$2.14 per share, the market price on the date of completion of acquisition. Upon completion of the above acquisitions, Jin Mao Group became a wholly-owned subsidiary of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2008, the current liabilities of the Group and the Company exceeded its current assets by approximately HK$4,284,911,000 (2007: HK$1,717,159,000 (restated)) and HK$1,282,391,000 (2007: Net current assets of HK$3,023,650,000), respectively. The financial statements have been prepared on the going concern basis as the directors believe the Group will have adequate funds to meet its liabilities as and when they fall due after taking into account the expected cash flows from its operations, unutilised banking facilities and net proceed of approximately HK$2,706,500,000 received from the Company's rights issue on 25 March 2009, further details of which are included in note 43(b) to these Financial Statements.

Basis of consolidation

Pursuant to the Reorganisation, the Company became the holding company of the Jin Mao Group. Since the Company and the Jin Mao Group were ultimately controlled by Sinochem Corporation both before and after the completion of the Reorganisation, the reorganisation is considered as a business combination under common control and has been accounted for using the principles of merger accounting. Except for acquisitions of interests from unrelated parties, which have been accounted for using the purchase method of accounting, all of the Group's acquisitions of other subsidiaries have been accounted for using merger accounting.

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The result of operation for the year ended 31 December 2007 and the financial position as at 31 December 2007 and the shareholders' equity as at 31 December 2007 and 1 January 2007 previously reported by the Group and the Jin Mao Group and the combined amounts presented in the accompanying consolidated financial statements are set out below:

	The Group (as previously reported) HK$'000	Jin Mao Group HK$'000	Total HK$'000
Result of operation:			
Revenue	1,269,054	1,543,927	2,812,981
Profit before tax	2,938,281	1,156,293	4,094,574
Profit after tax	2,167,330	685,335	2,852,665
Financial condition:			
Current assets	8,219,792	2,191,599	10,411,391
Total assets	17,619,117	14,082,768	31,701,885
Current liabilities	7,122,743	5,005,807	12,128,550
Total liabilities	8,621,366	7,699,990	16,321,356
Shareholders' equity as at 31 December 2007	8,997,751	6,382,778	15,380,529
Shareholders' equity as at 1 January 2007	1,515,173	5,454,385	6,969,558

For the periods presented, all significant balances and transactions between the Group and the Jin Mao Group prior to the acquisition have been eliminated.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to HKAS 39 Financial Instruments: *Recognition and Measurement* and *HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*

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

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

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

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

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

(b) HK(IFRIC)-Int 11 HKFRS 2 – *Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[3]
HKFRS 7 Amendments	*Improvement Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition* and *Measurement – Eligible Hedged Items*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[3]
HK(IFIRC)-Int 18	*Transfer of Assets from Customers*[1]
HK(IFIRC)-Int 19 and HKAS 39 Amendments	*Embedded Derivatives*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 June 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

Hotel properties	2% – 9%
Leasehold improvements	18%
Buildings	2% – 5%
Furniture, fixtures and office equipment	4.5% – 33%
Motor vehicles	8.3% – 20%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Construction in progress representing leasehold improvements and furniture and fixtures is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

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

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Club membership

Purchased club membership is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Properties under development

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

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the balance sheet date are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

Available-for-sale financial assets

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

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

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectibility of related receivables is reasonably assured;

(b) hotel and other service income, in the period in which such services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) from the rendering of property management services, when the services are rendered;

(e) from observation deck operation, when admission tickets are sold;

(f) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 34 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

Foreign currencies

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

The functional currency of all subsidiaries and jointly-controlled entities in Mainland China is Renminbi ("RMB"). As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statements, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

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

Estimation uncertainty

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

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, and aging analyses of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of non-financial assets

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

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

PRC corporate income tax

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

PRC land appreciation tax ("LAT")

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was approximately HK$37,436,000 (2007: HK$14,000,000 (restated)) (note 32).

Fair value of investment properties

Investment properties are revalued at the balance sheet date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

The carrying amount of investment properties at 31 December 2008 was HK$11,359,374,000 (2007: HK$10,671,220,000 (restated)) (note 17).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Going concern

As at balance sheet date, the Group had net current liabilities of approximately HK$4,284,911,000 (2007: HK$1,717,159,000 (restated)). To ensure the Group has sufficient cash to meet funding requirement for operation, the management have prepared cash flow projection for the period up to 31 March 2010. Key assumptions used in the preparation of the cash flow projection include: (1) The sales of properties in 2009 are expected to be derived from the Group's property projects over 2 cities within the PRC, which the selling price is not expected to fluctuate significantly from that of 2008; (2) Income from property leasing and hotel operations are not expected to fluctuate significantly from that of 2008; and (3) all bank borrowings due for repayment in 2009 are expected to be renewed successfully, as the Group has received non binding confirmation from the institutions providing such finance confirming that such facilities will exist until 31 March 2010.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as all the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment comprises the leasing of office and commercial premises;

(c) the hotel operations segment engages in the provision of hotel accommodation services; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

In the prior year's financial statements, the Group combined segment information for properties leasing and management service under "Property investment and management" segment. During the current year, the Group is more focusing on leasing of office and commercial premises with minimal effort put on property management. This trend has aligned the core underlying property leasing business of the Group. Accordingly, the directors consider that it is appropriate to separate the property leasing division from "Property investment and management" segment and to form a single business segment in the current year.

To conform with the current year's presentation, the segment assets, liabilities and results of the "Property investment and management" segment as at 31 December 2007 and for the year then ended have been separated. Property investment has been disclosed under the new "Property leasing" segment, while property management has been combined and disclosed under "Others" segment, respectively.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:						
Sales to external customers	1,399,575	786,092	1,393,861	333,940	–	3,913,468
Intersegment sales	–	5,656	519	202,380	(208,555)	–
Total	1,399,575	791,748	1,394,380	536,320	(208,555)	3,913,468
Segment results	633,376	677,375	330,618	13,259	(8,211)	1,646,417
Interest and dividend income and unallocated gains						266,368
Share of loss of jointly-controlled entities	–	–	–	(6,208)	–	(6,208)
Finance costs						(405,641)
Profit before tax						1,500,936
Tax						(401,788)
Profit for the year						1,099,148
Assets and liabilities						
Segment assets	10,247,611	14,220,085	10,783,227	613,081	(7,933,684)	27,930,320
Interests in jointly-controlled entities	–	–	–	123,231	–	123,231
Corporate and unallocated assets						6,493,385
Total assets						34,546,936
Segment liabilities	9,387,994	1,887,381	4,088,904	451,940	(7,966,461)	7,849,758
Corporate and unallocated liabilities						12,773,036
Total liabilities						20,622,794
Other segment information:						
Recognition of prepaid land lease payments	–	–	19,978	–	–	19,978
Loss on disposal of items of property, plant and equipment	4	556	–	9	–	569
Depreciation and amortisation	1,849	76,814	86,461	206	–	165,330
Capital expenditure	2,152	4,253	2,110,506	21	–	2,116,932
Fair value gains on investment properties, net	–	99,414	–	–	–	99,414

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Year ended 31 December 2007	Property development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000 (restated)
Segment revenue:						
Sales to external customers	986,120	412,999	1,117,546	296,316	–	2,812,981
Intersegment sales	–	13,387	–	204,349	(217,736)	–
Total	986,120	426,386	1,117,546	500,665	(217,736)	2,812,981
Segment results	547,306	3,270,796	436,552	72,934	(197,218)	4,130,370
Interest and dividend income and unallocated gains						263,621
Share of profit/(loss) of:						
– jointly-controlled entities	–	–	–	5,227	–	5,227
– an associate	(410)	–	–	–	–	(410)
Finance costs						(304,234)
Profit before tax						4,094,574
Tax						(1,241,909)
Profit for the year						2,852,665
Assets and liabilities						
Segment assets	6,391,038	15,412,263	3,567,808	336,300	(2,927,334)	22,780,075
Interests in jointly-controlled entities	–	–	–	45,562	–	45,562
Corporate and unallocated assets						8,876,248
Total assets						31,701,885
Segment liabilities	4,639,930	741,695	1,828,323	366,720	(2,900,096)	4,676,572
Corporate and unallocated liabilities						11,644,784
Total liabilities						16,321,356
Other segment information:						
Recognition of prepaid land lease payments	–	–	6,280	–	–	6,280
Loss on disposal of items of property, plant and equipment	61	388	1,594	–	–	2,043
Depreciation and amortisation	730	67,509	40,180	2,296	–	110,715
Capital expenditure	3,092	23,744	2,157,451	1,246	–	2,185,533
Fair value gains on investment properties	–	2,892,129	–	–	–	2,892,129

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the value of services rendered net of business tax; the net invoiced of goods sold, after allowances for returns and trade discounts; gross proceeds, net of business tax, from the sale of properties; the gross rental income received and receivable from investment properties; and the income from hotel operations, property management and related services.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Revenue			
Sale of properties		**1,399,575**	986,120
Hotel operations		**1,393,861**	1,117,546
Gross rental income		**786,092**	412,999
Others		**333,940**	296,316
		3,913,468	2,812,981
Other income and gains			
Bank interest income		**197,849**	151,988
Fair value gains on investment properties, net	17	**99,414**	2,892,129
Gain on disposal of subsidiaries	36	**–**	108,720
Gain on disposal of equity investments at fair value through profit or loss		**35,797**	83,601
Foreign exchange gain, net		**26,659**	23,710
Others		**21,531**	17,470
		381,250	3,277,618

6. PROFIT BEFORE TAX

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

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**149,341**	62,383
Cost of properties sold and services provided		**1,715,516**	1,135,369
Depreciation	14	**163,333**	109,485
Less: Amount capitalised		**(30)**	(21)
		163,303	109,464
Amortisation of items of intangible assets	19	**1,997**	1,230
Minimum lease payments under operating leases for land and buildings		**8,758**	31,604
Recognition of prepaid land lease payments	18	**19,978**	6,280
Auditors' remuneration		**4,468**	3,041
Employee benefits expense (including directors' remuneration (note 8)):			
Wages and salaries		**380,408**	229,479
Equity-settled share option expense#	34	**1,014**	–
Pension scheme contributions*		**40,968**	21,540
Less: Amount capitalised		**(17,307)**	(7,015)
		405,083	244,004
Loss on disposal of items of property, plant and equipment**		**569**	2,043
Donations**		**2,354**	–

* At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).

** Included in "Other expenses" on the face of the consolidated income statement.

During the year, certain employees and directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above and directors' remuneration disclosures in note 8 to the financial statements.

7. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000 (restated)
Interest on bank loans and other loans wholly repayable within five years	**574,417**	356,654
Interest on bank loans wholly repayable over five years	**19,005**	2,481
Interest on other loans from the immediate holding company and a fellow subsidiary	**1,584**	31,923
Total interest expense on financial liabilities not at fair value through profit or loss	**595,006**	391,058
Less: Interest capitalised	**(189,365)**	(86,824)
	405,641	304,234

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**1,200**	880
Other emoluments:		
Salaries, allowances and benefits in kind	**3,907**	3,089
Performance related bonuses*	**2,365**	1,152
Equity-settled share option expense#	**509**	–
Pension scheme contributions	**217**	78
	6,998	4,319
	8,198	5,199

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

\# During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008 HK$'000	2007 HK$'000
Mr. Lau Hon chuen, Ambrose	**240**	200
Mr. Liu Hongyu	**240**	200
Mr. Su Xijia	**240**	200
Mr. Ngai Wai Fung	**240**	160
Mr. Gao Shibin	**240**	120
	1,200	880

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity- settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008						
Executive directors:						
Ms. Li Xuehua	-	1,540	1,067	89	53	2,749
Mr. He Binwu	-	1,275	788	89	111	2,263
Mr. Jiang Nan	-	1,092	510	77	53	1,732
	-	3,907	2,365	255	217	6,744
Non-executive directors:						
Mr. Pan Zhengyi	-	-	-	89	-	89
Ms. Li Lun	-	-	-	89	-	89
Mr. Wang Hongjun	-	-	-	76	-	76
	-	-	-	254	-	254
	-	3,907	2,365	509	217	6,998

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity- settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007						
Executive directors:						
Ms. Li Xuehua	–	1,374	479	–	26	1,879
Mr. He Binwu	–	1,182	580	–	26	1,788
Mr. Jiang Nan	–	533	93	–	26	652
	–	3,089	1,152	–	78	4,319
Non-executive directors:						
Mr. Pan Zhengyi	–	–	–	–	–	–
Ms. Li Lun	–	–	–	–	–	–
Mr. Wang Hongjun	–	–	–	–	–	–
	–	–	–	–	–	–
	–	3,089	1,152	–	78	4,319

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors (2007: two (restated)), and details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2007: three (restated)) non-director, highest paid individuals for the year are as follows:

	Group	
	2008 HK$'000	2007 HK$'000 (restated)
Salaries, allowances and benefits in kind	**1,816**	1,832
Performance related bonuses	**1,387**	2,803
Pension scheme contributions	**–**	38
	3,203	4,673

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007 (restated)
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	2

10. TAX

	2008 HK$'000	2007 HK$'000 (restated)
Group:		
Current		
PRC corporate income tax	**276,740**	162,678
LAT (note 31)	**155,251**	138,390
	431,991	301,068
Deferred (note 32)	**(30,203)**	940,841
Total tax charge for the year	**401,788**	1,241,909

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil).

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC corporate income tax is provided at the rate of 25% (2007: 33%) on the profits for the PRC statutory financial reporting purposes, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

Pursuant to the relevant PRC income tax rules and regulations, preferential income tax rates have been granted to certain of the Group's PRC subsidiaries which were established and located in Shanghai Pudong New Area, Hainan Special Economic Zone and Shenzhen Special Economic Sone. These companies are subject to a preferential rate of 18% for the year 2008 (2007: 15%) followed by tax rates gradually increased from 20% to 25% in the ensuring four years towards 2012. A subsidiary of the Group, which was established and located in Zhuhai is subject to income tax at a preferential rate of 18% and is entitled to full exemption from such tax for the first year and 50% reduction in the next two years, commencing from the first profitable year.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

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

10. TAX (Continued)

Group – 2008

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	27,464		1,473,472		1,500,936	
At the statutory income tax rate	4,531	16.5	368,368	25.0	372,899	24.8
Lower tax rates for specific provinces or local authority	–		(90,030)		(90,030)	
Loss attributable to jointly-controlled entities	–		1,552		1,552	
Income not subject to tax	(10,406)		(6,562)		(16,968)	
Expenses not deductible for tax	5,857		32,261		38,118	
Tax losses utilised from previous periods	–		(4,548)		(4,548)	
LAT (note 31)	–		155,251		155,251	
Tax effect of LAT	–		(60,198)		(60,198)	
Tax losses not recognized	9		3,986		3,995	
Others	9		1,708		1,717	
Tax charge at the Group's effective rate	–	0.0	401,788	27.3	401,788	26.8

Group – 2007

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000 (restated)	%
Profit before tax	174,730		3,919,844		4,094,574	
At the statutory income tax rate	30,577	17.5	1,293,548	33.0	1,324,125	32.3
Lower tax rates for specific provinces or local authority	–		(267,511)		(267,511)	
Profits or losses attributable to jointly-controlled entities and associates	–		(1,560)		(1,560)	
Effect of changes in deferred tax rates	–		84,439		84,439	
Income not subject to tax	(40,651)		(8,251)		(48,902)	
Expenses not deductible for tax	10,074		10,429		20,503	
Tax losses utilized from previous periods	–		(7,291)		(7,291)	
Adjustment in respect of tax of previous periods	–		(3,337)		(3,337)	
LAT (note 31)	–		138,390		138,390	
Tax losses not recognised	–		3,935		3,935	
Others	258		(1,140)		(882)	
Tax charge at the Group's effective rate	258	0.1	1,241,651	31.7	1,241,909	30.3

The share of tax attributable to joint-controlled entities amounting to HK$836,000 (2007: HK$916,000 (restated)) for the year ended 31 December 2008, is included in "Share of profits and losses of jointly-control entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of HK$106,270,000 (2007: HK$350,969,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DIVIDENDS

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Proposed final – HK2 cents (2007: HK2 cents) per ordinary share	(a)	**174,003**	98,305
Dividends paid by Jin Mau Group to Sinochem Hong Kong	(b)	**–**	94,580
		174,003	192,885

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

(b) The dividends were declared by the companies comprising the Group to their then equity holders prior to the Reorganisation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect for the business combination of the Jin Mao Group under common control during the year.

As the adjusted exercise price of the share options outstanding during the year ended 31 December 2008 is higher than the respective average market price of the Company's shares during the year, there is no dilutive effect on the basic earnings per share.

The calculation of basic earnings per share is based on:

	2008 HK$'000	2007 HK$'000 (restated)
Earnings		
Profit attributable to ordinary equity holders of the Company	**900,934**	2,520,302

	Number of shares	
	2008 '000	2007 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,105,384**	3,667,319

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008							
At 1 January 2008:							
Cost	3,213,522	52,674	5,215	770,697	31,538	3,076,301	7,149,947
Accumulated depreciation	(473,216)	(43,462)	(936)	(368,922)	(13,986)	-	(900,522)
Net carrying amount	2,740,306	9,212	4,279	401,775	17,552	3,076,301	6,249,425
At 1 January 2008, net of accumulated depreciation	2,740,306	9,212	4,279	401,775	17,552	3,076,301	6,249,425
Additions	-	-	-	329,934	13,971	1,772,722	2,116,627
Disposals/write-off	(1,283)	(145)	(9)	(1,159)	-	(67)	(2,663)
Depreciation provided during the year	(73,763)	(6,255)	(194)	(78,579)	(4,542)	-	(163,333)
Transfer from investment properties (note 17)	-	-	80,462	-	-	-	80,462
Transfer to prepaid land lease payments (note 18)	-	-	-	-	-	(1,186,160)	(1,186,160)
Transfer	2,370,151	-	-	-	-	(2,370,151)	-
Exchange realignment	202,542	492	1,342	28,497	1,223	62,608	296,704
At 31 December 2008, net of accumulated depreciation	5,237,953	3,304	85,880	680,468	28,204	1,355,253	7,391,062
At 31 December 2008:							
Cost	5,794,053	55,977	87,081	1,128,387	47,144	1,355,253	8,467,895
Accumulated depreciation	(556,100)	(52,673)	(1,201)	(447,919)	(18,940)	-	(1,076,833)
Net carrying amount	5,237,953	3,304	85,880	680,468	28,204	1,355,253	7,391,062

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000 (restated)
31 December 2007							
At 1 January 2007:							
Cost	2,996,737	49,121	4,863	706,940	26,360	772,509	4,556,530
Accumulated depreciation	(384,237)	(34,776)	(712)	(308,544)	(12,442)	–	(740,711)
Net carrying amount	2,612,500	14,345	4,151	398,396	13,918	772,509	3,815,819
At 1 January 2007, net of accumulated depreciation	2,612,500	14,345	4,151	398,396	13,918	772,509	3,815,819
Additions	8	–	–	18,430	5,847	2,160,002	2,184,287
Acquisition of a subsidiary	–	–	–	1,407	–	–	1,407
Disposals	–	–	–	(1,887)	(278)	–	(2,165)
Depreciation provided during the year	(58,733)	(5,923)	(166)	(41,706)	(2,957)	–	(109,485)
Disposal of subsidiaries (note 36)	–	–	–	(644)	(38)	–	(682)
Transfer to investment properties (note 17)	–	–	–	–	–	(2,110)	(2,110)
Exchange realignment	186,531	790	294	27,779	1,060	145,900	362,354
At 31 December 2007, net of accumulated depreciation	2,740,306	9,212	4,279	401,775	17,552	3,076,301	6,249,425
At 31 December 2007:							
Cost	3,213,522	52,674	5,215	770,697	31,538	3,076,301	7,149,947
Accumulated depreciation	(473,216)	(43,462)	(936)	(368,922)	(13,986)	–	(900,522)
Net carrying amount	2,740,306	9,212	4,279	401,775	17,552	3,076,301	6,249,425

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2008			
At 1 January 2008:			
Cost	1,349	513	1,862
Accumulated depreciation	(68)	(103)	(171)
Net carrying amount	1,281	410	1,691
At 1 January 2008, net of accumulated depreciation	1,281	410	1,691
Additions	1,008	16	1,024
Depreciation provided during the year	(421)	(106)	(527)
At 31 December 2008, net of accumulated depreciation	1,868	320	2,188
At 31 December 2008:			
Cost	2,357	529	2,886
Accumulated depreciation	(489)	(209)	(698)
Net carrying amount	1,868	320	2,188

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2007			
At 1 January 2007:			
Cost	–	67	67
Accumulated depreciation	–	(13)	(13)
Net carrying amount	–	54	54
At 1 January 2007, net of accumulated depreciation	–	54	54
Additions	1,349	446	1,795
Depreciation provided during the year	(68)	(90)	(158)
At 31 December 2007, net of accumulated depreciation	1,281	410	1,691
At 31 December 2007:			
Cost	1,349	513	1,862
Accumulated depreciation	(68)	(103)	(171)
Net carrying amount	1,281	410	1,691

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2008, certain of the Group's hotel properties and buildings included in property, plant and equipment with an aggregate net carrying amount of approximately HK$1,698,499,000 (2007: HK$569,125,000 (restated)) were pledged to secure bank loans granted to the Group (Note 30(a)(i)).

At 31 December 2007, certain of the Group's construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately HK$1,279,148,000 (restated)) were pledged to secure bank loans granted to the Group (Note 30(a)(ii)). The pledge of assets were relased during the year.

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Note	**2008** **HK$'000**	2007 HK$'000 (restated)
At beginning of year		**4,174,571**	1,988,227
Additions (including development costs, land use rights and capitalised expenditure)		**2,720,598**	2,278,221
Disposal of subsidiaries	36	**–**	(275,055)
Transfer to properties held for sale		**(451,018)**	(40,065)
Exchange realignment		**292,304**	223,243
At end of year		**6,736,455**	4,174,571
Portion classified as:			
– Current assets		**3,513,153**	429,870
– Non-current assets		**3,223,302**	3,744,701
		6,736,455	4,174,571

All the Group's properties under development are located in Mainland China and are held under medium term leases.

16. PROPERTIES HELD FOR SALE

All the Group's properties held for sale are located in Mainland China and are held under medium term leases. All the properties held for sale are stated at cost.

17. INVESTMENT PROPERTIES

		Group	
	Notes	**2008** **HK$'000**	2007 HK$'000 (restated)
Carrying amount at 1 January		**10,671,220**	5,578,131
Transfer from properties held for sales		**–**	1,674,600
Net gain from a fair value adjustment	5	**99,414**	2,892,129
Transfer (to)/from owner-occupied properties	14	**(80,462)**	2,110
Exchange realignment		**669,202**	524,250
Carrying amount at 31 December		**11,359,374**	10,671,220

17. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued individually on 31 December 2008 by Knight Frank Petty Limited and CB Richard Ellis Limited, independent professionally qualified valuers, at HK$11,359,374,000 (2007: HK$10,671,220,000 (restated)) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

At 31 December 2008, certain of the Group's investment properties with a carrying value of HK$7,870,038,000 (2007: HK$3,172,198,000 (restated)) were pledged to secure the Group's bank loans and the "Ten-year debenture" issued by the Group, details of which are included in (note 30(a)(iii)) to the financial statements.

18. PREPAID LAND LEASE PAYMENTS

	Note	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Carrying amount at 1 January		**293,817**	280,096
Transferred from property, plant and equipment	14	**1,186,160**	–
Recognised during the year		**(19,978)**	(6,280)
Exchange realignment		**34,025**	20,001
Carrying amount at 31 December		**1,494,024**	293,817
Current portion included in prepayments, deposits and other receivables		**(22,123)**	(6,542)
Non-current portion		**1,471,901**	287,275

The Group's leasehold land is situated in Mainland China and is held under the following term leases.

	2008 HK$'000	2007 HK$'000 (restated)
Long term leases	**158,441**	152,025
Medium term leases	**1,335,583**	141,792
	1,494,024	293,817

At 31 December 2008, certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$378,179,000 (2007: HK$152,025,000 (restated)) were pledged to secure certain bank loans granted to the Group (note 30(a)(iv)).

19. INTANGIBLE ASSETS

Group

	Club Membership HK$'000	Computer software HK$'000	Total HK$'000
31 December 2008			
Cost at 1 January 2008, net of accumulated amortisation and impairment (restated)	**5,204**	**5,608**	**10,812**
Additions	**–**	**304**	**304**
Amortisation provided during the year	**(154)**	**(1,843)**	**(1,997)**
Exchange realignment	**326**	**330**	**656**
At 31 December 2008	**5,376**	**4,399**	**9,775**
As 31 December 2008			
Cost	**6,266**	**9,868**	**16,134**
Accumulated amortisation and impairment	**(890)**	**(5,469)**	**(6,359)**
Net carrying amount	**5,376**	**4,399**	**9,775**
31 December 2007			
Cost at 1 January 2007, net of accumulated amortisation and impairment (restated)	5,129	5,001	10,130
Additions	–	1,246	1,246
Disposals	–	(65)	(65)
Amortisation provided during the year	(284)	(946)	(1,230)
Exchange realignment	359	372	731
At 31 December 2007	5,204	5,608	10,812
As 31 December 2007			
Cost	5,897	9,762	15,659
Accumulated amortisation and impairment	(693)	(4,154)	(4,847)
Net carrying amount (restated)	5,204	5,608	10,812

20. INTERESTS IN SUBSIDIARIES

	Notes	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost		**11,158,934**	3,579,172
Advances to subsidiaries	(i)	**779,039**	736,823
Advances from subsidiaries	(ii)	**(5,892)**	–
Loan to a subsidiary	(iii)	**–**	65,918
		11,932,081	4,381,913

Notes:

(i) The advances to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

(ii) The advances from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(iii) The loan to a subsidiary was unsecured, bears interest at 6.12% per annum and was fully settled during the year.

The carrying amounts of these balances approximate to their fair values.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Shanghai Keyi Franshion Business Consultancy Company Limited*	The PRC/ Mainland China	RMB8,000,000	50%#	–	Investment holding
Shanghai Pudong Jinxin Real Estate Development Co., Ltd.*	The PRC/ Mainland China	US$5,600,000	50%#	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")*	The PRC/ Mainland China	RMB76,490,000	–	40.2%@	Property development
Shanghai Huigang Real Estate Development Co. Ltd.**	The PRC/ Mainland China	RMB1,230,000,000	50%#	–	Property development
Sinochem Franshion Real Estate (Zhuhai) Co. Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%#	–	Property development

20. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Chemsunny Property Company Limited***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property development and investment
Beijing Century Chemsunny Property Management Co. Ltd.*	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management
Sinochem International Property & Hotels Management Co. Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property investment and management
Wangfujing Hotel Management Company Limited***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion Properties Management Company Limited***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
Sinochem Franshion Real Estate Co. Ltd.***	The PRC/ Mainland China	RMB150,000,000	100%	–	Investment holding
Zhuhai Kai Ming Consultancy Services Co. Ltd.**	The PRC/ Mainland China	RMB1,000,000	–	100%	Provision of consultancy services
China Jin Mao (Group) Company Limited*	The PRC/ Mainland China	RMB2,635,000,000	–	73%	Hotel operation and property Investment and management
Shanghai Jinhang International Trading Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	73%	Trading of a diversified list of products
Shanghai Jin Mao Jinsheng International Trading Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	73%	Trading of a diversified list of products

20. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Jin Mao Construction & Decoration Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	73%	Provision of building decoration Services
Beijing Jin Mao Real Estate Company Limited**	The PRC/ Mainland China	RMB700,000,000	–	73%	Hotel operation
Jin Mao Sanya Resort Hotel Company Limited**	The PRC/ Mainland China	RMB300,000,000	–	43.8%@	Hotel operation
Jin Mao Sanya Tourism Company Limited**	The PRC/ Mainland China	RMB350,000,000	–	73%	Hotel operation
Jin Mao Shenzhen Hotel Investment Company Limited**	The PRC/ Mainland China	RMB20,000,000	–	73%	Hotel operation
Jin Mao (Li Jiang) Zhi Ye Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	73%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	73%	Hotel operation
Kontix Investment Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Wise Pine Limited	British Virgin Islands/ Hong Kong	US$1,000,000	73%	–	Investment holding

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
\# The Group controls the boards of directors of those entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over their operating and financial activities.
@ Subsidiaries of a non wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

The English names of certain of the companies referred to above in this note represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Share of net assets	**114,529**	39,925
Due from jointly-controlled entities	**8,702**	9,552
Due to jointly-controlled entities	**–**	(3,915)
	123,231	45,562

The balances with the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

Particulars of the jointly-controlled entities are as follows:

Name	Registered and paid-in capital	Place of incorporation	Percentage of Equity interest attributable to equity holders of the Company		Principal activities
			Direct	Indirect	
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	PRC	–	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	PRC	–	45%	Lease of commercial vehicles
Suzhou Jin Mao Jin Jiang Foreign Affairs and Tourism Bus Co., Ltd	RMB5,000,000	PRC	–	49.5%	Lease of commercial vehicles
Shanghai Jin Mao International Cruising-Yacht Company Limited	RMB40,000,000	PRC	–	23%	Provision of yacht services
Tianjin Franshion Head Co., Ltd.	RMB140,000,000	PRC	–	49%	Property development

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities.

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Share of the jointly-controlled entities' assets and liabilities		
Current assets	**94,220**	18,677
Non-current assets	**64,087**	37,564
Current liabilities	**(43,778)**	(16,316)
Non-current liabilities	**–**	–
	114,529	39,925

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Share of the jointly-controlled entities' results		
Revenue	**33,026**	28,712
Other revenue	**197**	495
	33,223	29,207
Total expenses	**(38,595)**	(23,064)
Tax	**(836)**	(916)
(Loss)/profit after tax	**(6,208)**	5,227

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Club membership, at fair value	**317**	299

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Raw materials	**15,902**	7,917
Consumables and tools	**2,651**	2,291
Hotel merchandise	**13,999**	12,540
Trading stock	**4,018**	2,106
	36,570	24,854

24. TRADE RECEIVABLES

	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Trade receivables	**126,186**	245,726

The Group's trade receivables arise mainly from the sale of properties, leasing of investment properties and provision of hotel and property management services.

Considerations in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreement. The Group's trading terms with its customers in relation to the leasing of investment properties and provision of hotel and property management services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Within 1 month	**66,053**	69,359
1 to 3 months	**51,095**	52,585
4 to 6 months	**2,034**	2,505
Over 6 months	**7,004**	121,277
	126,186	245,726

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Neither past due nor impaired	**110,926**	121,204
Less than 1 month past due	**10,023**	7,821
1 to 3 months past due	**1,203**	2,493
Over 3 months past due	**4,034**	114,208
	126,186	245,726

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(restated)		
Prepayments	(a)	**51,507**	112,366	**7,075**	1,069
Deposits		**2,952**	5,384	**895**	706
Other receivables		**95,345**	61,309	**–**	2,993
Prepaid land lease payments (Note 18)		**22,123**	6,542	**–**	–
		171,927	185,601	**7,970**	4,768
Non current portion		**–**	–	**–**	–
Current portion		**171,927**	185,601	**7,970**	4,768

(a) At 31 December 2008, the Group's prepayments included prepayments for the acquisition of land use rights in Mainland China amounting to HK$19,309,000 (2007: Nil).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. DUE FROM/TO RELATED PARTIES

An analysis of the balances with related parties is as follows:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
			(restated)
Due from related parties:			
The ultimate holding company		**284**	73
Fellow subsidiaries	(a)	**10,405**	322,372
		10,689	322,445
Due to related parties:			
The ultimate holding company		**23,124**	243,894
The immediate holding company	(b)	**2,717,135**	–
Fellow subsidiaries		**35,966**	34,424
		2,776,225	278,318

		Company	
		2008	2007
		HK$'000	HK$'000
Due to the immediate holding company	(b)	**2,717,135**	–

26. DUE FROM/TO RELATED PARTIES (Continued)

(a) As at 31 December 2007, included in the amounts due from fellow subsidiaries was a loan receivable of RMB96,000,000 from China Foreign Economy and Trade & Investment Co., Ltd. ("FOTIC"), a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. The loan receivable from FOTIC was pledged to secure other loans granted by FOTIC to the Group, bore interest at 6.13% per annum, and was repaid in 2008.

(b) At 31 December 2008, included in the amount due to the immediate holding company was a cash consideration of HK$2,716,473,000 payable for the acquisition of Wise Pine, the balance bears interest at the Hong Kong prime rate per annum and is repayable by no later than 30 June 2009, or such later date as the Company and Sinochem Hong Kong may agree in writing.

Other than the balances described in notes (a) and (b) above, the balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000
Cash and bank balances		**4,985,362**	4,245,051	**1,396,722**	548,536
Time deposits		**1,375,697**	4,588,491	**51,038**	2,478,186
		6,361,059	8,833,542	**1,447,760**	3,026,722
Less: Pledged time deposits					
Pledged for a long term bank loan	30(a)(v)	**(283,950)**	(267,200)	**–**	–
Pledged for a short term bank loan	30(a)(v)	**(1,013,133)**	(924,512)	**–**	–
Restricted bank balances		**(17,169)**	(15,997)	**–**	–
		(1,314,252)	(1,207,709)	**–**	–
Cash and cash equivalents		**5,046,807**	7,625,833	**1,447,760**	3,026,722

At 31 December 2008, the cash and bank balances of the Group denominated in RMB amounted to RMB4,166,505,000 (2007: RMB4,885,648,000 (restated)). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for a one month period, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Due within 1 year or on demand	**233,084**	807,861
1 to 2 years	**411,600**	387,418
2 to 3 years	**256,194**	–
	900,878	1,195,279

Included in the Group's trade payables as at 31 December 2007 are development costs of HK$267,200,000 payable to Shanghai International Port (Group) Co., Ltd., a minority shareholder of the Group's certain subsidiaries. The amount was fully settled during the year.

The Group's trade payables are non-interest-bearing and unsecured. The carrying amounts of the Group's current trade payables approximate to their fair values. The fair value of the Group's non-current trade payables with carrying amounts of HK$667,794,000 (2007: HK$387,418,000 (restated)) was HK$621,127,000 (2007: HK$365,489,000 (restated)) at the balance sheet date.

29. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(restated)		
Other payables		**659,902**	568,258	**20,986**	7,840
Deposits received and receipts in advance		**3,068,473**	2,482,469	**–**	–
Accruals		**444,280**	103,931	**–**	–
Due to minority shareholders	(a)	**–**	48,317	**–**	–
		4,172,655	3,202,975	**20,986**	7,840

(a) The balances were non-trade in nature, unsecured, interest-free and were fully settled during the year.

The carrying amounts of other payables approximate to their fair values.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000 (restated)
Current						
Bank loans, secured	0-7.47	2009	2,150,932	5.58-6.57	2008	1,581,824
Bank loans, unsecured	2.62-9.12	2009	4,070,771	4.14-6.90	2008	5,436,757
Other loans, secured	–	–	–	0-6.13	2008	59,853
Current portion of long term bank loans, secured	7.56	2009	318,024	6.75	2008	21,376
			6,539,727			7,099,810
Non-current						
Bank loans, secured	7.02-7.56	2010-2016	2,953,080	6.12-9.71	2009-2016	1,394,784
Bank loans, unsecured	–	–	–	6.57	2009-2010	213,760
Debenture, secured	4.22	2012	1,135,800	4.22	2012	1,068,800
			4,088,880			2,677,344
			10,628,607			9,777,154

	Group	
	2008 HK$'000	2007 HK$'000 (restated)
Analysed into:		
Bank loans repayable		
Within one year	6,539,727	7,039,957
In the second year	2,158,020	32,064
In the third to fifth years, inclusive	522,468	1,234,464
Beyond five years	272,592	342,016
	9,492,807	8,648,501
Other loans repayable:		
Within one year	–	59,853
In the third to fifth years, inclusive	1,135,800	1,068,800
	1,135,800	1,128,653
	10,628,607	9,777,154

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) Certain of the Group's bank and other borrowings are secured by:

(i) certain of the Group's hotel properties and other buildings included in property, plant and equipment with an aggregate net carrying value of approximately HK$1,698,499,000 (2007: HK$569,125,000 (restated)) (note 14);

(ii) certain of the Group's construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately HK$1,279,148,000 (restated)) as at 31 December 2007 (Note 14). The pledge of assets were relased during the year;

(iii) certain of the Group's investment properties with a carrying value of approximately HK$7,870,038,000 (2007: HK$3,172,198,000 (restated)) (note 17);

(iv) certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$378,179,000 (2007: HK$152,025,000 (restated)) (note 18).

(v) certain of the Group's deposits with an aggregate carrying value of approximately HK$1,297,083,000 (2007: HK$1,207,709,000 (restated)) (note 27);

(vi) bank deposits of certain minority shareholders of the Group's subsidiaries with an aggregate carrying value of approximately HK$1,197,133,000 (2007: HK$704,020,000 (restated)) and fellow subsidiary with an aggregate carrying value of approximately HK$22,716,000 (2007: Nil); and

(vii) a minority shareholder's equity interest in a subsidiary of the Group at 31 December 2007. The pledge of assets were released during the year.

(b) On 20 April 2002, a subsidiary of the Group issued a guaranteed debenture with a principal amount of RMB1,000,000,000 (the "Ten-year Debenture") at an issue price equal to the face value of the debenture. The Ten-year Debenture bears interest at a fixed rate of 4.22% and matures on 28 April 2012.

The fair values of the Ten-year Debenture, amounting to approximately HK$1,135,800,000 (2007: HK$1,068,800,000 (restated)), were determined based on quoted prices in the market.

(c) Except for the unsecured bank loans equivalent to approximately HK$261,604,000 (2007: HK$359,956,000 (restated)) as at 31 December 2008 which are denominated in United States dollars, all borrowings are denominated in RMB.

(d) As at 31 December 2007, certain of the other loans of the Group with an aggregate carrying value of approximately HK$59,853,000 (restated) were borrowed from FOTIC, a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. These other loans were fully settled in 2008.

Other than the Ten-year Debenture, the carrying amounts of the Group's borrowings approximate to their fair values.

31. PROVISION FOR LAND APPRECIATION TAX

	Group HK$'000
At 1 January 2007	132,845
Charged to the consolidated income statement during the year (note 10)	138,390
Payment during the year	(7,522)
Exchange realignment	15,069
At 31 December 2007 and 1 January 2008	**278,782**
Charged to the consolidated income statement during the year (note 10)	**155,251**
Payment during the year	**(31,297)**
Exchange realignment	**15,654**
At 31 December 2008	**418,390**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 4 December 1995 in Shanghai and Beijing and from 8 May 1995 in Zhuhai, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pre-pay LAT at 1% on the sales and pre-sale proceeds of the Group's properties.

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

Thus far, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not finalised the LAT calculation and payments for the Group's property development projects.

32. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Accrued expenses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2007 (restated)	368,470	122,960	(1,353)	(941)	489,136
Charged/(credited) to the consolidated income statement during the year (note 10)	897,752	56,816	1,393	(4,699)	951,262
Exchange realignment	64,104	11,265	(40)	(265)	75,064
At 31 December 2007 and 1 January 2008 (restated)	**1,330,326**	**191,041**	**–**	**(5,905)**	**1,515,462**
Charged/(credit) to the consolidated income statement during the year (note 10)	**21,286**	**32,676**	**–**	**(1,715)**	**52,247**
Exchange realignment	**83,678**	**12,414**	**–**	**(391)**	**95,701**
At 31 December 2008	**1,435,290**	**236,131**	**–**	**(8,011)**	**1,663,410**

32. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for offset against future taxable profits HK$'000	Total HK$'000
At 1 January 2007 (restated)	–	3,769	3,769
Credited to the consolidated income statement during the year (note 10)	–	10,421	10,421
Disposal of subsidiaries (note 36)	–	(848)	(848)
Exchange realignment	–	658	658
At 31 December 2007 and 1 January 2008 (restated)	**–**	**14,000**	**14,000**
Credited to the consolidated income statement during the year (note 10)	**60,189**	**22,261**	**82,450**
Exchange realignment	**806**	**1,175**	**1,981**
At 31 December 2008	**60,995**	**37,436**	**98,431**

The Group has tax losses arising in Mainland China of HK$81,640,000 (2007: HK$60,257,000 (restated)) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$810,123,000 at 31 December 2008 (2007: Nil).

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

33. SHARE CAPITAL

Group and Company

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(restated)		
Authorised: 20,000,000,000 (2007: 8,000,000,000) ordinary shares of HK$1 each	(a)	**20,000,000**	8,000,000	**20,000,000**	8,000,000
Issued and fully paid: 6,493,627,000 (2007: 4,915,264,000) ordinary shares of HK$1 each	(b)	**6,493,627**	4,915,264	**6,493,627**	4,915,264
Deemed issue share capital	(c)	**–**	1,187,962	**–**	–
		6,493,627	6,103,226	**6,493,627**	4,915,264

During the year, the movements in share capital were as follows:

(a) Pursuant to an extraordinary ordinary resolution passed on 18 July 2008, the authorised share capital of the Company was increased from HK$8,000,000,000 divided into 8,000,000,000 ordinary shares of HK$1.00 each to HK$20,000,000,000 divided into 20,000,000,000 ordinary shares of HK$1.00 each, by the creation of HK$12,000,000,000 divided into 12,000,000,000 new ordinary shares of HK$1.00 each.

(b) On 29 December 2008, 1,187,962,000 and 390,401,000 ordinary shares of HK$1 each were issued and allotted as fully paid at HK$2.05 per share to Sinochem Hong Kong and certain Other Shareholders for the acquisition of the Jin Mao Group, details of which are included in note 1 to the financial statements.

(c) The deemed issued share capital represents the share capital of the Company adjusted for the share capital issued as if had always been issued, for the purposes of the business combination of the Jin Mao Group under common control during the year.

33. SHARE CAPITAL (Continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue '000	Deemed shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2007 (restated)	472,500	1,187,962	1,660,462	1,247,360	2,907,822
Issue of shares	2,820,000	–	2,820,000	–	2,820,000
Issue of shares in connection with the global offering	1,622,764	–	1,622,764	2,190,731	3,813,495
	4,915,264	1,187,962	6,103,226	3,438,091	9,541,317
Share issue expenses	–	–	–	(167,898)	(167,898)
At 31 December 2007 and at 1 January 2008 (restated)	**4,915,264**	**1,187,962**	**6,103,226**	**3,270,193**	**9,373,419**
Issue of shares in connection with business combination under common control	**1,187,962**	**(1,187,962)**	**–**	**–**	**–**
Issue of shares	**390,401**	**–**	**390,401**	**409,922**	**800,323**
At 31 December 2008	**6,493,627**	**–**	**6,493,627**	**3,680,115**	**10,173,742**

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including the Company's executive and non-executive directors of any member of the Group and any senior management, key technical and professional personnel managers and employees of any member of the Group, but do not include any independent non-executive director. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

34. SHARE OPTION SCHEME (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
Granted during the year and at 31 December	**3.37**	**5,550**	–	–

No share option was exercised during the year.

The exercise price and exercise period of the share options outstanding as at that balance sheet date are as follows:

2008

Number of options '000	Exercise price* HK$ per share	Exercise period
5,550	3.37	5 May 2010 to 4 May 2015

The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$7,604,000 of which the Group recognised a share option expense of HK$1,014,000 during the year ended 31 December 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008
Dividend yield (%)	**0.59**
Expected volatility (%)	**49.6**
Historical volatility (%)	**49.6**
Risk-free interest rate (%)	**2.46**
Expected life of options (year)	**4.95**
Weighted average share price (HK$ per share)	**3.25**

34. SHARE OPTION SCHEME (Continued)

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 5,550,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,550,000 additional ordinary shares of the Company and additional share capital of HK$5,550,000 and share premium of HK$13,154,000 (before issue expenses).

35. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 106 of the financial statements.

(ii) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 1.

(iii) Capital reserve

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

(iv) PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

(v) Deemed distribution to equity owners

The amount represents the cost paid by the Company to its holding company and fellow subsidiaries in exchange for the interests in subsidiaries upon the Reorganisation as detailed in note 1 to the financial statements.

35. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007		–	–	118,188	118,188
Issue of shares		2,190,731	–	–	2,190,731
Share issue expense		(167,898)	–	–	(167,898)
Profit for the year	11	–	–	350,969	350,969
Proposed final 2007 dividend		–	–	(98,305)	(98,305)
At 31 December 2007 and At 1 January 2008		**2,022,833**	**–**	**370,852**	**2,393,685**
Issue of shares	33	**1,657,282**	**–**	**–**	**1,657,282**
Equity-settled share option arrangements	34	**–**	**1,014**	**–**	**1,014**
Profit for the year	11	**–**	**–**	**106,270**	**106,270**
Proposed final 2008 dividend		**–**	**–**	**(174,003)**	**(174,003)**
At 31 December 2008		**3,680,115**	**1,014**	**303,119**	**3,984,248**

36. DISPOSAL OF SUBSIDIARIES

In December 2006, Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai"), a subsidiary of the Group, underwent a reorganisation (the "Franshion Zhuhai Reorganisation"), pursuant to which Franshion Zhuhai was split into three companies with Franshion Zhuhai as the surviving entity and two new entities namely, Zhong Yi Hua Hai Real Estate Development (Zhuhai) Co., Ltd. ("Zhong Yi Hua Hai") and Zhuhai Hong Hua Real Estate Development Co., Ltd. ("Zhuhai Hong Hua") were set up on 28 December 2006. As at 31 December 2006, the shareholding structures of the three companies were the same as the structure of Franshion Zhuhai before the Franshion Zhuhai Reorganisation. The assets and liabilities attributable to three projects which were being developed by the former Franshion Zhuhai were segregated and divided among the three companies. In April 2007, as part of the Franshion Zhuhai Reorganisation, the Company disposed of its entire interests in Zhong Yi Hua Hai and Zhuhai Hong Hua for an aggregate cash consideration of approximately HK$154 million.

	Notes	**2008 HK$'000**	2007 HK$'000
Net assets disposed of:			
Property, plant and equipment	14	–	682
Properties under development	15	–	275,055
Prepayments, deposits and other receivables		–	14,970
Available-for-sale investments		–	283
Deferred tax assets	32	–	848
Cash and bank balances		–	878
Other payables and accruals		–	(5)
Bank and other borrowings		–	(232,689)
Minority interests		–	(15,189)
		–	44,833
Gain on disposal of subsidiaries	5	–	108,720
		–	153,553
Satisfied by:			
Cash		–	153,553

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008 HK$'000	2007 HK$'000
Cash consideration	–	153,553
Cash and bank balances disposed of	–	(878)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	152,675

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

(a) According to the Sinochem Acquisition Agreement and Other Shareholder Acquisition signed on 5 June 2008 among the Company, Sinochem Hong Kong and Other Shareholder, the consideration for the acquisition of the Jin Mao Group was partly satisified by the Company allotting and issuing of the 1,187,962,000 and 390,401,000 of the Company's ordinary shares of HK$1 each as fully paid at HK$2.05 per share to Sinochem Hong Kong and Other Shareholder, respectively, at the date of completion of the acquisition, details of which are included in note 1 to the financial statements.

(b) On 29 December 2008, the Company and Sinochem Hong Kong entered into a deferred payment arrangement in connection with the cash consideration of HK$2,716,473,000 payable by the Company to Sinochem Hong Kong for the acquisition of the Jin Mao Group pursuant to the Sinochem Acquisition Agreement. According to such deferred payment arrangement, the cash consideration was payable by no later than 30 June 2009, or such later date as the Company and Sinochem Hong Kong may agree in writing, details of which are included in note 1 to the financial statements.

38. CONTINGENT LIABILITIES

At the balance sheet date, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$301,205,000 (2007: Nil).

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to sixteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Within one year	**448,570**	204,860
In the second to fifth years, inclusive	**425,231**	283,787
After five years	**4,653**	62,397
	878,454	551,044

39. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Within one year	**2,708**	5,814	**2,069**	2,023
In the second to fifth years, inclusive	**527**	4,470	**168**	1,730
	3,235	10,284	**2,237**	3,753

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008	2007
	HK$'000	HK$'000
		(restated)
Contracted, but not provided for:		
Land and buildings	**171,606**	719,781
Properties under development	**165,356**	740,115
	336,962	1,459,896

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions details elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	Notes	Group 2008 HK$'000	Group 2007 HK$'000 (restated)
Fellow subsidiaries:			
Interest expense	(i)	**922**	28,701
Interest income	(i)	**–**	7,524
Rental income	(ii)	**143,072**	18,501
Property management fee income	(ii)	**12,813**	4,653
Other service income	(iii)	**372**	4,470
Building decoration service fee received	(iv)	**–**	2,276
The immediate holding company:			
Interest expense charged on other loans	(i)	**662**	3,222
Rental expense	(v)	**1,847**	1,582
The ultimate holding company:			
Rental income	(ii)	**63,334**	37,658
Property management fee income	(ii)	**10,717**	6,324
Other service income	(iii)	**–**	3,553
Income from hotel operations	(vi)	**654**	767
Hotel management companies:			
Management fee	(vii)	**124,494**	64,666

Notes:

(i) The interest expenses on other loans due from the immediate holding company and a fellow subsidiary and interest income on amounts due from fellow subsidiaries were charged at the interest rates of bank loans with similar terms. Further details of the terms of these other loans and amounts due from fellow subsidiaries are set out in note 26(a), note 26(b) and note 30(d), respectively.

(ii) The rental income and property management fee income were charged at terms pursuant to the relevant agreements entered into by the Group with the relevant fellow subsidiaries of the Company and the ultimate holding company.

(iii) The other service fee income was charged by the Group on terms similar to those offered to third parties.

(iv) The building decoration service fee received represents the income received for the provision of interior decoration services in accordance with the terms of the underlying agreements.

(v) The rental expense was charged on terms pursuant to the agreement entered into by the Company and the immediate holding company.

(vi) The income from hotel operations was charged on terms similar to those offered to third parties.

(vii) The management fee was paid on terms pursuant to the relevant agreements entered into by the Group with certain hotel management companies.

(b) During the year, the Group acquired 54.87% equity interest in Wise Pine Limited from Sinochem Hong Kong for a consideration of HK$5,151,795,000. Further details of the transaction are included in note 1 to the Financial Statement.

41. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

	2008 HK$'000	2007 HK$'000 (restated)
Short term employee benefits	**10,725**	10,436
Post-employment benefits	**376**	220
Equity-settled share option expense	**767**	–
Total compensation paid to key management personnel	**11,868**	10,656

Further details of directors' emoluments are included in note 8 to the financial statements.

(d) Transactions with other state-owned enterprises

The Group is part of a larger group of companies under Sinochem Corporation, which itself is owned by the PRC government. The Group also operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively referred to as the "State-owned enterprises"). During the year ended 31 December 2008, the Group had transactions with the State-owned Enterprises including, but not limited to, borrowings, deposits, the sale of properties developed and the provision of sub-contracting services. The related party transactions as disclosed above only refer to transactions with Sinochem Corporation and enterprises which are under common control of Sinochem Corporation. The transactions with other State-owned Enterprises are conducted in the ordinary course of business and under normal commercial terms. As such, the Group believes that meaningful disclosure of related party transactions has been provided in the above.

Save as the hotel management fee paid to hotel management companies, the related party transactions in respect of all items in 41(a) and 41(b) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of investment properties, land use rights, properties under development and properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Since the Group mainly enters into loans at floating interest rate, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate long term borrowings). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis point	Increase/ (decrease) in profit before tax HK$'000
31 December 2008		
RMB	**27**	**(16,704)**
RMB	**(27)**	**16,704**
31 December 2007		
RMB	54	(3,174)
RMB	(54)	3,174

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB are to be converted into foreign currencies and remitted out of the PRC to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currencies liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries' to the obtain the required foreign currencies through debt or equity financing, ability of the including by means of loans or capital contributions from us.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Reasonably possible changes of 1% in the exchange rate between HK$ and United States dollars ("US$") and 5% in the exchange rate between RMB and US$ would have no material impact on the Group's profit for the years ended 31 December 2008 and 2007 and there would be no material impact on other components of the Group's equity.

Credit risk

It is the Group's policy that all customers are required to paid deposits prior to the sales of properties. In addition, the Group does not have any significant credit risk, as the credit given to any individual or corporate entity is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, trade receivable, prepayment, deposits and other receivable, available-for-sale financial assets and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. However, the Group will select the counterparty very carefully so as to minimise the relevant credit risk.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors of the Company, most of the borrowings that mature within one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position.

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

Group

	2008				
	Within 1 Year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**6,693,196**	**2,448,131**	**2,007,511**	**417,763**	**11,566,601**
Trade and bills payables	**233,084**	**411,600**	**256,194**	**–**	**900,878**
Other payables	**659,902**	**–**	**–**	**–**	**659,902**
Due to related parties	**2,844,138**	**–**	**–**	**–**	**2,844,138**
	10,430,320	**2,859,731**	**2,263,705**	**417,763**	**15,971,519**

	2007				
	Within 1 Year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000 (restated)
Interest-bearing bank and other borrowings	7,397,929	37,705	2,943,742	528,882	10,908,258
Trade and bills payables	807,861	387,418	–	–	1,195,279
Other payables	568,258	–	–	–	568,258
Due to related parties	278,318	–	–	–	278,318
Due to minority shareholders	48,317	–	–	–	48,317
	9,100,683	425,123	2,943,742	528,882	12,998,430

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2008				
	Within 1 Year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**
Other payables	**20,986**	**–**	**–**	**–**	**20,986**
Due to the immediate holding company	**2,785,048**	**–**	**–**	**–**	**2,785,048**
	2,806,034	**–**	**–**	**–**	**2,806,034**

	2007				
	Within 1 Year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Other payables	7,840	–	–	–	7,840

Fair values

The financial assets and liabilities which are not carried at fair value in the balance sheets are presented below:

(i) Cash and cash equivalents, pledged deposits, trade receivables, prepayment, deposits and other receivables, trade payables, other payables and amounts due from/to related parties

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(ii) Bank and other borrowings

The carrying amounts of bank loans and other borrowings approximate to their fair values, based on the prevailing interest rates.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the balance sheet) less cash and cash equivalents and restricted bank balances and pledged deposits. Adjusted capital comprises all components of equity (including minority interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the balance sheet dates were as follows:

		Group	
	Notes	**2008 HK$'000**	2007 HK$'000 (restated)
Interest-bearing bank and other borrowings	30	**10,628,607**	9,777,154
Less: Cash and cash equivalents	27	**(5,046,807)**	(7,625,833)
Restricted bank balances and pledged deposits	27	**(1,314,252)**	(1,207,709)
Net debt		**4,267,548**	943,612
Total equity		**13,924,142**	15,380,529
Add: Amounts due to related parties	26	**2,776,225**	278,318
Adjusted capital		**16,700,367**	15,658,847
Debt-to-adjusted-capital ratio		**26.0%**	6.0%

43. POST BALANCE SHEET EVENTS

(a) On 5 January 2009, the Company acquired the remaining 26.77% equity interest in Wise Pine from certain Other Shareholder at an aggregate consideration of HK$2,565,982,000, which consisted of cash payment of HK$1,325,499,000 and 579,665,000 Company's ordinary shares of HK$1 each at HK$2.14 per share. Upon completion of the acquisition, Wise Pine became a wholly-owned subsidiary of the Group.

(b) On 13 February 2009, the Company announced its proposal to raise HK$2,707 million (net of expenses) by way of a rights issue of 1,627 million new ordinary shares at a price of HK$1.67 per share on the basis of 23 new ordinary shares for every 100 existing ordinary shares (the "Rights Issue"). All rights shares not taken up by the existing shareholders will be fully underwritten by Sinochem Hong Kong, pursuant to the terms and conditions of the Underwriting Agreement dated 13 February 2009. The rights issue was completed on 25 March 2009, and resulted to a net proceed of approximately HK$2,707 million recevied by the Company, which was used to settle the amount due to the immediate holding company.

44. COMPARATIVE FIGURES

As further explained in note 2.1 to the financial statements, due to the adoption of the principles of merger accounting, certain amounts for the year ended 31 December 2007 in these financial statements have been restated and prepared as if the current Group structure had been in existence throughout the year ended 31 December 2007 or since their respective dates of incorporation/establishment, whichever is the shorter period. In addition, as further detailed in note 4 to the financial statements, the presentation of certain segment information has been revised.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2009.

FIVE-YEAR FINANCIAL INFORMATION

I. MAJOR INFORMATION OF INCOME STATEMENTS (HK$'000)

	2004 (restated)	2005 (restated)	2006 (restated)	2007 (restated)	**2008**
Revenue	1,533,682	2,438,104	2,041,015	2,812,981	**3,913,468**
Cost of sales	(817,601)	(1,019,499)	(944,952)	(1,135,369)	**(1,715,516)**
Gross profit	716,081	1,418,605	1,096,063	1,677,612	**2,197,952**
Other income and gains	84,709	444,777	1,041,157	3,277,618	**381,250**
Selling and marketing expenses	(109,412)	(169,075)	(166,621)	(173,218)	**(168,912)**
Administrative expenses	(235,552)	(323,102)	(326,236)	(385,978)	**(494,582)**
Other expenses	(1,894)	(1,229)	(3,029)	(2,043)	**(2,923)**
Finance costs	(92,410)	(102,814)	(140,761)	(304,234)	**(405,641)**
Share of profits and losses of:					
Jointly-controlled entities	20,224	3,746	4,994	5,227	**(6,208)**
An associate	–	–	–	(410)	**–**
Profit before tax	381,746	1,270,908	1,505,567	4,094,574	**1,500,936**
Tax	60,759	(305,463)	(248,194)	(1,241,909)	**(401,788)**
Profit for the year	442,505	965,445	1,257,373	2,852,665	**1,099,148**
Attributable to:					
Equity holders of the Company	258,758	544,183	766,185	2,520,302	**900,934**
Minority interests	183,747	421,262	491,188	332,363	**198,214**

II. MAJOR INFORMATION OF BALANCE SHEETS (HK$'000)

	2004 (restated)	2005 (restated)	2006 (restated)	2007 (restated)	**2008**
Total non-current assets	8,272,462	9,347,004	11,917,003	21,290,494	**23,961,343**
Total current assets	2,072,666	2,468,241	3,972,066	10,411,391	**10,585,593**
Total assets	10,345,128	11,815,245	15,889,069	31,701,885	**34,546,936**
Total current liabilities	4,919,069	3,548,462	5,200,567	12,128,550	**14,870,504**
Total non-current liabilities	1,164,044	2,637,515	3,718,944	4,192,806	**5,752,290**
Total liabilities	6,083,113	6,185,977	8,919,511	16,321,356	**20,622,794**
Equity attributable to equity holders of the Company	2,426,749	3,348,508	4,171,478	12,035,146	**11,040,045**
Minority interests	1,835,266	2,280,760	2,798,080	3,345,383	**2,884,097**

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all our customers, business partners, shareholders and various local governments for their long-term support and trust, and to all the employees for their assiduous efforts.

On behalf of the Board
Franshion Properties (China) Limited
HE Cao
Chairman

Hong Kong, 23 April 2009

As at the date of this announcement, the Directors of the Company are Ms. LI Xuehua, Mr. HE Binwu and Mr. JIANG Nan as Executive Directors; Mr. HE Cao (Chairman), Ms. LI Lun (Vice Chairman) and Mr. WANG Hongjun as Non-executive Directors; Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia, Professor LIU Hongyu, Mr. NGAI Wai Fung and Dr. GAO Shibin as Independent Non-executive Directors.