廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2777)

2007 Annual Results Announcement

- **Turnover up 45% to RMB14,772 million**
- **Net Profit up 148% to RMB5,315 million**
- **Per share earnings up 139% to RMB1.6456 per share**
- **Proposed final dividend of RMB0.25 per share**

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007. The annual results have been reviewed by the audit committee of the Company.

Chairman's Statement

We are pleased to report on an active and successful year past for our Group, Guangzhou R&F Properties. Both our turnover and profit margin met our targets for 2007, with turnover rising by around 45% and profits by 148% over the results for 2006. We are particularly proud that we managed to achieve this despite significant uncertainties in the market, as China's government continued with its implementation of measures to cool a runaway economy. Our total turnover for the year under review amounted to RMB14.8 billion, which represented sales of around 1.41 million square metres of saleable area. Our profit for the year was RMB5.315 billion. Contracted sales continued to be impressive, with the Group tallying up RMB16.1 billion in contracted sales over the year, representing 40% growth from 2006.

In the light of these results, the Board has proposed a final dividend of RMB0.25 per share, subject to approval by our shareholders at the annual general meeting.

From the point of view of replenishing and expanding our land bank during the course of 2007, we had a very good year. Four of our acquisitions were particularly large ones, and hold significant development potential. Our strong forward momentum was marked by a couple of changes towards the end of the year. In November we moved into our stunning new headquarters in the R&F Centre in Guangzhou, and in December we occupied the brand-new Beijing R&F Centre as our northern headquarters.

As at the end of 2007 we remain amongst China's leading property developers, and we are absolutely determined not to let this top tier status slip from our grasp. Our achievements over the past year have proved that R&F has a deep knowledge of the China property market and the needs of ordinary Chinese home-buyers. We are completely committed to providing quality homes in medium- and medium-high-end property developments. In short, we have the resources, the experience and the confidence to deliver what we are best at. We are convinced that this will continue to bring exceptionally rewarding benefits for homebuyers and investors alike.

Making our mark felt across China

The Chinese government placed considerable pressure on players in the property sector over the year, and R&F performed very well under these conditions. We achieved a significant 40% rise in contracted sales over 2006, recording RMB16.1 billion of contracted sales for the year and achieving excellent average selling prices per square metre. This fine performance made it clear that, regardless of the macro environment, the Group has the products, the acumen and the business model to excel in the market and be a top performer in its sector.

In recent years the Group has successfully expanded outwards from its traditional home territory of Guangzhou. We established an early presence in Beijing, and in 2004 we began our first project in nearby Tianjin, where in 2006 and 2007 we were involved in a total of five projects. Also in 2007, we took our first steps into the vibrant Shanghai market, embarking on two major projects there. Currently then, we have a strong profile in some of China's renowned 'tier-one' cities: Guangzhou, Beijing, Tianjin, and most recently Shanghai. These first-tier cities are, economically, China's most important, and our activities here remain our Group's primary focus.

In addition, we have continued diversifying by expanding into good locations in municipality cities across the country, where land prices remain very reasonable and potential for adding value is high. For instance, in 2007 we developed our presence in Chongqing and Chengdu in Western China, where we have built up a particularly strong and promising land bank. We are very confident about opportunities here because of recent government initiatives and incentives that are encouraging economic development in the western parts of the country. Consider for example the public response to our R&F City project in Chongqing. Over 70% of the units made available to the public were pre-sold in the first week: that represents a remarkable take-up. We expect Western China to play a strong role in our business development plans over the next three or four years, as more of our projects come onto the market there.

In 2007, the Group completed construction of a range of residential and commercial property projects with a total GFA of 2.07 million square metres, or a saleable area of 1.54 million square metres.

Steady land bank acquisition

Besides notching up a strong performance from our development and sales side, we continued to make steady and carefully-selected additions to our land bank, maintaining our strategy of only sourcing high-potential, reasonably-priced land in good locations. Over the year, our land bank acquisitions amounted to 20 pieces of land totalling 10.3 million square metres, bringing our current total land bank to 26.2 million square metres. We expect this to meet our development needs for the next three to five years.

Finance platforms

The Chinese government has implemented a number of measures designed to cool what is seen as an overheating property market. These measures are sure to have an impact on our industry in 2008. In particular, as bank finance becomes harder to come by, it will become increasingly important for developers to have access to other sources of capital for acquiring new land and taking advantage of M&A opportunities. We are confident about expanding our financial platform through listings on both domestic and international stock markets, which will widen our options for gaining access to capital.

Investment portfolio comes to fruition

In the property development industry in China, R&F is currently one of the few large companies to have begun building up a dedicated portfolio of investment properties. This is despite the fact that, worldwide, many major property developers maintain investment property portfolios because they provide a steady and reliable income stream, and can be an excellent source of capital gains over time. Apart from these reasons, we also believe that our investments in high-quality properties are a good way of boosting the Group's reputation.

Currently, our investment properties consist of the new R&F Centre in Guangzhou, now up and running, and two international 5-star hotels in the city, The Ritz-Carlton, Guangzhou and the Grand Hyatt, which are due to begin operation in March and April 2008 respectively. In Beijing, our extensive investment in the Beijing R&F City commercial complex is nearing fruition, and parts of this complex are emerging into the market. The office buildings of Beijing R&F City were tenanted from December 2007: the shopping mall there will open in May 2008, and the hotel in June. With almost all these properties coming into use in the first half of 2008, our investment properties will begin contributing additional cash flow for the 2008 fiscal year.

The Group's investment property portfolio currently amounts to around 15% of its overall business. We expect to add to this as high-quality opportunities arise, but residential housing development will remain the Group's core business and we do not expect the percentage of our investment property portfolio to rise above 25% of our overall business in the future.

The year ahead

Like most players in the property sector, we are expecting 2008 to bring its challenges. At the very least, we expect that the new measures being introduced by the government to prevent overheating will sort out businesses like R&F with sound fundamentals from smaller and less efficient players. We are also absolutely convinced that our proven business model will continue to excel in the coming year.

The government has shown its strong intention of controlling property prices so as to keep housing affordable and dampen speculation. As a result, property markets have become increasingly sensitive and jittery in recent months, and we expect them to remain like this in the coming year. Banks have tightened their positions and now have less scope to provide funds for property development.

At R&F, we see this shift in market psychology and conditions as a big opportunity. The pressures that are building will, we believe, force the industry to consolidate. Some small- and medium-sized companies in the property business, unable to operate in the new tightened market, will find themselves having to sell projects to larger companies with the assets and resources to complete them. As an established major company, R&F expects to find exciting new opportunities to expand its portfolio.

We also believe that China still offers plenty of good quality land at very reasonable prices, despite money supply pressures. We will not be easing up our efforts to acquire the best of it, using our proven strategies of patience and perseverance.

Despite the more stringent economic conditions, our ambitious goal for the coming year is to grow our contracted sales from the RMB16.1 billion of 2007 to RMB24 billion. In terms of floor space, we expected to complete around 2.2 million square metres in 2008. We believe that these targets are realistic and completely achievable, especially given our strong reputation, the proven popularity of our developments, and the continuing demand for quality housing in the domestic market.

In the coming year we will also be looking to boost profitability with a few simple but effective strategies: managing our available funds more intelligently, controlling our costs more efficiently, and maintaining our policy of acquiring new land at moderate prices, as we did throughout 2007. Over the coming year we expect these measures will help us improve our net profit margin, which currently stands at around 20%. We feel this has the potential to rise to around 25%, partly as a direct result of our cost control strategies and partly because of benefits arising from recent changes in government tax policy.

In planning for 2008, we have constantly taken into account the loyalty and support of our investors when making important business decisions. For the coming year, we intend to leave our current dividend policy unchanged to reward our investors for their backing.

Market demand set to intensify

The prospects for R&F in the coming year are bright. Despite market cooling measures, there remains huge demand in the China housing market. In fact, the government expects between 300 and 400 million citizens to move from rural areas to cities over the next five to ten years, and that means that demand for affordable, quality urban housing is set to intensify considerably. Proven, well-managed and responsible companies like R&F are exceptionally well-placed to benefit from these upcoming demographic shifts.

To finish, we want to take this opportunity to thank each one of the Group's shareholders, investors, business associates and customers for the loyalty and confidence they have shown over the past year. At the same time, thanks are due to our fellow directors and staff for everything they have contributed towards the year's success. With this level of support and backing, we are absolutely confident that R&F will stay at the forefront of the property development industry in China for many years to come.

Consolidated Income Statement
(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2007	2006 Restated
Turnover	2	14,771,919	10,186,765
Cost of sales	4	(9,226,030)	(6,513,844)
Gross profit		5,545,889	3,672,921
Other gains	3	3,385,097	381,969
Selling and administrative expenses	4	(671,306)	(430,620)
Other operating expenses	4	(43,227)	(15,636)
Operating profit		8,216,453	3,608,634
Finance costs - net	5	(102,929)	(49,741)
Share of losses of jointly controlled entities		(52)	-
Share of losses of associates		(3,866)	-
Profit before income tax		8,109,606	3,558,893
Income tax expense	6	(2,794,367)	(1,413,809)
Profit for the year		5,315,239	2,145,084
Attributable to:			
Equity holders of the Company		5,302,786	2,135,016
Minority interest		12,453	10,068
		5,315,239	2,145,084
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	8	1.6456	0.6899
Dividends	7	1,288,445	966,710
Dividends per share (expressed in RMB Yuan per share)		0.4000	0.3000

Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

ASSETS	Note	As at 31 December 2007	2006 Restated
Non-current assets			
Land use rights		10,342,679	8,098,580
Properties held for development		2,859,095	1,960,679
Property, plant and equipment		2,390,260	1,311,101
Investment properties		5,366,774	926,153
Intangible assets		1,019,806	50,620
Interests in jointly controlled entities		405,311	-
Investments in associates		35,216	-
Deferred income tax assets		297,155	201,187
Available-for-sale financial assets		416,000	144,762
Trade and other receivables	9	1,900,995	181,530
		25,033,291	12,874,612
Current assets			
Properties under development		12,357,422	5,877,845
Completed properties held for sale		3,943,484	1,788,546
Land use rights		5,047,634	2,579,891
Inventories		177,233	-
Trade and other receivables	9	4,654,746	1,023,225
Tax prepayments		695,515	438,302
Restricted cash		956,875	602,412
Cash		1,329,691	1,415,926
		29,162,600	13,726,147
Total assets		54,195,891	26,600,759
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		805,592	805,592
Other reserves		4,434,497	4,092,217
Retained earnings			
- Proposed final dividend		805,592	644,473
- Others		6,579,860	2,704,370
		12,625,541	8,246,652
Minority interest in equity		74,339	280,848
Total equity		12,699,880	8,527,500

LIABILITIES	As at 31 December 2007	2006 Restated
Non-current liabilities		
Long-term bank loans	12,532,500	4,508,000
Long-term payables	272,000	-
Deferred income tax liabilities	1,439,428	479,258
	14,243,928	4,987,258
Current liabilities		
Accruals and other payables	11,135,489	3,919,623
Deposits received on sale of properties	6,542,480	4,250,725
Current income tax liabilities	2,206,847	1,507,919
Short-term bank loans	3,803,267	1,914,734
Current portion of long-term bank loans	3,564,000	1,493,000
	27,252,083	13,086,001
Total liabilities	41,496,011	18,073,259
Total equity and liabilities	54,195,891	26,600,759
Net current assets	1,910,517	640,146
Total assets less current liabilities	26,943,808	13,514,758

1. General information

The Company and its subsidiaries mainly engage in the development and sales of properties in the People's Republic of China (the "PRC").

The Company was established in the PRC on 31 August 1994 as a company with limited liability under the Company Law of the PRC and became a joint stock limited company on 16 November 2001 by converting its registered capital and reserves as at 31 July 2001 into 551,777,236 shares of Renminbi ("RMB") 1 each. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, PRC.

The shares of the Company were listed on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005.

These consolidated financial statements are presented in thousands of units of RMB Yuan (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2008.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets, financial liabilities and investment properties.

(a) Standards and interpretations effective in 2007 and relevant to the Group's operations

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

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

- HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives', requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. Management believes that this interpretation should not have a significant impact on the Group as the Group has already been using principle consistent with HK(IFRIC) – Int 9.

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

(b) Interpretation effective in 2007 but not relevant to the Group's operations

- HK(IFRIC) – Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies';

(c) Standards and amendments that are not yet effective and have not been early adopted by the Group

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

(d) Interpretations that are not yet effective and not relevant to the Group's operations

The following interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant to the Group's operations:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions' (effective from 1 March 2007) .
- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008).
- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).
- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

2. Turnover and Segment information

The Group is principally engaged in the property development and property investment. The Group operates in the PRC and the sales of properties are mainly in Guangzhou, Beijing, Tianjin and Xian. Turnover represents sales of properties, construction services income and rental income.

No business segment analysis is presented as the Group's turnover and results were mainly derived from property development.

Turnover	**Year ended 31 December**	
	2007	**2006**
Sale of properties	14,461,211	10,108,107
Construction services income	214,074	-
Rental income	96,634	78,658
	14,771,919	10,186,765

Turnover by geographical location	**Year ended 31 December**	
	2007	**2006**
Guangzhou	7,744,758	5,164,123
Beijing	4,902,158	4,185,987
Tianjin	1,733,007	836,655
Xian	391,996	-
	14,771,919	10,186,765

Segment turnover is presented based on the places where the properties are located.

Total assets	**As at 31 December**	
	2007	**2006**
Guangzhou	20,489,975	12,854,421
Beijing	13,652,574	8,328,132
Tianjin	10,590,559	3,103,796
Chongqing	3,709,430	1,423,394
Xian	736,159	765,609
Others	5,017,194	125,407
	54,195,891	26,600,759

Segment assets are presented based on where the assets are located.

Capital expenditure	**Year ended 31 December**	
	2007	**2006**
Guangzhou	2,100,845	700,643
Beijing	26,296	15,458
Tianjin	29,888	33,301
Chongqing	19,320	3,924
Xian	2,369	-
Others	7,978	3,126
	2,186,696	756,452

Capital expenditure is allocated based on where the assets are located.

3. Other gains

	2007	**2006**
Interest income	28,996	39,287
Negative goodwill recognised	-	105,504
Gain on disposal of subsidiaries	202,503	-
Fair value gains on investment properties	3,081,419	230,603
Others	72,179	6,575
	3,385,097	381,969

4. Expenses by nature

Expenses by nature comprising cost of sales, selling and administrative expenses and other operating expenses are analysed as follows:

Charging:	2007	2006 Restated
Cost of completed properties sold	8,218,782	5,929,078
Employee benefit expense	283,252	178,805
Amortisation of land use rights	77,884	22,990
Office expenses	62,266	34,176
Depreciation	35,765	17,925
Amortisation of software	200	160
Amortisation of customer contracts	72,376	-
Business taxes and other levies	856,988	561,776
Loss on sale of property, plant and equipment	2,736	121
Auditors' remuneration	6,050	3,560
Operating lease payments	17,463	15,455
Provision for doubtful debts	3,814	7,241
Advertising cost	115,040	115,590
Others	187,947	73,223
	9,940,563	6,960,100

5. Finance Costs

	2007	2006
Interest on bank loans	909,487	323,214
Amount capitalised in property, plant and equipment and properties under development	(806,558)	(273,473)
	102,929	49,741

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 6.37% per annum for the year ended 31 December 2007 (2006: 5.74%).

6. Income tax expense

	2007	2006 Restated
Current PRC enterprise income tax	1,433,287	1,237,706
Deferred PRC enterprise income tax	645,393	(250,471)
Net (Note (a))	2,078,680	987,235
Current PRC land appreciation tax (Note (b))	715,687	426,574
Total income tax expenses	2,794,367	1,413,809

(a) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2006, the applicable income tax rate for the profits generated from the property development projects with advances received prior to 2007 by a subsidiary was 3.3% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 33% based on taxable profits.

For the year ended 31 December 2007, the applicable income tax rate for the profits generated from property construction by a subsidiary was 3.9% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 33% based on taxable profits.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"). The new EIT Law reduces the enterprise income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new EIT Law, the carrying value of deferred tax liabilities has been written down against profit and loss account, amounting to RMB281,757,000 for the year ended 31 December 2007.

(b) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

7. Dividends

	2007	2006
Interim dividend paid of RMB0.15 (on a post-split basis) (2006: RMB0.40, on a pre-split basis) per ordinary share	482,853	322,237
Proposed final dividend of RMB0.25 (2006: RMB0.20) per ordinary share (on a post-split basis)	805,592	644,473
	1,288,445	966,710

A 2006 final dividend of RMB0.20 per ordinary share, totaling RMB644,473,000 was paid in June 2007.

An interim dividend in respect of six months ended 30 June 2007 of RMB0.15 per ordinary share, amounting to a total dividend of RMB482,853,000 was paid in October 2007.

2007 final dividend of RMB0.25 (2006: RMB0.20) per ordinary share, amounting to a total dividend of RMB805,592,000 is to be proposed at the Annual General Meeting on 30 May 2008 which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008. These financial statements do not reflect this dividend payable.

8. Basic and diluted earnings per share

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

	2007	2006
Profit attributable to equity holders of the Company	5,302,786	2,135,016
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,094,538
Earnings per share (RMB per share)	1.6456	0.6899

There were no dilutive potential shares during the years presented above.

9. Trade and other receivables

	2007	2006
Trade receivables (Note a)	1,240,528	313,026
Other receivables (Note b)	1,154,461	902,243
Prepayments	3,072,926	12,979
Due from jointly controlled entities	921,763	-
Due from related parties	191,874	2,000
Less: provision for impairment of other receivables	(25,811)	(25,493)
	6,555,741	1,204,755
Less: non-current portion	(1,900,995)	(181,530)
Current portion	4,654,746	1,023,225

The carrying amounts of trade and other receivables are approximate to their fair values.

(a) Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 12 months as specified in the sales and purchase agreements. The ageing analysis of trade receivables at 31 December 2007 is as follows:

	2007	2006
0 to 90 days	950,992	242,198
91 to 180 days	111,436	3,558
181 to 365 days	90,000	18,885
1 year to 2 years	50,747	34,382
Over 2 years	37,353	14,003
	1,240,528	313,026

(b) Other receivables

The ageing analysis of other receivables at 31 December 2007 is as follows:

	2007	2006
0 to 1 year	991,564	772,904
1 year to 2 years	139,117	103,043
2 year to 3 years	3,241	17,525
Over 3 years	20,539	8,771
	1,154,461	902,243

10. Reclassification of comparative figures

Within the comparative figures stated in the consolidated financial statements, land appreciation tax expense of RMB426,574,000 previously included in cost of sales for the year ended 31 December 2006 was reclassified as income tax expense in the consolidated income statement and provision for land appreciation tax of RMB485,449,000 previously included in other payables as at 31 December 2006 was reclassified as current income tax liabilities in the consolidated balance sheet.

The above reclassification are made so as to conform to current year presentation as the Company's Directors are of the view that it would be more appropriate to reflect the land appreciation tax as an income tax expense in the current year and the outstanding provision as income tax liabilities, after a reassessment of the nature of land appreciation tax and a study of the market practices.

BUSINESS REVIEW

China's economy continued to be robust in 2007 attaining double digit growth for the fifth consecutive year. Gross domestic product increased 11.4% to RMB24,661.9 billion. Increase in consumer goods prices including housing cost of 5% in the year was relatively modest when compared to the increase in the disposable income of city dwellers of 17.2%. With such strong economic performance, there was only moderate slowdown in the growth of housing demand despite further macro-economic measures. The Group believes that those measures have laid the foundation for a healthy property market in the long run.

Contracted Sales

Contracted sales (which are recognized based on signing of sale and purchase agreements) is the key performance indicator of the Group's business. Sales activities rose steadily throughout the year with the contracted sales for each quarter higher than that of the immediately preceding quarter. The Group achieved a record contracted sales in 2007 of RMB16.1 billion or of saleable area 1.412 million sq.m. having increased 40% and 18% respectively from 2006. With the first ever sale in Chongqing registered upon the launch of Chongqing R&F Ocean Plaza in May 2007, the Group derived its contracted sales from 26 projects located in five cities including 16 in Guangzhou, five in Beijing, two in Tianjin, one in Xian and two in Chongqing with 19 projects had sales exceeded RMB100 million in the year. Of the total 26 projects, all were residential projects except for three commercial projects which accounted for approximately 8% of the total contracted sales. A notable transaction in the year was the block sale of Jia Sheng Centre Beijing R&F Edinburgh Plaza Tower B1 to a foreign investor in October 2007.

As property were pre-sold prior to completion, approximately 52% of 2007 contracted sales related to property delivered during the year whereas the other 48% related to property to be completed in 2008.

Details of 2007 contracted sales by geographical distribution are set out below :

Location	**Approximate saleable area sold** *(sq.m.)*	**+/- % vs. 2006**	**Approximate total value** *(RMB million)*	**+/- % vs. 2006**
Guangzhou	508,000	-14%	7,038	16%
Beijing	436,000	14%	5,518	45%
Tianjin	231,000	28%	2,277	54%
Xian	93,000	127%	465	163%
Chongqing	144,000	-	864	-
Total	**1,412,000**	**18%**	**16,162**	**40%**

Projects under Development.

The Group's targeted contracted sales growth of approximately 50% to RMB 24 billion is supported by a solid project pipeline. The total GFA under construction as at 31 December 2007, excluding investment projects, increased by 19.6% from 3,569,000 sq.m. at 31 December 2006 to approximately 4,267,000 sq.m. This sizable GFA under construction comprised 27 projects under development in China located in Guangzhou, Beijing, Tianjin, Xian, Chongqing, Chengdu, Kunshan, Shenyang and Hainan (as compared to 19 projects in five cities at 31 December 2006):

Location	**Number of projects**	**Approximate total GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*
Guangzhou	11	1,470,000	1,202,000
Beijing	4	707,000	491,000
Tianjin	4	862,000	731,000
Xian	1	186,000	145,000
Chongqing	3	671,000	488,000
Chengdu	1	229,000	229,000
Kunshan	1	75,000	75,000
Shenyang	1	22,000	20,000
Hainan	1	45,000	45,000
Total	**27**	**4,267,000**	**3,426,000**

Southern and Western China

Guangzhou, the economic centre of Southern China which saw 14.5% increase in gross domestic product to RMB705.1 billion and 13.2% increase in per capita disposable income in 2007, is the home base of the Group. The Group has the largest number of its project and GFA under development in Guangzhou. As at 31 December 2007, there were eight residential projects and three commercial projects under development. The residential projects included flagship projects Guangzhou R&F Peach Garden and Guangzhou R&F City which were in their forth and second phase respectively as well as Guangzhou R&F Jin Gang City, a blend of residential with logistic industry related property to take advantage of its proximity to Guangzhou Airport, which commenced development during the year. The three commercial projects including R&F Ying Feng Plaza, R&F Ying Xin Plaza and R&F Ying Tai Plaza are located in the Pearl River New Town which is Guangzhou's new CBD and where the Group has acquired a significant land bank. The present scale of the property under development meant that Guangzhou will remain an important centre of activities of the Group and also enable it to maintain a dominant position in the city's property market in the years to come.

Chongqing as one of the four municipality city is expected to match, given time, the economic vitality and living standard of its peers Beijing, Tianjin and Shanghai. The Group's confidence in the economic prospect of Chongqing is evident by the land bank it has amassed which is the largest among all cities in terms of GFA. Development of Chongqing R&F City which is situated in an area designated for the relocation of all universities of the city commenced in the year. This is a massive project having a total GFA of 6.8 million sq.m. to be developed over a number of years. Together with R&F Ocean Square and R&F Modern Plaza, there were 3 projects under development at the end of 2007.

Hainan, located in the southernmost part of China, is the second largest island and the largest special economic zone of the country. Hainan with its geographical position has also developed a booming tourism industry. Being very positive on the potential of the island's tourism-based property market, the Group has launched during the year two projects comprising commercial and hospitality space viz. R&F Bay Shore at Xiangshui Bay and the Na Jia project on the coast west of Haikou City with a GFA of 0.21 million sq.m. and 0.17 million sq.m. respectively.

Northern and Eastern China

Beijing was the first city the Group ventured into after Guangzhou in 2002 and has remained the most important business focus of the Group in Northern China. In 2007, GDP of Beijing increased to RMB900.6 billion. The GDP growth rate of 12.3% was higher than the national average with growth in disposable income for urban residents amounted to 13.9%. This outstanding economic achievement has sustained a very sizable property market. With the success of the Group's early projects such as Beijing R&F City and R&F Festival City, the Group has established itself as one of the market leader and a renowned brand name in the city. At the end of 2007, there were four residential projects under development viz. R&F Festival City, R&F Peach Garden, R&F Bay Shore and R&F Danish Town. R&F

Festival City is considered a flagship project with total GFA of approximately 1.12 million sq.m. of which 437,000 sq.m. was under development and 340,000 sq.m. remains to be developed. R&F Danish Town and R&F Peach Garden were two projects the construction of which was started in the year.

Tianjin is closely linked to Beijing both geographically and economically and is also one of the fastest growing cities in China with a 2007 GDP growth rate of 15.1%. The Group's first project in the city, Tianjin R&F City, has accumulated sales of RMB2.6 billion since launch in 2005 with 208,000 sq.m. GFA still under or to be developed at the end of the year. The overwhelming success of Tianjin R&F City has encouraged more rapid expansion into the property market of Tianjin. At 31 December 2007, the Group counted four residential projects under development. In addition to R&F City, development of R&F Bay Shore, R&F Peach Garden and the Mei Jiang Wan project were started during the year. Total GFA under development of these four projects amounted to 862,000 sq.m.

Xian, the capital city of Shaanxi Province, is an important industrial and tourism centre in Northwestern China. Development of the Group's project in the city, Xian R&F City, started in 2006. The total project size is approximately 988,000 sq.m. with 115,000 sq.m. already completed by the end of 2007 and 186,000 sq.m. under development.

Shanghai and vicinity property market although has long been one of the most important in China, the Group only first pushed into the market in April 2007 with the acquisition of a site in Kunshan. This was followed shortly by the acquisition of another site in the Qing Pu district. Both these site are for low density residential housing. Development of the Kunshan project has commenced in the year with GFA under development at 31 December 2007 amounted to 75,000 sq.m.

In addition to the projects under development in the above-mentioned cities, there were another two projects under development in Shenyang and Chengdu with a combined GFA under development of 251,000 sq.m.

Land Bank

The land bank of the Group increased 46% as a result of active acquisition during the year to approximately 26,171,000 sq.m. GFA as at 31 December 2007. The Group's land bank now spread over 10 cities having acquired sites in four cities where the Group has previously no land.

Location	**Approximate total GFA** *('000 sq.m.)*	**Approximate saleable area** *('000 sq.m.)*
Guangzhou (and vicinity)	7,012	6,081
Beijing	1,984	1,745
Tianjin	2,888	2,560
Xian	827	749
Chongqing	7,389	7,347
Hainan	494	494
Chengdu	1,367	1,309
Shenyang	151	111
Shanghai (and vicinity)	719	719
Taiyuan	2,416	2,416
Investment Properties	924	648
Total	**26,171**	**24,179**

There were several major land acquisitions in 2007 including the Mei Jiang Wan residential site in Tianjin with a GFA of approximately 1.575 million sq.m. at a cost of approximately RMB5 billion which is the largest land acquisition by value of the Group to-date, a site in Dong Ping New City, Foshan with approximately 2.52 million sq.m. GFA at approximately RMB4.71 billion, a site at Jinan East Road Taiyuan with approximately 2.11 million sq.m. GFA at approximately RMB680 million and a site at Lie De Cun, Pearl River New Town, Guangzhou with approximately 568,000 sq.m. which will be developed in cooperation with two other developers. Details of the land acquired in the year are set out below :

Name of project	Location	Approximate total GFA *('000 sq.m.)*	Approximate saleable area *('000 sq.m.)*	Acquired date
Guangzhou (include neighboring area)				
R&F Modern Plaza (Phase II)	Haizhu District	36	28	January 2007
R&F Cambridge Terrace	Tianhe District	190	159	February 2007
R&F Cheng Yue Court	Liwan District	109	70	August 2007
Tong He Gan Xiu Suo Project	Baiyun District	9	9	September 2007
Lie De Cun project	Tianhe District	568	568	October 2007
Foshan project	Foshan	2,517	2,167	September 2007
Longmen project	Huizhou	66	66	December 2007
Beijing				
R&F American Dream Island	Chao Yang District	251	251	August 2007
Tianjin				
Tianjin R&F City	Hexi District	150	150	February 2007
Mei Jiang Wan project	Hexi District	1,575	1,575	July 2007
Hainan				
Na Jia Project	Hai Kon	171	171	May 2007
Chengdu				
R&F Peach Garden	Xindu District	840	840	October 2007
R&F Panda City Phase I	Qingyang District	229	229	October 2007
R&F Panda City Phase II	Qingyang District	298	240	October 2007
Shanghai (include neighboring area)				
Kunshan R&F Bay Shore Phase I	Kunshan	393	393	April 2007
Kunshan R&F Bay Shore Phase II	Kunshan	142	142	April 2007
R&F Peach Garden	Qing Pu District	184	184	June 2007
Shenyang				
Xianhu project	Xianhu Town	151	111	January 2007
Taiyuan				
Taiyuan R&F City	Xinghualing	2,112	2,112	August 2007
Fen River West	Xiaodian District	304	304	December 2007
Total		**10,295**	**9,769**	

Investment Properties

One strategy which differentiates the Group from other major PRC property developer is the building up of a carefully selected investment properties portfolio with capital gain potential to provide a steady cashflow stream. The Guangzhou R&F Centre in the Pearl River New Town, Guangzhou readied for occupancy in November 2007 was the first major investment property completed and was then followed in December 2007 by Beijing R&F Centre of Beijing R&F City commercial complex. The leasing out of the R&F Centre is gathering momentum and the rental rate achieved were up to expectation. Other major investment properties due for completion in the near future in the first half of 2008 will be three hotels viz. The Ritz-Carlton, Guangzhou and the Grand Hyatt in Guangzhou and the Renaissance Beijing Capital Hotel and the shopping mall of the Beijing R&F City commercial complex. The completion and operation of these investment properties will significantly boost the rental income of the Group from the 2007 level of RMB96.6 million per annum.

Investment properties completed or in the pipeline :

Investment properties	**Locations**	**Description**	**Approximate total GFA** *('000 sq.m.)*
Guangzhou			
The Ritz-Carlton, Guangzhou	Pearl River New Town J2-7	5-star Hotel 350 rooms and 92 service apartment	104
Grand Hyatt, Guangzhou	Pearl River New Town F1-2	5-star Hotel 450 rooms and an office tower	115
R&F Center	Pearl River New Town J1-4	55-storey office building	163
Holiday Inn Airport Guangzhou	R&F Jing Gang City	4-star hotel 280 rooms	34
R&F Ying Kai Plaza	Pearl River New Town J1-1	Commercial/tourism	182
The Galaxy Guangzhou Marriott Executives Apartments	Pearl River New Town M1-4	Apartment 211 rooms	42
Huaguo Shan Project	Yue Xiu District	3-star hotel Commercial/tourism	20
Beijing			
Renaissance Beijing Capital Hotel	Beijing R&F City	5-star Hotel 540 rooms	59
R&F Center	Beijing R&F City	Office building	60
R&F Shopping Mall	Beijing R&F City	Shopping mall	171
Express of Holiday Inn Temple of Heaven Beijing	R&F Xinran Court/Plaza	4-star hotel 320 rooms	22
Tianjin			
Marriott Hotel	Tianjin R&F City	5-star hotel 400 rooms	38
Tianjin R&F City Commercial Complex	Tianjin R&F City	Office building, service apartment and shopping mall	136

Other Events of Significance

The Group acquired 100% interest in Guangzhou Tianli Construction Co., Ltd. ("Tianli") in June 2007 at a consideration of not less than RMB600 million or more than RMB1.1 billion to be determined based on four times of the 2007 audited after tax profit of Tianli. Tianli is a reputable contractor having proven track record in construction of residential and commercial building and prior to the acquisition, has been the Group's major contractor for many years. Acquisition of Tianli will ensure the availability to the Group of sufficient construction capacity to support the growth of the Group and also better control of the construction phase of development in respect of both cost and quality.

Outlook

Despite more stringent economic conditions and the ongoing concern on further cooling measures targeted on the property sector, the Group plans to grow contracted sales by more than 50% to approximately RMB24 billion in 2008. The driver of this targeted growth will be the launch of more new projects in more cities. In terms of completion and according to the construction plan for 2008, approximately 2.791 million sq.m. GFA will be completed in 2008:

	To be completed in 1st half 2008		**To be completed in 2nd half 2008**	
Location	**Approximate total GFA** *(sq.m.)*	**Approximate total saleable** *(sq.m.)*	**Approximate total GFA** *(sq.m.)*	**Approximate total saleable** *(sq.m.)*
Guangzhou	110,000	78,000	845,000	688,000
Beijing	96,000	91,000	273,000	247,000
Tianjin	184,000	131,000	279,000	263,000
Xian	96,000	88,000	56,000	45,000
Chongqing	227,000	146,000	480,000	322,000
Shenyang	-	-	51,000	41,000
Chengdu	-	-	18,000	14,000
Kunshan	-	-	76,000	48,000
Total	**713,000**	**534,000**	**2,078,000**	**1,668,000**

FINANCIAL REVIEW

Net profit for the year increased 148% to RMB5.315 billion from RMB2.145 billion and turnover which comprise sale of properties, rental income and income from construction services upon the acquisition of Tianli Construction Co. Ltd. increased 45% to RMB14.772 billion. Increase in turnover from sale of completed properties as well as substantial fair value gain from investment properties mainly contributed to the increase in net profit.

In 2007, sale properties completion was largely as planned and amounted to 1.54 million sq.m. Turnover from sale of properties increased 43% from RMB10.11 billion to RMB14.46 billion. In terms of saleable area, 1.406 million sq.m. were sold in the year having increased 37% from 1.025 million sq.m. in 2006. Overall average price per sq.m. for 2007 amounted to RMB10,287, 4.3% higher than the RMB9,865 for the previous year.

Less than the saleable area completed in the year was sold mainly due to the postponement of the full scale sale launch of R&F Xinran Court/Plaza in Beijing. R&F Xinran Court/Plaza was completed in phases between March and November 2007 with an aggregate saleable area of 128,300 sq.m. Of this total, only 17,000 sq.m. have been sold as the Group did not actively pursue sales while pondering the right theme, sale channel and timing to maximize economic benefits to the Group given the unique features of this project.

Sale of properties in the year came from projects in Guangzhou, Beijing, Tianjin and additionally Xian with the first completion of Xian R&F City. Sale of Guangzhou, Beijing and Tianjin all increased as compared to the previous year by 46%, 17% and 107% respectively. Sale of Guangzhou of RMB7.464 billion remained proportionally the most significant accounted for 51% of the total followed by Beijing, Tianjin and Xian at 34%, 12% and 3%. Guangzhou also has the largest number of projects including sizable projects like the Peach Garden, Guangzhou R&F City and R&F Ying Li Plaza with sale in the year exceeding RMB1 billion and three other projects with sale over RMB500 million. Selling price in Guangzhou rose most notably for mass residential property such as Guangzhou R&F City which saw average price per sq.m. increased approximately 55% and to a large extent resulted in an overall increase of 12% for the year to RMB11,039 per sq.m. In Beijing, the Group concentrated its sale effort in just five projects and achieved RMB4.872 billion in sale. The Group sold the entire R&F Edinburgh Plaza Tower B1 to a foreign investor in October 2007 for a consideration of RMB1.71 billion which made total sale of this project amounted to RMB1.946 billion, the highest among all projects. Increase in overall average price per sq.m. for Beijing was a modest 4% to RMB11,080 mainly because of the increased weighting in the sale mix of R&F Festival City which has a lower average selling price of RMB6,991 per sq.m. despite an approximately 14% increase from the prior year. Tianjin R&F City and Xian R&F City, both flagship project of the Group, was the sole project of Tianjin and Xian in sale respectively. Sales of Tianjin R&F City in its second year more than doubled from RMB837 million to RMB1.733 billion which ranked among the top projects of the Group while average selling price increased approximately 16%. The first sale of Xian R&F City was registered in the year and reached RMB392 million for the year.

The following table gives the breakdown of saleable area, turnover, and percentage attribute to the Group of the sale of properties for the year:

Project	**Approximate saleable area sold** *(sq.m.)*	**Amount of turnover** *(RMB million)*	**Percentage attribute to the Group**
Guangzhou			
R&F Peach Garden Phase I	85,110	725.00	85%
R&F Peach Garden Phase II & III	89,696	890.98	100%
R&F Peninsula Garden	41,218	365.55	100%
Guangzhou R&F City	214,724	1,746.80	100%
R&F West Garden	27,918	540.16	100%
R&F Jubilee Garden	71,857	850.70	100%
R&F Prosperous Place	38,610	544.92	100%
R&F Ying Long Plaza	2,713	36.52	100%
R&F Edinburgh International Apartment	21,589	334.81	100%
R&F Modern Plaza	3,247	82.93	100%
R&F Ying Li Plaza	74,690	1,286.49	100%
Others	4,787	59.46	100%
	676,159	7,464.32	
Beijing			
Beijing R&F City	67,842	1,019.57	100%
R&F Festival City	201,628	1,409.61	100%
R&F Xinran Court/Plaza	17,111	232.10	100%
R&F Edinburgh Apartment/Plaza	117,885	1,945.88	100%
Beijing R&F Peach Garden	35,236	264.72	100%
	439,702	4,871.88	
Tianjin			
Tianjin R&F City	205,207	1,733.01	100%
Xian			
Xian R&F City	84,671	392.00	100%
Total	**1,405,739**	**14,461.21**	

Cost of sales comprised various components which included in addition to the main component, land and construction costs, also capitalized interest and land premium amortization. Land appreciation tax ("LAT") was previously included under cost of sales but now reclassified to taxation in the income statement. Land and construction costs accounted for 97% (2006 : 97%) of the total cost of sales. With an ongoing strive to improve quality, the Group has, among other improvements, continuously raised the furnishing standard of its products which meant somewhat higher construction costs. However, this was done under in a controlled manner such that there would be no erosion of gross margin. Capitalised interest included in cost of sales increased to RMB291.6 million and 2.0% of turnover from sales of properties from RMB185.5 million and 1.8% respectively in 2006. As a result of further expansion in land bank, land premium amortization increased more than two folds to reached RMB78 million from RMB23 million the previous year.

Gross profit margin of sales of properties after adjusted for the exclusion of LAT in the cost of sales increased to 38.1% as compared to 35.6% for 2006. The improvement was less than the increase in average selling price of 4.3% as apart from the factors affecting cost of sales mentioned above, gross margin was also affected by the sale mix. The lower gross margin typical of a new project in a new city such as Xian R&F City might have minor impact on the overall gross profit margin for the year.

A quite substantial other gains of RMB3.385 billion (2006: RMB382 million) was recorded for the year. Of this total, the fair value gain of investment properties first put into use during the year, viz. Guangzhou R&F Centre and Beijing R&F Centre accounted for RMB2.762 billion. Reflecting the rising trend of property prices in Guangzhou and Beijing, the fair value of the other existing investment properties further went up by RMB319 million in 2007 which gave a total fair value gain from investment properties for the year of RMB3.081 billion. The profit which arose from the disposal of partial interest in two projects amounted to RMB203 million were also included under other gains.

Selling and administrative expenses together increased by RMB240.7 million or 56% to RMB671.3 million (2006: RMB430.6 million) and as a percentage on turnover increased slightly to 4.5% (2006: 4.2%). Separately, selling expenses increased a much more modest 17% to RMB188.3 million which was equivalent to 1.3% of turnover, improved further from 1.6% for 2006. Administrative expenses on the other hand increased 79 % to RMB483.0 million from RMB270.2 million in the previous year. Personnel cost was the single largest expenditure item under administrative costs. The Group is committed to build up a strong work team which it considers the most critical element for its future development and success. The Group has allocated considerable resources in 2007 to this end increasing personnel and related costs by RMB61.1 million to RMB152.9 million to strengthen both the number and caliber of staff.

Interest expenses incurred for the year increased 181% to RMB909.5 million (2006: RMB323.2 million) as a result of borrowings having increased 151% to RMB19.9 billion at 31 December 2007 (RMB7,916 million at 31 December 2006) and average interest rate increased to 6.32% (2006: 5.74%). Of this interest expenses, RMB806.6 million (2006: RMB273.5 million) had been capitalized leaving RMB102.9 million (2006: RMB49.7 million) charged directly to income and if aggregate with the capitalized interest in cost of sale, total interest expenses included in this year results amounted to RMB394.5 million as compared to RMB235.2 million in 2006.

The total taxation charge was the aggregate of LAT amounted to RMB715.7 million and enterprise income tax amounted to RMB2,078.7 million. LAT for the year as a percentage on turnover from sales of properties was approximately 4.9% which was not significantly different from 4.2% in 2006. Effective income tax rate on the profit before tax came to 28.1% (2006:31.5%). This effective rate deviated from the theoretical rate of 33% mainly due to the effect of change in the enterprise income tax rate from 33% to 25% beginning 1 January 2008 on the carrying value of deferred tax assets and liabilities.

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2007, the Group has approximately 4,016 employees (31 December 2006: 1,985). The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also link with business performance and profitability of the Company and the market conditions. Individual director and senior management would not be involved in deciding their own remuneration.

Dividend

The Board has proposed a final dividend for 2007 at RMB0.25 per share. The proposed dividend, if approved by the shareholders at the annual general meeting (the "AGM") on 30 May 2008, will be paid to shareholders (including domestic shares and H shares), whose names appear on the register of members on 30 May 2008. The proposed final dividend has not been reflected in the financial statements as at 31 December 2007.

According to the Articles of Association of the Company, dividend payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be in Hong Kong Dollars. The exchange rate to be adopted shall be the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China. The average of the closing exchange rate for HK dollar to RMB as announced by the People's Bank of China for five business days prior to 13 March 2008, the date of the announcement, is HK$1 to RMB0.912838. Accordingly the amount of final dividend payable per H share will be HK$0.273871.

Annual General Meeting ("AGM")

The 2007 AGM of the Company will be held on Friday, 30 May 2008 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The register of members will be closed from Monday, 14 April 2008 to Friday, 30 May 2008 both days inclusive. In order to establish entitlements to the proposed final dividend which is to be approved in the AGM, and attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183, Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 April 2008.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year, ended 31 December 2007, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for directors in their dealing in the Company's securities. The Company made specific enquires with each director and each of them confirmed that he or she had complied with the Model Code during the financial year ended 31 December 2007.

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. It has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the 12 months ended 31 December 2007.

Audit Committee

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationships with external auditors, the Company's financial reporting, the internal control and risk management system, and there were no disagreement by the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company.

Remuneration Committee

The remuneration committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises an executive director, Mr. Li Sze Lim (Chairman of the remuneration committee) and two independent non-executive directors, Mr. Dai Feng and Mr. Huang Kaiwen. The principle responsibilities of the remuneration committee include the reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of directors and senior management of the Group.

The remuneration committee has reviewed the compensation payable to all directors and senior managers in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

Li Sze Lim
Chairman

13 March 2008

As at the date of this announcement, the Board of the Company comprises (1) Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing as executive directors; (2) Ms. Zhang Lin and Ms. Li Helen as non-executive directors and (3) Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph as independent non-executive directors.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

. For identification purpose only.*