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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2007 amounted to HK$1,269.1 million, an increase of 81% compared to the corresponding year in 2006
- Profit attributable to equity holders of the Company amounted to HK$2,162.8 million, an increase of 943% compared to the corresponding year in 2006
- Gross profit margin reached 61% in 2007, increased from 38% in 2006
- As at 31 December 2007, total assets reached HK$17,619.1 million, an increase of 172% compared to the corresponding year in 2006
- Basic earnings per share amounted to HK87.23 cents
- Proposed a final dividend of HK2 cents per share

The board of directors (the "Board") of Franshion Properties (China) Limited (the "Company") is pleased to announce the combined results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 as follows:

COMBINED INCOME STATEMENT
Year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 *HK$'000*
REVENUE	*4*	**1,269,054**	700,828
Cost of sales		**(493,202)**	(437,963)
Gross profit		**775,852**	262,865
Other income and gains	*4*	**2,518,462**	183,246
Selling and marketing expenses		**(49,187)**	(13,075)
Administrative expenses		**(187,495)**	(87,464)
Other expenses		**(2,043)**	(3,029)
Finance costs	*6*	**(116,898)**	(27,822)
Share of loss of an associate		**(410)**	–
PROFIT BEFORE TAX	*5*	**2,938,281**	314,721
Tax	*7*	**(770,951)**	(65,012)
PROFIT FOR THE YEAR		**2,167,330**	249,709
Attributable to:			
Equity holders of the Company		**2,162,771**	207,289
Minority interests		**4,559**	42,420
		2,167,330	249,709
DIVIDENDS	*8*	**98,305**	2,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*9*	**0.87**	0.66

COMBINED BALANCE SHEET

31 December 2007

	Notes	**2007**	2006
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**303,706**	291,808
Properties under development		**3,744,701**	1,719,080
Investment properties		**4,964,576**	873,109
Prepaid land lease payments		**104,843**	100,360
Available-for-sale investments		**299**	558
Prepayments		**–**	14,737
Pledged deposits		**267,200**	–
Deferred tax assets		**14,000**	3,769
Total non-current assets		**9,399,325**	3,003,421
CURRENT ASSETS			
Properties under development		**429,870**	269,147
Properties held for sale		**598,377**	2,475,027
Inventories		**2,583**	1,967
Trade receivables	*10*	**148,394**	5,095
Prepayments, deposits and other receivables		**69,684**	37,189
Due from related parties		**220,169**	290,485
Tax recoverable		**28,706**	19,670
Pledged deposits		**427,520**	–
Cash and cash equivalents		**6,294,489**	385,395
Total current assets		**8,219,792**	3,483,975
CURRENT LIABILITIES			
Trade and bills payables	*11*	**897,953**	1,126,387
Other payables and accruals		**2,539,527**	373,696
Interest-bearing bank and other borrowings		**3,083,488**	1,547,707
Due to related parties		**268,355**	302,623
Tax payable		**54,638**	11,112
Provision for land appreciation tax		**278,782**	132,845
Total current liabilities		**7,122,743**	3,494,370
NET CURRENT ASSETS/(LIABILITIES)		**1,097,049**	(10,395)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,496,374**	2,993,026

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**780,224**	1,336,078
Deferred tax liabilities		**718,399**	141,775
Total non-current liabilities		**1,498,623**	1,477,853
Net assets		**8,997,751**	1,515,173
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**4,915,264**	472,500
Reserves		**3,600,248**	763,889
Proposed final dividend		**98,305**	–
		8,613,817	1,236,389
Minority interests		**383,934**	278,784
Total equity		**8,997,751**	1,515,173

Notes:

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 Room 4702-03, 47/F, Office Tower, Convention Plaza, Harbour Road, Wanchai, Hong Kong.

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.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 August 2007.

The Company and its subsidiaries (collectively referred to as the "Group") principally engage in property development, hotel operations, property investment and management (the "Relevant Businesses") in Mainland China. Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries and associates (the "Relevant Companies") of Sinochem Hong Kong.

In order to rationalise the current corporate structure of the Group, the following principal steps have been undertaken since the incorporation of the Company to transfer Sinochem Hong Kong's interests in the Relevant Companies to the Company (the "Reorganisation"):

(a) In October 2004, the Company acquired a 25% equity interest in Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management") from Rillfung Company Limited ("Rillfung"), a wholly-owned subsidiary of Sinochem Hong Kong, for a cash consideration of US$2,304,000 (equivalent to HK$17,929,000).

(b) In June 2005, the Company acquired a 50% controlling equity interest in Beijing Chemsunny Property Company Limited ("Chemsunny") from Rillfung for a cash consideration of US$5,800,000 (equivalent to HK$45,054,000).

(c) In March 2006, the Company acquired a 25% equity interest in Sinochem International Property & Hotel Management Co., Ltd. ("Sinochem Property Management") from Forstera Co. Ltd, a wholly-owned subsidiary of Sinochem Hong Kong, for a cash consideration of US$12,000,000 (equivalent to HK$93,096,000).

(d) In April 2006, the Company acquired a 65% equity interest in Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai") from Rillfung for a cash consideration of US$7,628,000 (equivalent to HK$59,415,000), which was paid in 2005.

(e) In June 2006, the Company acquired a 50% equity interest in Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin") from Franshion Company Limited, a wholly-owned subsidiary of Sinochem Hong Kong, for a consideration of US$3,002,000 (equivalent to HK$21,835,000).

(f) In December 2007, the Company acquired a 100% equity interest in Glory First Enterprises Limited ("Glory First"), which owns the remaining 75% equity interest in each of Wangfujing Hotel Management and Sinochem Property Management, from Sinochem Hong Kong for a cash consideration of HK$826,000,000. Upon completion of this acquisition, Wangfujing Hotel Management and Sinochem Property Management became wholly-owned subsidiaries of the Company.

(g) In December 2007, the Company acquired 100% equity interest in Shing Wing International Investment Limited ("Shing Wing"), which owns the remaining 50% equity interest in Chemsunny, from Sinochem Hong Kong for a cash consideration of HK$1,413,000,000. The entire equity interest in Shing Wing was acquired by Sinochem Hong Kong from a minority shareholder in April 2007 for a cash consideration of US$123,394,000 (equivalent to HK$964,414,000). Upon completion of this acquisition, Chemsunny became a wholly-owned subsidiary of the Company.

The aggregate cost of acquisition of interests in the Relevant Companies paid by the Company to Sinochem Hong Kong for the years ended 31 December 2007 and 2006 amounted to HK$2,239,000,000 and HK$114,931,000, respectively, was considered as deemed distributions to equity owners.

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 (HKICPA), 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 investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of combination

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the subsidiaries 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 was accounted for using the principles of merger accounting according to Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. Except for acquisitions of interests from unrelated parties, which were accounted for using the purchase method of accounting, all of the Group's acquisition of other subsidiaries were 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 combined 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 combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' 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 combined 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.

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 significant intra-group transactions and balances have been eliminated on combination.

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 HKFRSs

The Group has adopted the following new and revised 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 and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

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

(a) HKFRS **7** *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/ revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued equity instruments to its employees in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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 2 (Revised)	Share-based Payments – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
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[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programme[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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 acquires 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 is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

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, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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 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 investment and management segment comprises the leasing of office and commercial premises, and the provision of property management services; and

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

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.

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 2007 and 2006.

Year ended 31 December 2007

	Property development HK$'000	Property investment and management HK$'000	Hotel operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	986,120	166,875	116,059	–	1,269,054
Intersegment sales	–	5,894	–	(5,894)	–
Total	986,120	172,769	116,059	(5,894)	1,269,054
Segment results	736,287	2,352,507	26,872	(197,218)	2,918,448
Interest income and unallocated gains					137,141
Share of loss of an associate					(410)
Finance costs					(116,898)
Profit before tax					2,938,281
Tax					(770,951)
Profit for the year					2,167,330
Assets and liabilities					
Segment assets	6,391,038	5,019,715	390,066	(1,213,616)	10,587,203
Corporate and other unallocated assets					7,031,914
Total assets					17,619,117
Segment liabilities	4,918,712	227,413	24,869	(1,186,376)	3,984,618
Corporate and other unallocated liabilities					4,636,748
Total liabilities					8,621,366
Other segment information:					
Recognition of prepaid land lease payments	–	–	2,666	–	2,666
Loss of disposal of items of property, plant and equipment	61	388	1,594	–	2,043
Depreciation	730	2,375	19,498	–	22,603
Capital expenditure	5,343	3,004	6,808	–	15,155
Fair value gains on investment properties	–	2,259,453	–	–	2,259,453

Year ended 31 December 2006

	Property development HK$'000	Property investment and management HK$'000	Hotel operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	500,674	92,653	107,501	–	700,828
Segment results	108,567	82,077	24,733	–	215,377
Interest and dividend income and unallocated gains					127,166
Finance costs					(27,822)
Profit before tax					314,721
Tax					(65,012)
Profit for the year					249,709
Assets and liabilities					
Segment assets	4,788,811	911,658	378,093	–	6,078,562
Corporate and unallocated assets					408,834
Total assets					6,487,396
Segment liabilities	1,794,153	130,254	22,256	–	1,946,663
Corporate and unallocated liabilities					3,025,560
Total liabilities					4,972,223
Other segment information:					
Recognition of prepaid land lease payments	–	–	648	–	648
Loss on disposal of items of property, plant and equipment	76	961	1,360	–	2,397
Depreciation	1,593	3,875	19,681	–	25,149
Capital expenditure	1,600	1,177	106,148	–	108,925
Fair value gains on investment properties	–	51,648	–	–	51,648

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds, net of business tax, from the sale of properties; 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:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**986,120**	500,674
Hotel operations	**116,059**	107,501
Property management fees	**48,085**	33,497
Gross rental income	**118,790**	59,156
	1,269,054	700,828
Other income and gains		
Bank interest income	**137,141**	5,433
Dividend income from an available-for-sale investment	**–**	17,382
Project management fee income	**–**	1,674
Fair value gains on investment properties	**2,259,453**	51,648
Gain on disposal of subsidiaries	**108,720**	–
Gain on disposal of an available-for-sale investment	**–**	104,351
Others	**13,148**	2,758
	2,518,462	183,246

5. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**51,968**	47,942
Cost of properties sold and services provided	**493,202**	437,963
Depreciation	**22,603**	25,149
Less: Amount capitalised in properties under development	**(21)**	(315)
	22,582	24,834
Minimum lease payments under operating leases for land and buildings	**28,483**	2,024
Recognition of prepaid land lease payments	**2,666**	648
Auditors' remuneration	**2,771**	38
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**73,415**	54,528
Pension scheme contributions*	**7,160**	4,597
Less: Amount capitalised in properties under development	**(7,015)**	(11,011)
	73,560	48,114
Foreign exchange differences, net	**3,044**	697
Loss on disposal of items of property, plant and equipment**	**2,043**	2,397

* At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

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

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**169,146**	29,417
Interest on other loans from the immediate holding company and a fellow subsidiary	**24,379**	109,343
Total interest expense on financial liabilities not at fair value through profit or loss	**193,525**	138,760
Less: Interest capitalised in properties under development	**(76,627)**	(110,938)
	116,898	27,822

7. TAX

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current		
PRC corporate income tax	**99,292**	25,799
LAT	**138,390**	19,532
	237,682	45,331
Deferred	**533,269**	19,681
Total tax charge for the year	**770,951**	65,012

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 (2006: 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 33% (2006: 33%) of 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.

Certain of the Group's PRC subsidiaries, namely, Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Pudong Jinxin Real Estate Development Co., Ltd. and Shanghai Ke Yi Real Estate Development Co., Ltd., which were established and located in Shanghai Pudong New Area, and Sinochem Franshion Real Estate (Zhuhai) Co., Ltd., which was established and located in Zhuhai, are subject to income tax at a preferential rate of 15%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved. The New Corporate Income Tax Law will become effective on 1 January 2008. It introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Under the New Corporate Income Tax Law, corporate income tax rate for domestic enterprises will decrease from 33% to 25% effective from 1 January 2008. In addition, for those enterprises which enjoy lower preferential tax rates (e.g. 15%), such preferential rates will be gradually phased over the next five years.

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 Details 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.

8. DIVIDENDS

	Notes	**2007**	2006
		HK$'000	*HK$'000*
Proposed final dividend of HK$2 cents (2006: Nil) per ordinary share	*(a)*	**98,305**	–
Dividends paid to then equity holders	*(b)*	**–**	2,918
		98,305	2,918

(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.

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

The calculation of basic earnings per share amounts 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.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as there were no diluting events existed during these years.

The calculation of basic earnings per share is based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**2,162,771**	207,289

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year	**2,479,357,000**	314,946,000

10. TRADE RECEIVABLES

	Group 2007 HK$'000	2006 HK$'000
Trade receivables	**148,394**	5,095

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 are 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 and net of provisions, is as follows:

	Group 2007 HK$'000	2006 HK$'000
Within 1 month	**14,531**	2,014
1 to 3 months	**16,503**	3,079
4 to 6 months	**109**	–
Over 6 months	**117,251**	2
	148,394	5,095

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

	Group 2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**31,261**	–
Less than 1 month past due	**4,757**	2,014
1 to 3 months past due	**1,496**	3,079
Over 3 months past due	**110,880**	2
	148,394	5,095

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.

11. TRADE AND BILLS PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Due within 1 year or on demand	**897,953**	1,126,387

Included in the Group's trade payables as at 31 December 2007 are development costs of HK$267,200,000 (2006: HK$249,175,000) payable to Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), a minority shareholder of the Group's certain subsidiaries.

Included also in the Group's trade payables as at 31 December 2006 are development costs of HK$165,882,000 payable to Beijing SORED & Guantian Decoration Engineering Co., Ltd., a company controlled by a minority shareholder of Chemsunny.

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a developer and investor of large-scale and quality real estate projects in the PRC, with an emphasis on commercial real estate. Under the favourable influence of the growing economy of the PRC, appreciation of Renminbi and prosperous property sector, the Group achieved outstanding results in 2007 by leveraging on its competitive strengths, including (i) market positioning of high-end commercial properties; (ii) possession of quality landmark investment properties and land use rights of prime locations; (iii) sound expansion strategies and capability of acquiring land at prime locations/high-quality investment properties; (iv) support of Sinochem Corporation and injection of quality assets; (v) experienced management team; and (vi) stable cash flow. For the year ended 31 December 2007, profit attributable to shareholders of the Company amounted to HK$2,162.8 million, an increase of 943% compared with HK$207.3 million in 2006. Profit attributable to equity holders before revaluation gains on investment properties, net of deferred tax, amounted to HK$468.2 million, an increase of 171% compared with HK$172.7 million in 2006.

Business Review

Market Review

In 2007, the central government promulgated a series of macro-economic austerity measures to keep the rapid-growing economy from overheating by controlling money supply, credit supply and scale of investments in fixed assets so as to ensure a more balanced and sustainable economic development. The central government also regulated the property sector of the PRC by strengthening its control in land supply, raising benchmark interest rate of Renminbi and deposit reserve ratio of financial institutions, raising the percentage of down payment and loan rate for second-home buyers, and strengthening regulation on collection of land appreciation tax.

The monetary policy of the central government has a direct impact on the sources of financing for real estate developers. Funds raised from the capital markets cannot meet the substantial needs of real estate enterprises, and the raised entry barrier of the industry will bring about more opportunities for consolidation. At the same time, the increasingly stringent regulating measures of the government has resulted in stocking up of land by real estate enterprises, leading to more pressure and risks to their capital.

Despite a series of austerity measures and restrictions implemented by the government to control direct foreign investments in the real estate sector, office building sector remained active with rising transaction volume and rent levels due to the support of strong economic growth, appreciation of Renminbi and improving results of foreign-invested enterprises in the PRC. With increased spending power of customers from the finance and information service industries, there will still be much room for expansion of the high-end market.

Listing Review

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 August 2007. Its good results and sound expansion strategy won the confidence of investors. The shares were oversubscribed 40 times under the international offering, and 170 times under the public offering in Hong Kong. The offer price was finally determined at HK$2.35, which was at the highest-end of the offer price range.

Corporate Business Review

1. *Property Development*

As at 31 December 2007, the Group has four property development projects of different stages in Shanghai, Zhuhai and Beijing, respectively.

	As at 31 December 2007				
	Total gross floor area *(square metres)*	**Type of development project**	**Stage of completion**	**Expected completion date**	**Interest attributable to the Company (as at the latest practicable date)** *(%)*
Shanghai – Projects under development					
Site B of Shanghai Gaoyang International Passenger Transport Centre project	297,125	Mixed purposes	Under construction	2009	50%
Eastern Site of Huishan Dock	200,000	Mixed purposes	Exploration and design	2012	50%
Zhuhai – Projects under development					
Zhuhai Every Garden project	136,416	Residential	Under construction	2008	100%
Beijing – Completed Projects					
Beijing Chemsunny World Trade Centre project	193,936	Offices	Completed	2006	100%
Total	827,477				

Shanghai – Projects under Development

Site B of Shanghai Gaoyang International Passenger Transport Centre Project

The Shanghai Gaoyang International Passenger Transport Centre is designed to be an integrated commercial area comprising a cruise terminal and business offices in the heart of Shanghai's central business district. In partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), two projects will be developed, one on Site A, and the other on Site B. We hold a 50% economic interest in the Site B developments and no interest in the Site A developments. On Site B, we plan to construct eight office buildings, one serviced apartment building (which is being converted into an office building), a music and cultural centre and an art gallery. Located along 880 metres of the western bank of the Huangpu river, the complex is adjacent to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. Currently, the supply of land for real estate developments in this prime location is limited.

Site B of the Shanghai Gaoyang International Passenger Transport Centre project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 297,125 square metres. Construction work commenced in May 2004, and the Group expects that it will be completed in 2009.

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

As at 31 December 2007, 60% of the framework construction work of Site B of the Shanghai Gaoyang International Passenger Transport Centre project was completed. Installation of glass external walls commenced in November 2007. The green belt of the Huangpu river has been partially completed, with a green ratio of about 50%.

Eastern Site of Huishan Dock Project

The Huishan Dock project was designed to realize the core functions and the economies of scale of the shipping service industry, and to achieve synergies of international shipping enterprises. 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 modern 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 the yacht harbour.

The 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 Gaoyang International Passenger Transport Centre, the two of which form a coastal area that doubled the length of the bund. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group has acquired the land use right of the Eastern Site of the project, with an area of 35,210 square metres. The Group intends to develop commercial properties, including offices, on the site. Upon completion, the development is expected to have a total gross floor area of approximately 200,000 square metres.

Our interest in the Eastern Site of the Huishan Dock project is held through our 50%-owned subsidiary, Shanghai Huigang Real Estate Development Co., Ltd ("Huigang Real Estate"), and thereby the Group owns 50% of the economic interests in the Eastern Site of the project.

We are currently carrying out preliminary and construction preparation work on the site.

Zhuhai – Projects under development

Zhuhai Every Garden Project

The Zhuhai Every Garden project is the development of a complex of thirteen 8 to 31-storey residential apartment buildings located on the eastern side of Zhuhai's harbour, on the coast of the South China Sea, with beautiful views of the ocean on one side and mountains on the other.

The Zhuhai Every Garden project has a land area of approximately 43,499 square metres. Construction of the Zhuhai Every Garden project began in June 2006, and is expected to be completed in 2008. Upon completion, the development will have a total gross floor area of approximately 136,416 square metres. We expect to construct approximately 700 apartment units, 80% of which will have floor areas ranging between 80 and 150 square metres each. The remaining units are expected to have floor areas of approximately 200 square metres each. We also expect to develop approximately 729 car parking spaces.

The Zhuhai Every Garden apartment buildings are designed to incorporate a number of technologically-advanced design elements and amenities, including, among others, the following features:

- Amenities including retail shops, a clubhouse and a basement carpark with parking spaces for approximately 729 vehicles;

- A modern information technology infrastructure, including high-speed Internet and cable television connections;

- Energy-saving design features which allow good air ventilation, retention of heat in the winter and retention of cool air in the summer;

- Modern security features to safeguard our complex and tenants; and

- Design features to allow natural light to penetrate the building.

Our interest in Zhuhai Every Garden project is held through our 100%-owned subsidiary Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai"). In July 2007, we commenced pre-sale of residential units.

In 2007, construction works of Zhuhai Every Garden made good progress, and construction of 80% of the overall structure was completed. 80% of the outdoor decoration and installation of facilities were also completed. The buildings began to take shape. The pile foundation and the main structure construction were completed and passed quality inspection. The Zhuhai Every Garden project site was honoured as the "Advanced Exemplary Construction Site of Zhuhai City" in the first half of 2007. It is expected that the construction will be completed and be ready for occupation in August 2008.

On 15 July 2007, Zhuhai Every Garden was first launched for pre-sale. 548 units of the first phase, comprising 77,000 square metres, were offered for pre-sale, and 70% of the units were sold on that day. As at 31 December 2007, the Group has altogether sold 506 units, comprising approximately 70,000 square metres, which represents 92% of the units and area of the first phase offered for pre-sale.

Beijing – Completed projects

Beijing Chemsunny World Trade Centre Project

Beijing Chemsunny World Trade Centre consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers, and is located on Fuxingmen Nei Street, within Beijing's financial district. The development is less than a ten minute walk from two subway lines and one block to the west of the Second Ring Road.

The project was constructed on approximately 21,659 square metres of land. The three office buildings comprise a gross floor area of approximately 193,936 square metres. The office buildings are connected by enclosed bridges. The underground floors house car parking spaces and storage areas. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the major construction, excluding interior decoration, was completed in December 2006.

We expect that the complex will house offices for approximately 80 to 120 companies, and as many as 5,000 of their employees. To distinguish itself from other properties in the Beijing real estate market, the project incorporates a number of distinctive design elements and features, including (i) a two-layer glass external wall with an area of 50,000 square metres designed by a Swiss engineering firm to allow efficient temperature regulation in the buildings and to save heating and cooling costs; (ii) a double atrium with a height of 57 metres and a combined total area of 3,000 square metres, which allows natural light to penetrate into the three office buildings; and (iii) a 2,800 square metres rooftop garden and 4,675 square metres of landscaped pools.

In 2007, we entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") to acquire a further 50% interest in Beijing Chemsunny Property Company Limited ("Chemsunny"). Completion of such acquisition took place in December 2007. Our 100% interest in the Beijing Chemsunny World Trade Centre project is held through our 100%-owned subsidiary Chemsunny.

The Central and West Towers of the Beijing Chemsunny World Trade Centre are held as our long-term investment available for lease, while the East Tower is available for sale by floor. The gross floor area of the East Tower is approximately 44,939 square metres.

Pre-sale of the East Tower formally commenced in October 2006. As at 31 December 2007, out of the total gross floor area of 44,939 square metres of the offices at the Eastern Tower, 24,481 square metres and 59 parking spaces had been sold.

2. *Leasing of Properties and Property Services*

As at 31 December 2007, the carrying value of investment properties held by the Group was approximately HK$4,964.6 million, which are stated at fair value according to the Group's accounting policy. Investment properties of the Group mainly comprise the Beijing Chemsunny World Trade Centre and Sinochem Tower.

(a) Leasing business of the Beijing Chemsunny World Trade Centre

According to the Group's strategy of achieving a balanced revenue profile, the Group will hold the Central and West Towers of the Beijing Chemsunny World Trade Centre for long-term investment. The total leaseable area of the Central and West Towers is approximately 102,739 square metres. As at 31 December 2007, occupancy rate of the Central and West Towers of the Beijing Chemsunny World Trade Centre was 41.3% (2006: not applicable). The principal tenants were Sinochem Corporation and its related companies, and other eminent enterprises of the finance, real estate and consultancy industries.

(b) Leasing business of Sinochem Tower

Situated in the heart of Beijing on Fuxingmen Wai Street, in the Xicheng district and within Beijing's financial district, Sinochem Tower is a 26-storey office building in the neighbourhood of well-known landmarks such as the Forbidden City, Tiananmen Square and Zhongnanhai. Sinochem Tower was constructed on a site area of approximately 5,833 square metres. The office building contains a gross floor area of approximately 49,066 square metres. Approximately 30,365 square metres of gross floor area are designated as office space and approximately 15,005 square metres of gross floor area are designated as retail space.

As at 31 December 2007, occupancy rate of the Sinochem Tower was 82.8% (2006: 97.3%). The principal tenants are eminent enterprises of the finance, software, consultancy industries and the related companies of the Company.

In 2007, the Group entered into an acquisition agreement with Sinochem Hong Kong and Sinochem Corporation to acquire a further 75% interest in Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management"). Completion of such acquisition took place in December 2007. Our 100% interest in the Sinochem Tower is held through our 100%-owned subsidiary Sinochem Property Management.

(c) Property Services Business

The Group currently provides property management services for not less than nine properties with more than 1.1 million square metres of gross floor area, including Sinochem Tower and Beijing Chemsunny World Trade Centre.

Our property service business had a smooth and steady performance throughout the year. In September 2007, the Group acquired a further 60% interest in Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management") from Sino-Ocean Land Limited. We now have a 100% interest in Chemsunny Property Management. 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 asset value of the Group. Looking ahead, we expect that the property management business will bring more direct and indirect gains for the Group.

3. *Hotel Operations*

In 2007, the Group entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong to acquire the remaining 75% interest in Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management"), and thereby now owns 100% interest in Wangfujing Grand Hotel, which is located at north of Wangfujing Street, Beijing's main commercial and shopping district. It is also within walking distance of the Forbidden City, Tiananmen Square and Beihai park.

The Wangfujing Grand Hotel attracts both leisure and business travellers due to its convenient location. In particular, it has established business relationships with a number of multinational companies which form a substantial base of its business.

The Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 rooms as well as a number of meeting spaces, food and beverage 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.

In 2007, Wangfujing Grand Hotel improved its standard of service, and strived to promote brand awareness and expand its business in the market. The average occupancy rate of Wangfujing Grand Hotel in as at 31 December 2007 was 75.1% (2006: 77.7%), which was higher than the average level of its market competitors.

Land Bank

As at 31 December 2007, the Group had purchased the land use rights to a parcel of land which consists of a land area of approximately 35,210 square metres. It has been developed for the eastern site of Huishan Dock project.

On 31 March 2008, the Group entered into a land use right grant contract with the local land authority to acquire a central parcel of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai. The site has an area of 19,039 square metres, and the planned above-ground gross floor area of the site is expected to be 73,790 square metres.

In consideration of the policy risk and legal risk of accumulating substantial land bank currently, the focus of the Group is to acquire scarce land resources in first-tier cities and prime locations after adequate consideration of market risks and careful assessment of future profits, with a view to convert investments into profits in the shortest possible time.

The Group has persisted in its development strategy of first-tier cities, prime locations and quality sites, and continued to focus on investigation and acquisition of quality sites in core districts of various cities. During the period, we investigated and explored several key projects in first-tier cities. Moreover, the Group also followed the strategy of acquiring suitable sites with reasonable costs, with an emphasis on locations with unique advantages, in order to ensure long term and sustainable future development. The Group is currently working on projects in Huanbohai, Yangtze River Delta, and Pearl River Delta, and has carried out extensive liaison and negotiation with local governments and other relevant companies, focusing on office buildings, commercial hotels and villa projects. Professional advisers have been engaged to carry out in-depth investigation into some of these projects, several of which have been listed among the key projects of the Group. Satisfactory progress has been achieved in respect of acquiring quality land resources.

Acquisition Options

Pursuant to the Non-competition Undertaking, Sinochem Corporation has granted the Group options to acquire its 54.87% equity interest in China Jin Mao (Group) Company Limited, its 15% interest in China Shimao Investment Company Limited, and its 55% interest Shanghai Yin Hui Property Development Company Limited.

As at 31 December 2007, the Group had not exercised any of such options. However, the Independent Board Committee will review the options from time to time, at least on a semi-annual basis, and will disclose the reasons for its decision to exercise the options or not by way of public announcements.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2007, revenue of the Group increased by 81% from 2006 to HK$1,269.1 million (2006: HK$700.8 million), which was mainly attributable to the increased sale of properties.

Revenue by business segments

	For the year ended 31 December				
	2007		2006		
	HK$ million	**Percentage of the total revenue** *(%)*	HK$ million	Percentage of the total revenue *(%)*	Year-on-year change *(%)*
Property Sales	**986.1**	**78%**	500.7	72%	97%
Property Operations	**166.9**	**13%**	92.6	13%	80%
Hotel Operations	**116.1**	**9%**	107.5	15%	8%
Total	**1,269.1**	**100%**	700.8	100%	81%

We focus on developing high-end quality real estate projects. Property sales revenue increased by 97% over that of 2006 to HK$986.1 million, representing 78% of the total revenue. Sales area increased to 26,959 square metres, representing an increase of 35% over 2006. Sales revenue in 2007 was mainly attributable to sales of some floors of the Beijing Chemsunny World Trade Centre while sales revenue in 2006 was mainly attributable to sales of Shanghai Fortune Plaza. Moreover, the Group increases the proportion of investment properties gradually to achieve a more balanced revenue profile. Property operations and hotels operations recorded a growth of 80% and 8%, respectively.

Cost of sales and gross profit margin

Cost of sales of the Group for the year ended 31 December 2007 was approximately HK$493.2 million (2006: HK$438.0 million). Gross profit margin increased from 38% in 2006 to 61% in 2007. The increase was mainly due to the growing property sector and the high-quality property developed by the Group that allowed us to enjoy certain premiums on sales prices.

Gross profit margin by business segments

	For the year ended 31 December	
	2007	2006
	Gross profit margin *(%)*	Gross profit margin *(%)*
Overall	**61%**	38%
Property sales	**59%**	28%
Property operations	**63%**	48%
Hotel operations	**77%**	75%

Other income and gains

Other income and gains of the Group for the year ended 31 December 2007 was approximately HK$2,518.5 million (2006: HK$183.3 million), which mainly included:

1. *Fair value gains on investment properties*

   According to the valuation report dated 31 December 2007 prepared by Knight Frank Petty Limited, the fair value gain on Sinochem Tower held by the Group was HK$19.5 million, and the fair value gain, net of deferred tax was HK$14.6 million.

   According to the valuation report dated 31 December 2007 prepared by Knight Frank Petty Limited, the fair value gain on the Beijing Chemsunny World Trade Centre held by the Group was HK$2,240.0 million, and the fair value gain, net of deferred tax was HK$1,680.0 million.

2. *Gain on disposal of subsidiaries*

   In April 2007, the Group disposed of its interests in two subsidiaries in Zhuhai, namely Zhong Yi Hua Hai and Zhuhai Hong Hua, resulting in a gain of HK$108.7 million.

3. *Interest income on bank deposits from the proceed raised from the initial public offering.*

Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December 2007 was approximately HK$49.2 million (2006: HK$13.1 million), mainly including expenses related to advertisement and promotion activities for our properties, fees paid to relevant professional marketing personnel and expenses on other marketing promotion activities. Selling and marketing expenses accounted for 4% of the total revenue of the Group (2006: 2%). The increase was mainly attributable to an increase in the marketing expenses incurred for the sale of Beijing Chemsunny World Trade Centre and pre-sale of Zhuhai Every Garden projects.

Administrative expenses

Administrative expenses for the year ended 31 December 2007 was approximately HK$187.5 million (2006: HK$87.5 million), which mainly included staff costs, consultancy fees, entertainment fees and general office expenses. Administrative expenses accounted for 15% of the total revenue of the Group in 2007 (2006: 12%). The increase was mainly attributable to increase in staff salary and wages as a result of expansion of the Group, increase in consultancy fees, listing expenses and the increase in payment of property management fees.

Finance cost

Finance cost of the Group for the year ended 31 December 2007 was approximately HK$116.9 million (2006: HK$27.8 million). The increase was primarily as a result of lower amount of interest capitalised due to the completion of the Beijing Chemsunny World Trade Centre project in December 2006.

Tax

Tax of the Group for the year ended 31 December 2007 was approximately HK$771.0 million (2006: HK$65.0 million), primarily as a result of the deferred tax charge of HK$564.9 million arising from the revaluation of the Group's investment properties and increased operation profits. The effective tax rate of the Group in 2007 was 26% (2006: 21%). Increase in effective tax rate in 2007 was mainly attributable to increase in land appreciation tax arising from sales of properties.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 943% from HK$207.3 million in 2006 to HK$2,162.8 million for the year ended 31 December 2007. Profit margin attributable to equity holders of the Company was 170% in 2007 (2006: 30%). Excluding fair value gains on investment properties, net of deferred tax, profit attributable to equity holders increased by 171% to approximately HK$468.2 million (2006: HK$172.7 million).

Basic earnings per share was HK87.23 cents (2006: HK65.82 cents). Excluding fair value gains on investment properties, net of deferred tax, basic earnings per share would have been HK18.88 cents (2006: HK54.83 cents).

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 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Profit attributable to equity holders of the Company	**2,162.8**	207.3
Less: fair value gains on investment properties, net of deferred tax	**(1,694.6)**	(34.6)
Profit attributable to equity holders of the Company excluding fair value gains on investment properties, net of deferred tax	**468.2**	172.7
Basic earnings per share (HK cents)	**87.23**	65.82
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**18.88**	54.83

Use of proceeds from initial public offering

On 17 August 2007, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Net proceeds from the initial public offering was approximately HK$3,620 million. Approximately HK$440 million had been utilized by the Company to pay part of the consideration for acquiring equity interests in Wangfujing Hotel Management, Sinochem Property Management and Chemsunny, and approximately HK$300 million had been utilized for project funding purposes. As at 31 December 2007, the remaining balance of approximately HK$2,880 million was deposited in the banks.

Investment properties

As at 31 December 2007, investment properties included Sinochem Tower, and the Central and West Towers of Chemsunny World Trade Centre. Investment properties increased from HK$873.1 million for the year ended 31 December 2006 to HK$4,964.6 million for the year ended 31 December 2007. The increase was mainly due to increased number of leased properties after completion of Central and West Towers of the Beijing Chemsunny World Trade Centre.

Properties under development

As at 31 December 2007, the non-current portion of properties under development comprised property development costs of Site B of Shanghai Gaoyang International Passenger Transport Centre and Eastern Site of Huishan Dock project, whereas the current portion of properties under development comprised property development costs for Zhuhai Every Garden projects. The increase in properties under development (current and non-current) from HK$1,988.2 million as at 31 December 2006 to HK$4,174.6 million as at 31 December 2007 was mainly attributable to the additional costs incurred for Site B of Shanghai Gaoyang International Passenger Transport Centre, Eastern Site of Huishan Dock and Zhuhai Every Garden projects, which was partially offset by the transfer of the property development costs of our property projects in Zhuhai upon the Group's disposal of its interests in Zhong Yi Hua Hai and Zhuhai Hong Hua.

Properties held for sale

As at 31 December 2007, properties held for sale included East Tower of the Beijing Chemsunny World Trade Centre. The decrease in properties held for sale from HK$2,475.0 million as at 31 December 2006 to HK$598.4 million as at 31 December 2007 was mainly attributable to sale of some floors of East Tower of the Beijing Chemsunny World Trade Centre and transfer of some of the properties held for sale to investment properties.

Interest-bearing bank and other borrowings

As at 31 December 2007, the interest-bearing bank and other borrowings was HK$3,863.7 million, increased by HK$979.9 million over that of HK$2,883.8 million as at 31 December 2006. The increase in the interest-bearing bank and other borrowings was primarily due to increase in drawdowns of new bank and other borrowings of Huigang Real Estate for the acquisition of land use rights.

Gearing ratio

The Group monitors its 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 less cash and cash equivalents. Adjusted capital comprises all components of equity, and includes the amount 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 at 31 December 2007 and 31 December 2006 were as follows:

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Interest-bearing bank and other borrowings	**3,863.7**	2,883.8
Less: cash and cash equivalents	**(6,294.5)**	(385.4)
Net debt	**(2,430.8)**	2,498.4
Equity	**8,997.8**	1,515.2
Add: amount due to related parties	**268.3**	302.6
Adjusted capital	**9,266.1**	1,817.8
Debt-to-adjusted capital ratio	**-26%**	137%

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 our 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 through a combination of internal resources, bank borrowings and issue of new shares.

As of 31 December 2007, the Group had cash and cash equivalents of HK$6,294.5 million, which was mainly denominated in RMB, HK dollar and US dollar.

As at 31 December 2007, the Group had total interest-bearing bank and other borrowings of HK$3,863.7 million (as at 31 December 2006: HK$2,883.8 million). Set out below is an analysis of interest-bearing bank and other borrowings of the Group:

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Within one year	**3,083.5**	1,547.7
In the second year	**32.1**	715.3
In the third to fifth years, inclusive	**748.1**	296.9
Over five years	**–**	323.9

Interest-bearing bank and other borrowings of approximately HK$3,083.5 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$1,031.4 million provided by a subsidiary of the Group and the minority shareholder of Huigang Real Estate. It is expected that these entrustment loans will be renewed upon their maturity dates.

All of the Group's borrowings are denominated in RMB and US dollars and bear interest at floating rates. There is no material effect of seasonality on the Group's borrowing requirements.

As at 31 December 2007, the Group had banking facilities of HK$6,713.7 million, all were denominated in RMB. The amount of banking facilities utilised was HK$3,863.7 million, the amount of unutilised banking facilities was HK$2,850.0 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 will come into effect on 1 January 2008.

The Group's cash flow for the year ended 31 December 2007 was a net cash inflow of HK$5,936.6 million, which consists of:

1. A net cash inflow of HK$172.4 million from operating activities, which was mainly attributable to the sale of Beijing Chemsunny World Trade Centre and presale of Zhuhai Every Garden, partially offset by the payment of construction costs, selling expenses and administrative expenses.

2. A net cash outflow of HK$2,800.3 million from investing activities, which was mainly attributable to the acquisition of equity interests in Chemsunny, Sinochem Property Management and Wangfujing Hotel Management, partially offset by capital contribution from the minority shareholders of our subsidiaries and gains from disposal of subsidiaries.

3. A net cash inflow of HK$8,564.5 million from financing activities, which was mainly attributable to the funding from the issue of new shares to shareholder, funds raised from the initial public offering and new bank and other borrowings, partially offset by repayments of bank and other borrowings.

Pledge of assets

As at 31 December 2007, certain of the Group's borrowings were secured by the Group's investment properties with fair value of HK$956.6 million and bank deposits of HK$694.7 million.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2007.

Capital commitments

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

	As at 31 December	
	2007	2006
	(HK$ million)	*(HK$ million)*
Contracted, but not provided for capital expenditure in respect of properties under development in the PRC	**740.1**	730.2

Market risk

The Group's assets are predominantly in the form of investment properties, 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 realized.

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 cash and cash equivalents and long term debt obligations. Increases in interest rates would increase interest expenses relating to the Group's outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can 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. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

Foreign exchange risk

Substantially all of the Group's revenue and costs are denominated in Renminbi. All of the proceeds from the initial public offering of the Company on 17 August 2007 were in Hong Kong dollars. The Company reports its financial results in Hong Kong dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates. The Group does not currently engage in hedging to manage 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. The foreign currency transaction risk is insignificant as the Group's revenue and costs are mainly denominated in RMB.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed 1,144 staff in total. The Group provides competitive salaries and bonuses for our employees, as well as other benefits, including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are regularly reviewed against market standards. The ordinary resolution regarding the adoption of share option scheme put forward at the extraordinary general meeting on 22 November 2007 was passed.

The Group encourages our employees to pursue self-improvement and lifelong learning and give them full support. By way of our comprehensive internal training platform, the Group seeks to develop and conduct internal training courses for our employees.

SOCIAL RESPONSIBILITY AND CONSTRUCTION SAFETY

As an operator and developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance with existing environmental laws and regulations has not had a material adverse effect on our financial condition and results of operations, and management does not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that may be built or developed in the future.

During the project design stage, the necessary environmental control systems are to be incorporated into the project design. In the course of construction, we employ high-quality, experienced and highly-qualified contractors that we believe will reliably adhere to these regulations. In addition, we also employ independent third party advisors to oversee compliance with environmental, social, health and safety regulations. Upon completion of each project, approval from the environmental authorities on such report is required before we can handover our completed projects to our customers.

We address potential safety risks through selecting qualified and experienced partners who have the ability to cope effectively with any risks that may arise in the course of construction. All of our contractors have relevant emergency plans in place to ensure that if any accident happens, they can be dealt with in time efficiently and effectively. We have also established the HSE department to conduct safety inspections on projects under construction to ensure that the appropriate facilities are in place to minimize any safety risks that may arise.

The completed Beijing Chemsunny World Trade Centre was awarded the Certificate of Environmentally Friendly and Healthy Property Project by the Indoor Environment Professional Committee of the China Association for Science and Technology. The project under development Shanghai Gaoyang International Passenger Transport Centre will also incorporate intelligent, energy-efficient design elements. This design will allow the building to remain cool in the summer and warm in the winter.

POST-BALANCE SHEET EVENTS

On 31 March 2008, the Group entered into a land use right grant contract with the local authority to acquire a parcel of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai for a consideration of RMB1,123 million (approximately HK$1,247 million). The site, which is intended for development of commercial properties, has an area of 19,039 square metres, and the planned above-ground gross floor area of the site is expected to be 73,790 square metres.

PROSPECTS OF THE COMPANY

The overall economy of the PRC keeps growing, bringing room for further expansion of the whole industry and the Group. The Group will speed up its regional expansion, increase its holding of investment properties, and promote awareness of its brand.

The Group persists in obtaining long-term and stable revenue by appropriate increase of its holding of quality commercial properties, and resists the risk of cycle fluctuations of the industry by the synergies gained from holding, operating and selling its properties simultaneously. The Group is committed to the development of a brand of high-end commercial properties, and unique high-quality architectural works. Through its professional management system, the Company provides its customers with products of the highest quality and comprehensive services.

In 2008, we have every confidence in the prospects of the high end commercial property market in the PRC and the development of the Group. The Group will continue to carry out its core strategy of "developing and holding quality commercial properties in first-tier cities and prime locations", and actively increase our land bank in the cities of Beijing, Tianjin, Shanghai and Zhuhai to further enhance our capability of ongoing operation. We will also consider developing high-end residential projects with high return and short cycle.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since its establishment, the Company has been committed to enhancing its corporate governance standards. Since its listing and up to and including 31 December 2007, the Company applied and complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Group will continue to improve its corporate governance practices, emphasizing the attainment and maintenance of a quality board, sound internal controls, high transparency to shareholders, and increase the confidence of shareholders in the Company. It believes that good corporate governance is important to the long-term healthy development of the Group and interest of the shareholders.

Details of other information regarding corporate governance practices of the Company will be set out in the Corporate Governance Report in the 2007 annual report of the Company, which will be despatched to the shareholders on or before 30 April 2008.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules to govern directors' securities transactions. Specific enquiry was made with all the Directors and they confirmed that they had complied with the required standards set out in the Model Code since the listing of the Company up to and including 31 December 2007.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$2 cents per share for the year ended 31 December 2007. The proposed dividend, if approved by the shareholders of the Company at the annual general meeting on 18 June 2008, will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 June 2008 to 18 June 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the above proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The following shares were allotted and issued by the Company to Sinochem Hong Kong prior to 17 August 2007:

Date of allotment	Number of Shares	Registered owner
26 April 2007	297,200,000	Sinochem Hong Kong
17 May 2007	355,000,000	Sinochem Hong Kong
31 May 2007	367,800,000	Sinochem Hong Kong
27 July 2007	1,800,000,000	Sinochem Hong Kong

The Company allotted and issued 1,411,100,000 new Shares on 16 August 2007 which were listed on the Stock Exchange on 17 August 2007. Pursuant to the exercise of the over-allotment option by the sponsor to the Company's listing, 211,664,000 new Shares were allotted and issued on 7 September 2007.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the year ended 31 December 2007.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, including review of the Group's results for the year ended 31 December 2007, and discussed with them the audit, internal control and financial reporting matters of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2007 will be convened on 18 June 2008, and a notice of the meeting will be published and despatched in due course in accordance with the requirements of the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange and the Company (http://fx.etnet.com.hk). The Company's annual report for the year ended 31 December 2007 will be available on the same websites on or before 30 April 2008.

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
Pan Zhengyi
Chairman

Hong Kong, 22 April 2008

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. PAN Zhengyi (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.