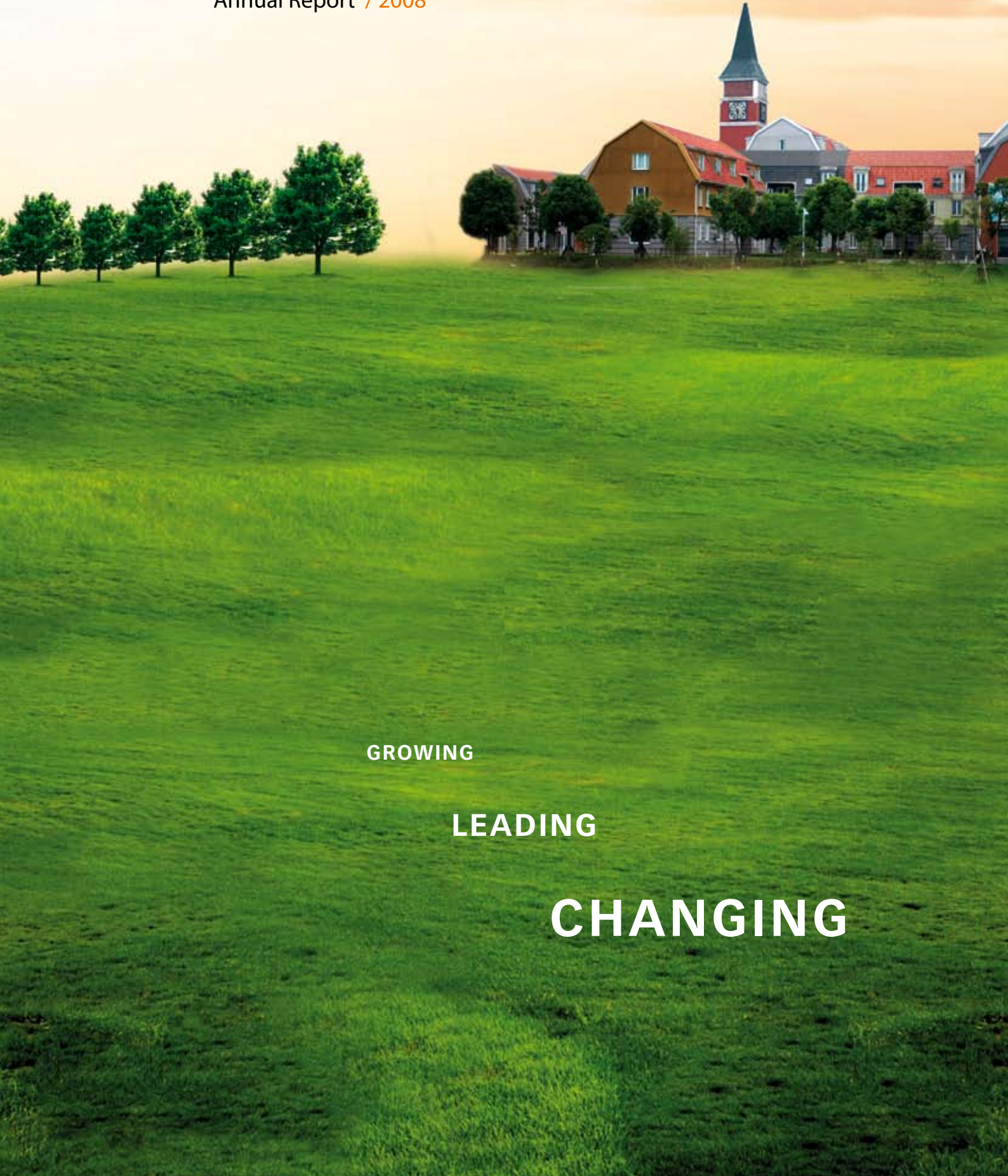




CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED  
中国新城镇发展有限公司

Annual Report / 2008



GROWING

LEADING

CHANGING

# Contents

01	Corporate Profile	24	Key Management
03	Our Strengths & Strategies	25	Corporate Governance
06	Our Projects	38	Report Of The Directors
08	Letter To Shareholders	44	Statement By Directors
12	Messages From Chief Executive Officer	45	Financial Statements
13	Business & Financial Review	121	Analysis Of Shareholdings
19	Corporate Structure	125	Notice Of Annual General Meeting
20	Board Of Directors		

**Our Vision** is to become the best run new town developer in China.

**Our Mission** is to build shareholders' value by developing large-scale new townships in China.

## Corporate Profile

While China New Town Development Company Limited was incorporated in January 2006, our first project located in Shanghai was incepted in September 2002. Since our listing on the Singapore Stock Exchange on 14 November 2007, we have acquired three additional projects. The current portfolio covers a total site area of approximate 40 sq.km.

We are a leading new town developer in the PRC. We are principally engaged in the planning and development of large-scale new town projects in the suburban areas of China's largest cities. Currently, we have four new town projects in Shanghai, Wuxi, Shenyang and Changchun. These new town projects are located in some of the fastest growing economic zones in China, namely, Yangtze River Delta and Pan Bohai Region.

While we principally produce developable land parcels for sale through public auctions, we also acquire the land use rights to parts of the remaining land to develop, manage and operate commercial properties, such as hotels and convention centers. In addition, we enter into agreements with the local governments to build, manage and operate public amenities, such as museums and recreational parks.

We focus on suburban areas of major cities in the PRC and identify potential business opportunities through careful market research and feasibility studies. Going forward, we aim to expand into other cities, which enjoy higher economic growth potential and increasing demand driven by continued urbanization.

We manage the entire development process of a new town development project, from designing of the master plan of the new town, relocation and resettlement of incumbent residents and enterprises, clearing and preparation of the land, to installation of infrastructure. In each of the new town projects, we develop, clear and prepare residential plots so that they are suitable for public land auctions by the relevant land authorities to third-party residential property developers.

In addition to land sales, we develop, manage and operate commercial properties such as hotels and convention centers. We also enter into agreements with the local governments to build, manage and operate public amenities, such as museums and recreational parks.



*CNTD develops, clears and prepares a majority of residential plots in each of its new town projects so that they are suitable for sale by the relevant land authorities to third-party residential property developers.*



## Our Strengths & Strategies

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### *Our competitive strengths:*

- One of the first privately-owned companies to plan and develop new towns in China
- Distinctive business model
- Close cooperation with local governments
- Exclusive development and management rights
- Well positioned to tap on rising urbanization trend in the PRC
- Experienced management team

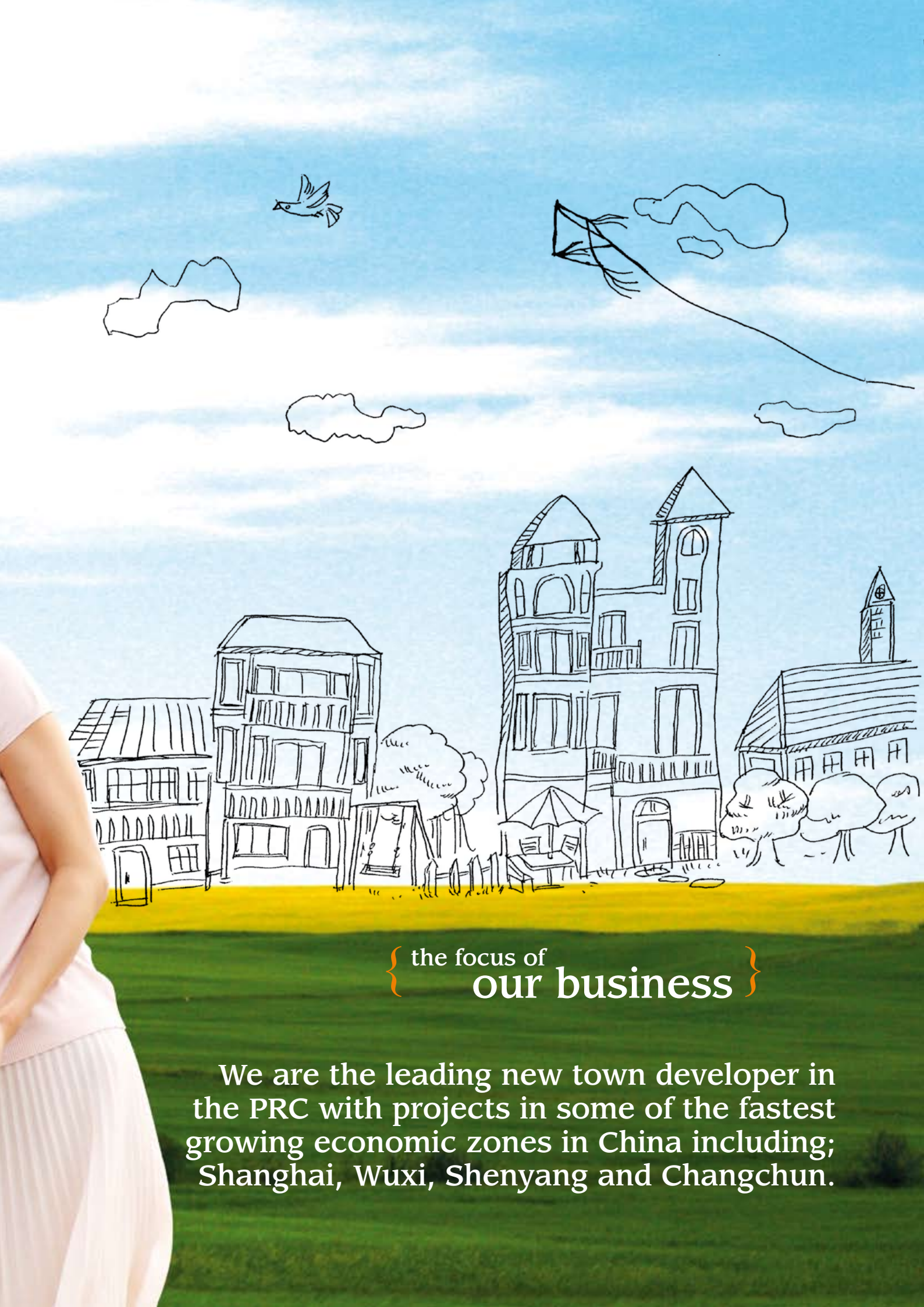
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### *Our business strategies:*

- Enhance geographic diversity of our business
- Grow recurrent operating income from commercial properties
- Adhere to international best practice
- Cooperate with leading international property development and management companies
- Focus on long term sustainable return



**Growing ...**



{ the focus of  
**our business** }

We are the leading new town developer in the PRC with projects in some of the fastest growing economic zones in China including; Shanghai, Wuxi, Shenyang and Changchun.

China New Town Development Company Limited

# Pioneering New Town Master Planner

{ New Town  
New Life }



## SHANGHAI LUODIAN NEW TOWN

- Site Area: 6.8 sq km
- Located at Baoshan District
- The closest town to Shanghai's downtown among the nine experimental new towns under "One City, Nine Towns" plan
- Construction of commercial district has been completed substantially



# Our Projects



## WUXI HONGSHAN NEW TOWN

- Site Area: 8.6 sq km
- Located at Wuxi New District
- Close proximity to the Wuxi city centre and Wuxi Airport
- Expected to be completed by 2012



## SHENYANG LIXIANG NEW TOWN

- Site Area: 20.0 sq km
- Located at Dongling District
- Close proximity to Shenyang city centre
- An integrated tourism commercial, ecological and residential project
- Expected to be completed in 2014



## CHANGCHUN AUTOMOBILE NEW TOWN

- Site Area: 3.99 sq km
- Located at Changchun Auto Industry Development Zone
- The manufacture base of China First Automobile Group Corporation
- Under planning





尊敬的股东：

本人谨代表董事局向诸位提呈中国新城镇发展有限公司(CNTD)截至2008年12月31日之全年(2008年会计年度)业绩报告。

2008年，由美国次级债引发的金融危机在全世界范围内蔓延并且加深。中国作为全球经济的一部分，不可避免受到了影响——出口急剧下滑，经济增长速度明显放缓。

作为宏观经济的晴雨表，中国房地产行业自2007年4季度开始下滑，进入2008年继续处于在低谷调整阶段。据国家统计局发布的官方数据显示，2008年全国商品住宅销售面积同比下降20.3%，销售额同比下降20.1%。而重点城市下跌幅度则大幅高于这个数据。从商品住宅成交面积指标来看，北京同比下降40.4%，上海同比下降40.1%。同时，成交价格也呈现下降的趋势。与商品房市场密切相关的土地市场也呈现萎缩迹象。以上海为例，2008年，上海土地市场共成交地块331幅，总面积1194.97万平方米。公告挂牌出让土地中，有24幅地块流标，其中住宅用地9幅、商办类用地6幅、工业用地9幅，另有80幅地块无最终出让结果。

但是我们注意到，国家统计局数据显示，中国城镇化率从2006年的43.9%上升到上一年的44.9%，环比增加1个百分点，这说明中国的城镇化进程没有变化，中国新城镇发展有限公司的增长的基本面依然持续向好。同时，中国国务院在2008年11月9日出台的刺激经济发展的4万亿投资计划，明确把“加快农村基础设施建设”列入第二条扩大内需的重要措施。

## 主席报告

在此背景下，上海土地的价格并未出现明显下调，尤其是优质住宅用地价格仍然持续走高。比如CNTD下属上海金罗店开发有限公司开发之宝山罗店新镇土地，在2008年1月、8月的三次出让中，分别以每平方米4,459元、5,106元和5,561元成交，接连创下罗店新镇土地价格的新高记录。与此同时，公司于2007年开始开发的江苏无锡鸿山新城镇项目和辽宁沈阳李相新城镇项目也相继有土地出让。

整个2008年：

- 上海金罗店开发有限公司总共出让土地：263亩；实现销售收入：人民币4.03亿元。
- 沈阳李相新城发展有限公司总共出让土地：647.9亩；实现销售收入：人民币0.94亿元。
- 无锡鸿山新城镇发开有限公司和长春新城汽车产业建设有限公司开发之项目，居民动拆迁稳步推进，基础设施和配套工程建设也在按计划进行中。

在2008年9月，CNTD成功进行了总计1,532,175,000元人民币可转股债券回购计划，将金融危机导致的资本市场的疲软对公司的影响减少到最小。

我们欣喜的关注到，在2009年3月5日召开的中华人民共和国第十一届全国人民代表大会二次会议的政府工作报告中，温家宝总理明确指出要“促进房地产市场稳定健康发展。采取更加积极有效的政策措施，稳定市场信心和预期，稳定房地产投资，推动房地产业平稳有序发展。”我们有理由相信，中国房地产业在经历了一年半的快速调整之后，将会随着宏观经济形势的企稳和金融信贷的适度放宽，出现一个新的发展契机。我们充分相信中国新城镇发展有限公司必将在先前奠定的基础上，各项业务会有全面的推进，经营业绩也将得到明显的改善。

在此，我谨代表董事局，向各位股东、投资者、项目所在地相关政府部门以及各位对CNTD一年来的关注和支持表达由衷的感谢！也对CNTD的管理层和全体员工在过去一年的辛勤工作和努力付出表示衷心的感谢！

**施建**

执行主席

二零零九年四月七日



**Changing ...**



{ for a better  
living }

Our business is creating and developing an ideal environment that aims to meet China's urbanization demand of a better lifestyle.



## Messages from Chief Executive Officer

### Dear Shareholders,

2008 was the wake-up call to all, especially those based in Asia, who have been used to continued prosperity. As the global credit crisis deepened, hundreds of millions' dreams of complacency and extravagance have been shattered over a matter of weeks. Worse still, the persistent market weakness has shaken confidence among all walks of life – business owners, professionals and investors alike. Property prices took a dive across the nation. To add salt to the wound, credit continues to be tight. It has hampered developers from furthering construction to earn the already undermined margins. Land auctions nearly in all major cities had come to a halt until recently.

### **To put it in context, the key challenges we are up and against can be summarized as follows:**

1. Despite the repeatedly record-breaking achieved selling prices, we have witnessed dwindling demand from the 2<sup>nd</sup>-tier developers. The timetable of the land sales which is controlled by relevant land reserve centre remains uncertain;
2. It is no doubting that the State Council has changed from austerity measures during 2007 and most of 2008 to the current pro-development expansionary mode. Banks will take some time to alter the current lending policies to property developers across the board; and
3. The overseas credit crunch also takes its toll with respect to the pace of urbanization. The sky-rocketed cost of offshore borrowing has considerably increased finance cost and, hence, pressure on cash flow. In addition to lack of new equities to further construction, prohibitively high cost of refinancing further heightened financial risks. The slowed down foreign investment into the sector is unlikely to recover shortly.

We acknowledged the state Council's recent commitment to revitalise the property development sector. Before this manifests into macro policies in the near future, our business outlook will remain uncertain and the operating environment difficult. Our current focus is on how we do business within a strictly disciplined cash flow management context.

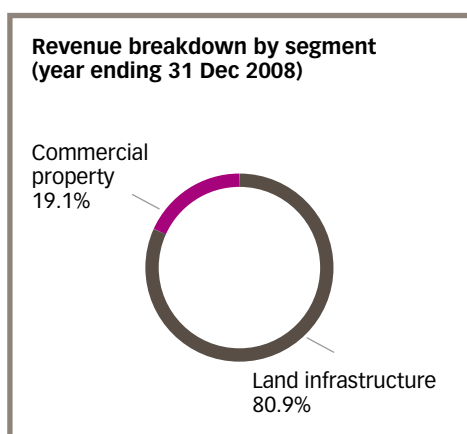
## Business & Financial Review

**Let me share with you a quick review of our performance in 2008 and how we plan to move forward in this environment:**

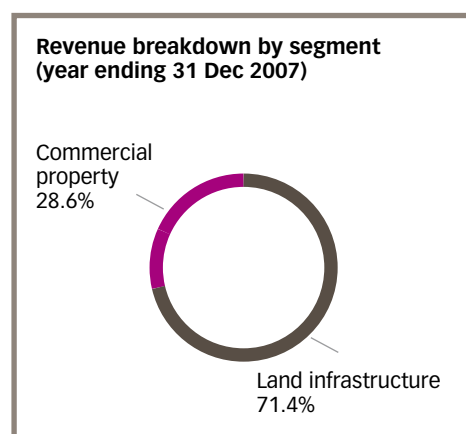
### *Financial Performance*

Our financial results are primarily driven by the frequency of land sales, and the achieved selling prices of public auction of land use rights. In addition, we derive operating income from the operation of various commercial properties.

*Chart 1. Revenue mix: Sale of land infrastructure 31 December 2007 and 2008, % and total amount*



Total revenue is RMB 614.9 million



Total revenue is RMB 399.0 million

### **SUMMARY**

Albeit the 54% growth in revenue for the year ended 31 December 2008 ("FY2008"), we recorded a net loss of RMB 845 million or RMB 0.5335 per share. This compares with net loss of RMB 287 million or fully-diluted loss per share of RMB 0.343 per share for the year ended December 2007 ("FY2007").

During the FY2008, the Group has handed over three residential plots from its Shanghai project in January, June and August 2008, three residential plots from its Shenyang project in March and October 2008 for public listing. These six plots contributed RMB 662 million of gross revenue to the Group.

In October 2008, the Shanghai Government released a new administrative measure with retrospective effect from 1 January 2007, under which, the City Government and, to a lesser extent, all municipal governments increased taxes and levies in land sales proceeds. As a result, the net revenue sharing ratio of the Luodian project was reduced to 64%. The revenue of RMB 662 million for the year ended 31 December 2008 were offset by RMB 165 million to reflect reduction in the Group's share of the proceeds from sale in land use rights from Luodian in 2007.

## Business & Financial Review

Due to the continuing weakening retail rental market and hotel business, the group has provided a revaluation loss on the investment properties in Luodian and Wuxi of RMB 488 million and an impairment loss for the property, plant and equipment of RMB137 million in FY2008.

Further, a loss of RMB 288 million was recorded mainly attributable to the fair value change for the put option of convertible bonds in year 2008 before its repurchase.

### **SEGMENT RESULTS**

#### **1. Sale of land infrastructure**

Despite the slow-down in land supply schedule, demand for developable land parcels remained resilient. This can be illustrated by higher achieved land transaction prices, which showed a respectable increase from last year. Bidding interests for our sites have been encouraging so far

Of the achieved land sales, the gross margins decreased from 57.3% to 44% from FY2007 to FY2008. This is primarily due to the offset of RMB 165 million revenue in 2008 since the launch of the new administrative measure by Shanghai Government in October 2008 (as mentioned above).



*Chart 2. Revenue & gross profit by Business Units for 31 December 2008 and 31 December 2007*

Revenue by business unit: RMB'000	Year ended 31 December 2008	Year ended 31 December 2007
Development of land infrastructure	497,305	284,993
Hotel operations	34,047	33,978
Golf course operations	56,719	59,673
Golf club membership fees	21,948	13,113
Investment property leasing	593	5,533
Others	4,269	1,630
<b>Total</b>	<b>614,881</b>	<b>398,920</b>
<b>Gross Profit by business unit: RMB'000</b>	<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2007</b>
Development of land infrastructure	218,837	163,509
Hotel operations	(5,740)	(3,674)
Golf course operations	35,003	39,965
Golf club membership fees	(821)	(7,462)
Investment property leasing	593	5,533
Others	(2,092)	(2,012)
<b>Total</b>	<b>245,780</b>	<b>195,859</b>

**Luodian, Shanghai**

In the year under review, we have delivered three residential land plots to the Land Reserve Center for public listing. The prices were RMB 4,459 psm achieved in January, RMB 5,106 psm and RMB 5,561 psm both achieved in August. These are appreciably higher than the historical averages thanks to the near completion of the broadening of the Hutai Highway and the noticeable progress shown in the construction of the Metro 7 line. The infrastructural improvement helped the Luodian new town defy the general price correction in the city.

The total revenue recognized for the year amounted to RMB 403 million, of which RMB 167 million flew through to become EBITDA.

The hotel was officially opened as Crowne Plaza Lake Malaren Hotel on Jan 2008. Barring the fact that the resort hotel market in Shanghai suburban area has softened from an average occupancy of 40% in 2008 to current 30%, our achieved average occupancy in the last three months of 2008 was 32%, which compares with 17% for the same period last year and our 2008 average at 24%.

## Business & Financial Review

The total outstanding project loan for the Shanghai project was reduced from RMB 1.6 billion at the beginning of the year to RMB 1.1 billion as of December 31. See the section titled Financing for further details.

### Lixiang, Shenyang

This project was incepted in April 2007 and completed the first full year operations in 2008.

During the year, we have:

- finished construction of two 18-hole championship golf courses and a 5,421 sq.m. club house;
- commissioned 35.5 cu.m/hr. water treatment plant;
- built 70,000 sq.m. of resettlement homes; and
- made 5.3 km of intercity and municipal expressways available for public transport.

We have delivered three residential land plots representing a total site area of 432,000 sq.m. to the relevant Land Reserve Center for public listing.

The total revenue recognized for the year amounted to RMB 94 million, of which RMB 28 million flew through to become EBITDA.

In line with the general property market weakness across the nation, the bidding interests for developable land parcels have gradually subsided throughout the second half of 2008. We have, however, witnessed some mild recovery in sentiments stepping into the second quarter of 2009. The actual take-up of land is yet to be tested later in this year.

The project management team is working hard to foster joint ventures with various leisure facilities operators. The development plan is being modified so as to better leverage others' expertise and, hence, generate earlier cash inflow. Any eventual changes in planning, needless to say, will require approvals from, among many other governmental bodies, the local Planning Bureau. The confirmation of the subsequent revision in planning is expected to be no earlier than the 4<sup>th</sup> quarter of 2009.

### Hongshan, Wuxi

This project was incepted in March 2007 and completed the first full year operations in 2008.

During the year, we have:

- finished construction of the town center public square, which houses monuments to commemorate the characteristic ancient local culture;
- commissioned 77 cu.m. water treatment plant;
- built 500,000 sq.m. of resettlement homes; and
- made 1.85 km of intercity and municipal expressways available for public transport.

The local economy is highly geared towards the well being of various multi-national corporations situated in the Wuxi Industrial Park. As a result, the global economic recession especially in the U.S. and Europe took its toll undermining the local housing demand. Our development plan, therefore, has been slowed down accordingly. Scheduled capital expenditure has been reduced pending finalization of longer term project financing.

### Changchun Automobile New Town

The project was incepted in March 2008. The master plan has been finalized but approvals for rezoning of some specific land parcels are still in progress.

During the year, we have finished the foundation work of the Automobile Museum/Exhibition Center.

The project is still at an early stage and we will continue to monitor the local property market before we release land parcels for public listing.

## 2. Commercial property

The operating and leasing income from commercial property accounted for only 19% of total revenue in FY2008.

During the FY2008, only the Luodian project derived operating and leasing income from commercial property. While the construction works have substantially completed, we have reopened the shopping street as the Luodian Factory Outlets on 18<sup>th</sup> January 2009. As of today, 11 shops are open to business. More than 50,000 visitors have been recorded since opening. This property brought us total rental income of RMB 0.6 million in 2008 but contribution from the new outlets will kick in in 2009.

Due to the continuing weakening of the rental market in FY2008, a non-cash revaluation loss of RMB 488 million for the investment properties are located in Luodian and Wuxi were recognised.

## 3. Financing

### *Financial Plan*

The lackluster share price performance renders any form of equity issuance impossible. In the near future, we will continue to finance our business by means of both offshore borrowing and onshore project financing.

### *High Yield Notes*

In anticipation of the redemption risk, in September 2008, we repurchased the entire convertible bonds with outstanding principal of RMB 1.5 billion by paying cash of RMB 639.5 million, issuing 605 million new shares and RMB 593 million worth of plain vanilla 3-year high yield notes with coupon of 17.75%.

The issue of the high yield notes means that we have to annually utilize RMB 105 million to service coupon, which represents significant financial burden on the overseas holding company as the borrower. Meanwhile, we will meet the repayment obligation by making use of our internal cash resources and upstreaming dividends from project companies. Should the credit market stabilize, we would seek refinancing or lengthening maturity.

## **Project Financing**

### **Luodian, Shanghai**

We have reached agreements with the Agricultural Bank of China to replace the existing one-year facilities with total outstanding principal of RMB 1.13 billion by a 3-5 year loan. Documentation is expected to be executed in April 2009.

### **Other projects**

We are actively exploring many forms of financing options for the other three projects. While the negotiations are at various stage of development, it is no escaping from the fact that any new borrowings must be justified by the resulting expected return profile. In this market, we are eyeing for IRR of 30% and maximum payback period of 4 years.

## **Outlook**

One can never be sure about what the future holds. The global financial tsunami, nonetheless, is certainly not over yet. The challenges ahead are immense. Hoping for an imminent recovery without instilling concrete measures is not a strategy.

As your business manager, I will constantly remind my colleagues and myself of upholding a few key principles:

- By targeting at dealing with the key risk factors (in our case, high borrowing cost and lengthened payback), we can contain our problems within a manageable margin;
- Monetary capital may be scarce but nothing stops us from deploying human capital more effeciently so as to create economic value-added;
- Effective execution of business strategies is a cost saving measure at its own right; and
- Nothing compares with the economic benefits of reducing expensive debts.

On behalf of the management team, I would like to express our gratitude for your trust and support in 2008. We are looking forward to seeing you in the Annual General Meeting on April 30, 2009.

## **Cheng Wai Ho**

Chief Executive Officer

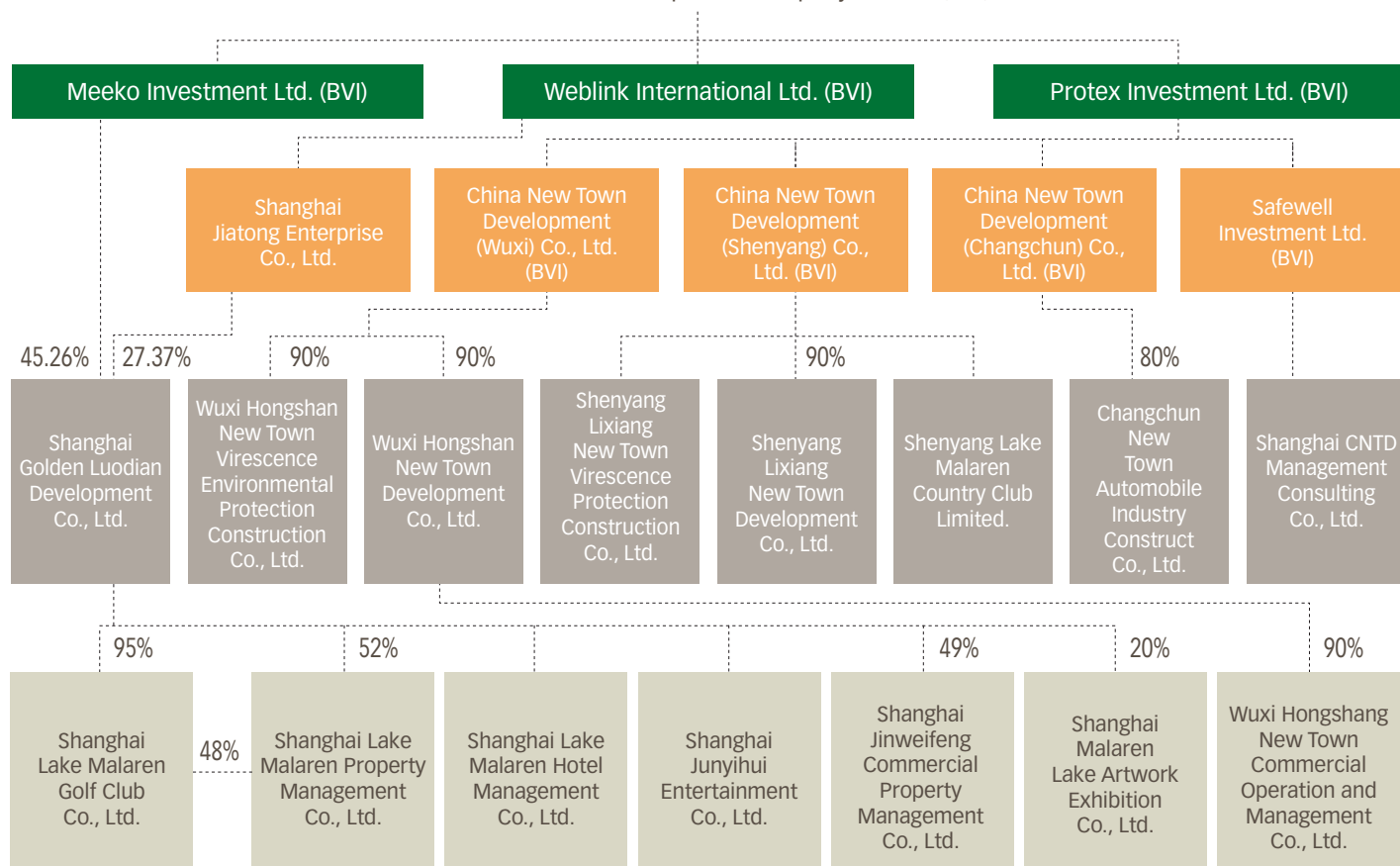
7 April, 2009

# Corporate Structure

(as at 31 December 2008)



China New Town Development Company Limited (BVI)



1. Except as otherwise expressly stated as (BVI) British Virgin Islands, all companies within China New Town Development Company Limited group of companies are incorporated in the People's Republic of China.
2. Except as otherwise expressly stated, all companies in this corporate structure are wholly-owned by their respective holding companies.
3. Name of accounting firm of the significant subsidiaries as defined in Rule 718 of Listing Manual.

#### Name of significant subsidiaries

China New Town Development Company Limited

Shanghai Golden Luodian Development Company Limited

Shenyang Lixiang New Town Development Ltd

Shenyang Lixiang New Town Virescence Protection Construction Co., Ltd

Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd

#### Name of accounting firms

There is no statutory requirement for the appointment of accounting firm under BVI Law

Shanghai Shenzhou Datong Certified Public Accountants

Liaoning Huarui Registered Taxagent Co. Ltd.

Liaoning Huarui Registered Taxagent Co. Ltd.

Wuxi Fangzheng Certified Public Accountants

## Board Of Directors



### Mr Shi Jian

*Executive Chairman*

Mr Shi Jian is the founder of the Company. He was appointed to the Board on 11 January 2007 and has been the Executive Chairman of the Company since 1 April 2007.

Mr Shi is responsible for the development of the Company's corporate strategies. He is involved in assessing the businesses in which the Company is involved and reassesses each strategy regularly to determine whether it has succeeded or needs replacement by a new strategy to meet changed circumstances. He also provides guidance to the Chief Executive Officer in developing plans to achieve each strategy. In addition, Mr Shi is responsible for developing and maintaining good working relationships with government authorities and joint venture partners. He also sits on the boards of various companies within the Group.

Mr Shi served in the People's Liberation Army from 1970 to 1986, attaining the rank of colonel. From 1986 to 1993, he was the Administration Manager of Shanghai Hongqiao Hotel where he gained extensive experience in hotel management and operation. Then, from 1993 to 1995, he was the General Manager of the Universal Mansion Project in Shanghai where he obtained substantial experience in the development of commercial property. He has more than 20 years experience in business management and the property development industry, including approximately six years experience in the new town development in the People's Republic of China.

Mr Shi is also a co-founder and is concurrently the Executive Chairman of SRE Group Limited, a company listed on the Hong Kong Stock Exchange.



### Mr Li Yao Min

*Co-Vice Chairman*

Mr Li Yao Min was appointed to the Board on 11 January 2007 and has been the Executive Vice Chairman of the Company since 1 April 2007. On 1 December 2008, Mr. Li was re-designated as Co-Vice Chairman.

Mr Li is responsible for identifying investment opportunities to meet the Company's strategies. He is also responsible for making a high-level initial assessment of the investment opportunity and its potential return and then suggesting it to the Chief Executive Officer for a more detailed evaluation. He also sits on the boards of various companies within the Group.

Mr Li served in the People's Liberation Army from 1970 to 1975. From 1975 to 1992, he worked for Shanghai Garment Shoes and Hats Company and was responsible for the management and development of construction projects and gained substantial experience in the management and construction of industrial property. Then, from 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a General Manager, responsible for the overall management and development of commercial property. He has over 20 years of experience in business management and the property development industry, including six years experience in the new town development in the People's Republic of China.

Mr Li is also a co-founder and is concurrently the Executive Vice Chairman of SRE Group Limited, a company listed on the Hong Kong Stock Exchange.



### Mr Yue Wai Leung, Stan

*Co-Vice Chairman*

Mr Yue Wai Leung Stan was appointed to the Company's board of directors on 30 September, 2006 and has been serving as Chief Executive Officer since April 2007. On 1 December 2008, Mr Yue was re-designated as Co-Vice Chairman. Mr Yue is responsible for assisting the Chairman in formulating corporate strategies and developing working relationship with government authorities and joint venture partners. Together with Co-Vice Chairman Li Yao Min, he provides guidance to the Chief Executive Officer in implementation and business management. He also sits on the boards of various companies within the Group.

Mr Yue holds a Bachelor's Degree in Administration Studies from York University in Toronto, Canada. He is a Member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. Mr Yue has over 20 years of experience in the finance and administration sectors in both private and public companies in Hong Kong and the People's Republic of China ("PRC"). He also served with international accounting firms in Hong Kong, the PRC and the United States. Between September 2001 and April 2004, he was the Managing Director of Genesis Capital Investment Consulting Co. Ltd., where he was in charge of business development. Then, from May 2004 to April 2007, he held the position of Chief Financial Officer at SRE Group Limited, a company listed on the Hong Kong Stock Exchange, responsible for the financial matters of the company.

### Mr Cheng Wai Ho

*Chief Executive Officer & Executive Director*

Mr Cheng Wai Ho became Executive Director on 30 September 2006 & assumed the role of Chief Executive Officer of the Company in Dec 2008. He is responsible for formulation and execution of strategies and planning of the Company, as well as in charge of investment & financial matters. He also oversees the Company's legal and investor relations affairs. Before that, Mr Cheng was the former Chief Financial Officer of the Company. In addition, he sits on the boards of various project companies within the Group.

Mr Cheng holds a Bachelor's Degree in Economics from the University of Hong Kong and a Master's Degree in Finance from the University of Strathclyde, Glasgow.

Mr Cheng served as an Investment Analyst at Credit Lyonnais,

Asia from December 1993 to October 1995. From October 1995 to November 2000, he held the position of Executive Director at Goldman Sachs, Asia, where he was in charge of Hong Kong & China property research before he became an Investment Adviser with the PrivateWealth Management Division to cover China clients until 2001. Between April 2002 and March 2004, he assumed the position of Senior Vice President in HSBC Republic Bank and Vice President in Deutsche Bank.

### Ms Gu Bi Ya

*Executive Director*

Ms Gu Bi Ya was appointed to the Board on 30 November 2006 and has been the General Manager for the Wuxi Project since 1 April 2007. She is responsible for overseeing the development of the Wuxi Project. She also sits on the boards of various companies within the Group.

Ms Gu holds a Bachelor's Degree in International Finance from the Lanzhou Business Institute and obtained a Global Urbanization and Business Forum UEO Certificate from the Harvard Design Research Institute. She is a Member of Wuxi City, Wushan District Chinese People's Political Consultative Conference National Committee currently. She was a Member of the Shanghai City, Baoshan District Chinese People's Political Consultative Conference National Committee as well as a Vice Committee Chairman of the Shanghai City, Baoshan District Foreign Investment Business Management Committee. She was awarded the 2005 China Construction Industry Top 100 Managers Award in October 2005.

Ms Gu has over 18 years of management experience in the real estate industry. She has been associated with SRE Group Limited ("SRE"), a company listed on the Hong Kong Stock Exchange, since 1996 and served as Vice President of SRE until 2006. Between 1996 and 1998, she held the position of Facilities Department Manager at Shanghai Well Real Estate Co., Ltd. ("Shanghai Well Real Estate"), where she oversaw the operation of facilities in real estate project. From 1998 to 2000, she served as an Assistant General Manager at Shanghai Xingdong Co., Ltd., where she was responsible for overseeing the operation of facilities in real estate projects and marketing. She returned to Shanghai Well Real Estate in 2000 and served as General Manager until 2002, where she was responsible for the operations of the company. She was subsequently joined Shanghai Golden Luodian Development Co., Ltd. ("SGLD") in 2002, where she held the position of General Manager and was responsible for the operations of the company until February 2007. In addition, she has been a Director of SGLD since 2002.



### Mr Mao Yi Ping

*Executive Director*

Mr Mao Yi Ping was appointed to the Board on 30 November 2006 and has been the General Manager for the Shenyang Project since 1 April 2007. He is responsible for overseeing the development of the Shenyang Project.

Mr Mao holds a Bachelor's Degree in Mechanical Engineering from Shanghai Jiaotong University and a Master's Degree in Business Administration from the Hong Kong City University.

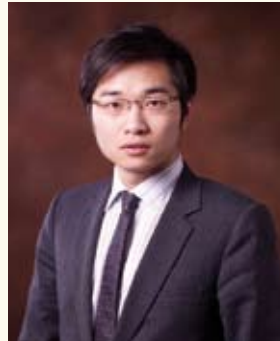
Mr Mao served as an Assistant to the Chairman of SRE Group Limited, a company listed on the Hong Kong Stock Exchange, from April 1993 and January 2001, where he was responsible for administration. Between January 2001 and February 2004, he concurrently served as a Director and General Manager at Shanghai Internet Communications Co., Ltd. and Shanghai Telecom Haplink Communications Co., Ltd. and was also the General Manager at Shanghai Wingo Infrastructure Co., Ltd. Between February 2004 and October 2006, he was a Joint General Manager at Shanghai Shuocheng Real Estate Co., Ltd., responsible for the operation of the company's business.

### Mr Shi Bing

*Executive Director*

Mr Shi Bing was appointed to the Board on 12 December 2007. He is responsible for project development and plays a significant role in the negotiation process for new projects and joint ventures, as well as the developments of the same. He is the son of Mr Shi Jian, the Executive Chairman and a controlling shareholder of the Company.

Mr Shi Bing graduated from University of Southern California with Bachelor's Degree in accounting. He previously worked with CITIC Ka Wah Bank in the United States and PricewaterhouseCoopers in the People's Republic of China.



### Mr Henry Tan Song Kok

*Lead Independent Non-Executive Director*

Mr Henry Tan Song Kok was appointed to the Board on 25 September 2007. He is also the Chairman of the Audit Committee and a member of the Investment Committee.

Mr Tan graduated with a First Class Honours degree in Bachelor of Accountancy from the National University of Singapore. He is a fellow of the Institute of Certified Public Accountants of Singapore, member of the Institute of Chartered Accountants in Australia, Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Directors.

Mr Tan is the Managing Director of Nexia TS Public Accounting Corporation and the Chairman of Nexia China. He is also the Asia Pacific Regional Chairman and board member of Nexia International.

Mr Tan also sits on the boards of Chosen Holdings Limited, Raffles Education Corporation Limited, YHI International Limited and Pertama Holdings Limited, all of which are listed on the Singapore Stock Exchange.





### Mr Loh Weng Whye

*Independent Non-Executive Director*

Mr Loh Weng Whye was appointed to the Board on 25 September 2007. He is also the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and Investment Committee.

Holding MSc.(Industrial Eng.) and B Eng.(Mechanical) degrees, Mr Loh is a Professional Engineer (Singapore), a Member of the Singapore Institute of Directors, and was elected a Fellow of the Institution of Engineers Singapore, in 1995.

Mr Loh is a veteran in infrastructure development and energy business in Singapore and the region, with over 35 years of experience in senior and corporate-level appointments with the civil service, government-linked companies and the private sector. Under the Public Utilities Board, he headed Generation Projects group responsible for the management and commissioning of power station projects worth more than S\$3 billion. He was also the founding General Manager (Projects) of Tuas Power Ltd. Mr Loh was formerly President of ST Energy Pte Ltd and SembCorp Energy Pte Ltd. He was later appointed Advisor to Green Dot Capital, an investment and holding company under Temasek Holdings.

Currently, Mr Loh sits on the boards of four SGX mainboard-listed companies. He was appointed Senior Advisor by YTL Power International for the bidding for the three Singapore gencos and the S\$3.8 billion acquisition of PowerSeraya Ltd. He also holds advisory appointments in several external councils and institutions of tertiary education.

### Mr Lam Bing Lun, Philip

*Independent Non-Executive Director*

Mr Lam Bing Lun, Philip was appointed to the Board on 30 November 2006. He is also the Chairman of the Investment Committee and a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr Lam holds a Diploma in Management Studies from Hong Kong Polytechnic. Mr Lam is active in community affairs and has served as a Member on the Board of Review of the Hong Kong Inland Revenue Department for three years. He is a Fellow of The Chartered Institute of Management

Accountants (U.K), an Associate of The Certified Management Accountants (Canada), The Institute of Chartered Secretaries and Administrators, The Chartered Institute of Bankers and Hong Kong Institute of Certified Public Accountants. He is also a Member of Establishment & Finance Committee of Prince Philip Dental Hospital.

Mr Lam began his career in 1963 with Hang Seng Bank Ltd, a principal member of the Hong Kong and Shanghai Banking Corporation Group. Mr Lam first joined the University of Hong Kong ("HKU") in 1975 and has served as the Director of Finance since 1990, where he is responsible for overseeing and managing HKU's overall financial affairs. He also spent three years in Canada from 1982 to 1985, where he served as the Chief Accountant and Comptroller in the Overseas Bank of Canada.

Mr Lam is also currently a Director of EnterprisesAsia Ltd, a company listed on the London Stock Exchange. He also sits on the boards of several companies in Hong Kong.

### Mr Kong Siu Chee

*Independent Non-Executive Director*

Mr Kong Siu Chee was appointed to the Board on 30 November 2006. He is also the Chairman of the Remuneration Committee and a member of the Nominating Committee and Investment Committee.

Mr Kong holds a Bachelor Degree in Economics from the University of Hong Kong and an MBA from the Chinese University of Hong Kong. He is an Associate of The Chartered Institute of Bankers in United Kingdom.

Mr Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a Director of Champion Technology Holdings Ltd. from 1993 to 1994, and a Director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 to 2005, he served as a Director, Executive Vice President and Alternate Chief Executive Officer of CITIC Ka Wah Bank Limited, and was also a Director and the Managing Director of CITIC International Financial Holdings Limited from 2002 to 2005.

# Key Management

## Mr Yang Yong Gang

*Vice President and Head of Legal Affairs*

Mr Yang Yong Gang held the position of Vice President and Head of Legal Affairs of the Company since April 2007. He holds a Bachelor's Degree in Philosophy from China Xinan Jiaotong University.

Mr Yang was a Production Leader at the Yunnan Province of Meng La Farm from 1969 to 1978, where he was in charge of production. He subsequently joined China Shanghai Tiedao University in August 1982 and served as a Teaching Assistant, Lecturer and Assistant Professor until January 2000. He was attached to China Tongji University in February 2000 as an Assistant Professor and has remained in this position. He later joined SRE Group Limited, a company listed on the Hong Kong Stock Exchange, in January 2001 as Head of Administration where he was responsible for investment and legal matters. Mr Yang was awarded the Shanghai City Excellent Educator Award in June 1987.

## Mr Tai Kuo Lin

*Vice President and co-General Manager*

Mr Tai Kuo Lin held the position of Vice President and co-General Manager of Shanghai Golden Luodian Development Co., Ltd. since February 2007. He is responsible for the operation of golf club recreational facilities of the Group. Mr Tai holds a professional golfing certificate from the San Diego Institute.

Mr Tai has over 20 years experience in the golf industry. From 1986 to 2002, he was the Vice Chairman of U.S. UNIFAIR Consultancy Company and was responsible for golf resort consulting services. During this period, he was also a professional Golf Coach in the United States and Taiwan PGA tours and he also worked as the Special Assistant to the General Manager of the Taiwan Yangsheng Village Golf Course. In 2003, he became a Vice President of SRE Group Limited, a company listed on the Hong Kong Stock Exchange, a position he held until 2004 before he joined Shanghai Lake Malaren Golf Club Co., Ltd., a subsidiary of the Company, as General Manager. In June 2006, he was appointed as Joint General Manager of Shanghai Lake Malaren Golf Club Co., Ltd.

## Ms Tam Sau Fung

*Group Financial Controller and Joint Company Secretary*

Ms Tam Sau Fung joined CNTD and has been serving as Financial Controller of the Group since July 2008. She graduated from the Hong Kong Polytechnic University with Bachelor's Degree major in accounting. Miss Tam has worked in international accounting firm in Hong Kong for seven years. She is a member of the Hong Kong Institute of Certificate Public Accountant. She is in charge of the finance and accounting functions as well as company secretarial matters.

## Ms Fang Ping

*Financial Controller*

Ms Fang Ping held the position of Financial Controller of the Company since June 2007. She is responsible for the financial reporting and analysis of the Group. Ms Fang graduated from Shanghai University of Finance & Economics, majoring in accounting and auditing. She is a Member of the CICPA Examination Committee.

Ms Fang has 16 years of financial and accounting management experiences. She was the Senior Manager of Accounting and Finance in Junan Securities during 1993 to 2000. From 2000 to 2004, she worked as Finance Manager in Shanghai IKS Mechanical Blade Co. Ltd. Then from 2004 to 2007, she served as Senior Finance Manager in Ascendas China Co. Ltd.

# Corporate Governance Report

The board of directors (the “Board”) and management are committed to maintaining a high standard of corporate governance by complying with the principles and guidelines of the new Code of Corporate Governance 2005 (the “Code”) issued by the Corporate Governance Committee. Good corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders’ interest. This statement outlines the main corporate governance practices and processes that were in place throughout the financial year.

## (A) BOARD MATTERS

### The Board’s Conduct of its Affairs

The Board has overall responsibility for the proper conduct of the Company’s business. The Board’s primary role is to provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives as well as to protect and enhance long-term shareholders’ value. It sets the overall strategy for the Group and review management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Formal Board Committees established by the Board include the Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee to assist the Board in the discharge of its duties. The effectiveness of each Committee is also constantly monitored.

The Board meets on a regular basis. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. During the financial year ended 31 December 2008, five Board meetings were held. The attendance records of the directors, together with their attendance at Board Committee meetings are set out below:

Names	Board		Audit Committee		Nominating Committee		Remuneration Committee		Investment Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
	Shi Jian	5	5	-	-	-	-	-	-	-
Li Yao Min	5	5	-	-	-	-	-	-	-	-
Yue Wai Leung, Stan	5	5	-	-	-	-	-	-	-	-
Cheng Wai Ho	5	5	-	-	-	-	-	-	-	-
Gu Bi Ya	5	3	-	-	-	-	-	-	-	-
Mao Yi Ping	5	3	-	-	-	-	-	-	-	-
Shi Bing	5	5	-	-	-	-	-	-	-	-
Lam Bing Lun, Philip	5	4	4	4	2	2	3	3	1	1
Kong Siu Chee	5	5	-	-	2	2	3	3	1	1
Henry Tan Song Kok	5	5	4	4	-	-	-	-	1	1
Loh Weng Whye	5	5	4	4	2	2	3	3	1	1

The Articles of Association of the Company provide for the convening of Board or Board Committee meetings by way of telephonic or similar communication.

# Corporate Governance Report

Mr Henry Tan Song Kok and Mr Loh Weng Whye are currently directors of other public listed companies in Singapore and are familiar with the roles and responsibilities of a director of a public listed company in Singapore. Upon appointment, each director is briefed and provided with relevant information on the Company's policies and procedures relating to corporate conduct and governance including disclosure of interests in securities, prohibition on dealings in the Company's securities and restriction on disclosure of price sensitive information.

## **Matters Requiring Board's Approval**

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends.

All other matters are delegated to Committees whose actions are reported to and monitored by the Board.

## **Training of Directors**

Directors receive appropriate induction training and coaching to develop individual skills as required. The directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings; and they also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

## **Board Composition and Balance**

The Board comprises eleven directors of which four are Independent Directors. They are Mr Henry Tan Song Kok, Mr Lam Bing Lun, Philip, Mr Kong Siu Chee and Mr Loh Weng Whye. The Independent Directors also participate as members of and chair each of the Audit, Remuneration, Nominating and Investment Committees.

The criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of directors to fulfill its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.); and
- the Board should have enough directors to serve on various committees of the Board without over-burdening the directors or making it difficult for them to fully discharge their responsibilities.

# Corporate Governance Report

With four out of eleven directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with the management team through a robust exchange of ideas and views to help shape the Company's strategic direction.

The composition of the Board is reviewed on an annual basis by a Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

The independent and non-executive members of the Board exercise no management functions in the Company or any of its subsidiaries. Although all the directors have equal responsibility for the performance of the Group, the role of the independent and non-executive directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Board considers its independent and non-executive directors to be of sufficient caliber and numbers and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The independent and non-executive directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of eleven directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Profiles of the directors and other relevant information are set out on pages 20 to 23 of this Annual Report.

## **Executive Chairman and Chief Executive Officer**

Mr Shi Jian is the Executive Chairman responsible for formulating, developing and reassessing the Group's strategies and policies while Mr Cheng Wai Ho is the Chief Executive Officer ("CEO") responsible for the execution of the Group's business strategies and plans. All major decisions made by the Chairman and the CEO are reviewed by the Board.

In view of the Executive Chairman and the CEO are both part of the executive management team, Mr Henry Tan Song Kok is the Lead Independent Non-Executive Director, who is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman or CEO has failed to resolve or for which such contact is inappropriate.

# Corporate Governance Report

## Board Membership and Nominating Committee

The Nominating Committee (“NC”) comprises three members, all of whom including the Chairman are independent non-executive directors. The members of the NC are as follows:

1. Mr Loh Weng Whye - Chairman and Independent Non-Executive Director
2. Mr Lam Bing Lun, Philip - Member and Independent Non-Executive Director
3. Mr Kong Siu Chee - Member and Independent Non-Executive Director

The principal functions of the NC are to:

1. identify and make recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the Board and Board Committees;
2. evaluate/monitor the effectiveness of the Board as a whole and the contributions of each director;
3. recommend directors who are retiring by rotation to be put forth for re-election; and
4. review the independence of each director.

The NC has reviewed the independence of each director and confirmed the independence of all four independent directors basing on the definition provided by the Code regarding what constitutes an independent director.

Recommendations for appointments and re-appointments of directors and appointments of the member of the various Board Committees are made by the NC and considered by the Board as a whole. The Articles of Association of the Company provide that at each Annual General Meeting (“AGM”) of the Company, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third), being those who have been longest in office since their last re-election or appointment, are required to retire from office by rotation. A retiring director is eligible for re-election by the shareholders of the Company at the AGM. In addition, any director appointed by the shareholders of the Company or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next AGM of the Company and shall then be eligible for re-election at that meeting.

Mr Yue Wai Leung, Stan, Mr Cheng Wai Ho, Mr Lam Bing Lun, Philip and Mr Kong Siu Chee will be retiring as directors by rotation at the forthcoming AGM under the Articles of Association of the Company. The NC recommends their re-election after assessing their contribution and performance.

## Board Performance

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of a board's performance is also tested through its ability to lend support to management especially in times of crisis and to steer the Company in the right direction.

# Corporate Governance Report

The NC has established a process for assessing the effectiveness of the Board as a whole and has identified areas for improvement.

The Company is of the opinion that the financial indicators set out in the Code as guides for the evaluation of directors are more of a measure of management's performance and hence are less direct to directors. In any case, such financial indicators provide a snapshot of a Company's performance, and do not fully measure the sustainable long term performance and value creation of the Company.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the integrity, background, experience, knowledge and skills critical to the Company's business and that each director with his special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

## Access to Information

Prior to each Board meeting, the Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as ongoing reports relating to operational and financial performance of the Group.

All directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

All directors have separate and independent access to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Singapore Exchange Securities Trading Limited, are complied with.

Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises three members, all of whom including the Chairman are independent non-executive directors. The members of the RC are as follows:

1. Mr Kong Siu Chee - Chairman and Independent Non-Executive Director
2. Mr Loh Weng Whye - Member and Independent Non-Executive Director
3. Mr Lam Bing Lun, Philip - Member and Independent Non-Executive Director

# Corporate Governance Report

The principal functions of the RC are to:

1. implement and administer the Performance Bonus Scheme, Performance Share Scheme and any share option schemes or share schemes;
2. review and recommend to the Board a framework of remuneration for the directors and key executives, covering all aspects of remuneration such as fees, salaries, allowances, bonuses, options and benefits-in-kind; and
3. review and determine the specific remuneration packages for each executive director and senior management.

The members of the RC do not participate in any decisions concerning their own remuneration.

## Level and Mix of Remuneration

In setting remuneration packages, the RC takes into account the performance of the Group as well as the executive directors and executive management as well as the pay and employment conditions within the same industry and in comparable companies, while aligning the executive directors' interest with those of shareholders and linking rewards to corporate and individual performance.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent and responsibilities of the directors. Directors' fees will be subject to approval at the Company's AGM.

The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus as determined by the Performance Bonus Scheme, based on the performance of the Group as a whole and their individual performance. As set out in the Company's prospectus dated 5 November 2007, the service contracts entered into with the executive directors (save for Mr Shi Bing who was appointed on 12 December 2007) were effective from 1 April 2007 for an initial period of five years and shall be automatically renewed annually for such annual period thereafter.

On 12 December 2007, the Company entered into employment agreement with Mr Shi Bing in connection with his appointment as Executive Director. Either party may terminate this service agreement by giving the other party not less than one month's notice in writing of such termination or either party making certain payments to the other party in lieu of notice.

The annual reviews of the remuneration packages of directors are carried out by the RC to ensure that the remuneration of the executive directors and senior management commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

The RC also administers the management grant (the "Scheme") which was implemented on 5 July 2007 as a share incentive scheme. The Scheme will provide deserving and entitled persons with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. Details of the share options granted pursuant to the Scheme are set out in the Report of the Directors on pages 40 to 41 of this Annual Report.

# Corporate Governance Report

## Disclosure on Remuneration

Details of the directors' and top 5 key executives' remuneration paid or payable in financial year ended 31 December 2008 are set out below:

Name of Directors	Fixed Salary	Directors' Fees	Total <sup>(1)</sup>	Share <sup>(2)</sup> Options Granted
Shi Jian (Executive Chairman)	100%	–	Band A	–
Li Yao Min (Co-Vice Chairman/Executive Director)	100%	–	Band B	5,925,000
Yue Wai Leung, Stan (Co-Vice Chairman/Executive Director)	100%	–	Band B	5,925,000
Cheng Wai Ho (CEO/ Executive Director)	100%	–	Band B	3,000,000
Gu Bi Ya (Executive Director)	100%	–	Band B	3,000,000
Mao Yi Ping (Executive Director)	100%	–	Band B	2,475,000
Shi Bing (Executive Director)	100%	–	Band A	–
Lam Bing Lun, Philip (Independent Non-Executive Director)	–	100%	Band A	–
Kong Siu Chee (Independent Non-Executive Director)	–	100%	Band A	–
Henry Tan Song Kok (Lead Independent Non-Executive Director)	–	100%	Band A	–
Loh Weng Whye (Independent Non-Executive Director)	–	100%	Band A	–

Name of Top 5 Key Executives	Fixed Salary	Directors' Fees	Total <sup>(1)</sup>	Share <sup>(2)</sup> Options Granted
Tai Kuo Lin (Vice President & Co-General Manager)	100%	–	Band A	1,875,000
Liu Su Yin (General Manager)	100%	–	Band A	–
Yang Yong Gong (Vice President)	100%	–	Band A	5,100,000
Peng Ting Jun (Vice President, Shanghai Lake Malaren Property Management Co., Ltd)	100%	–	Band A	–
Gao Yi Zhen (Vice President, Shenyang Lake Malaren Property Management Co., Ltd)	100%	–	Band A	–

### Notes:

- Remuneration band  
Band B : S\$250,000 to below S\$500,000  
Band A : Below S\$250,000
- Details of the share options granted pursuant to the Scheme are set out in the Report of the Directors on pages 38 to 43 of this Annual Report.

# Corporate Governance Report

The Group's top 5 key executives who are not directors, received remuneration below S\$250,000 each during the financial year ended 31 December 2008.

Other than the father and son relationship between Mr Shi Jian, the Executive Chairman, and Mr Shi Bing, the Executive Director, there are no employees of the Group who are immediate family members of the directors or the CEO, whose remuneration exceeded S\$150,000 during the financial year ended 31 December 2008.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

The Board aims to ensure that the quarterly and annual financial statements and results announcements are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospect.

The financial statements have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year.

### Audit Committee

The Audit Committee ("AC") comprises three members, all of whom including the Chairman are independent non-executive directors. The members of the AC are as follows:

1. Mr Henry Tan Song Kok - Chairman and Lead Independent Non-Executive Director
2. Mr Lam Bing Lun, Philip - Member and Independent Non-Executive Director
3. Mr Loh Weng Whye - Member and Independent Non-Executive Director

Mr Henry Tan Song Kok and Mr Lam Bing Lun, Philip have accounting and related financial management expertise and experience. The Board considers Mr Loh Weng Whye as having sufficient financial knowledge and experience to discharge his responsibility as a member of the AC.

The AC performs the following main functions:

- (a) review the financial reporting process, management of financial risks and the audit process;
- (b) review the audit plans and results of the external auditors' examination and evaluation of the group's systems of internal accounting controls and any matters which the external auditors wish to discuss (in the absence of management where necessary);
- (c) review the scope and results of the internal audit procedures;
- (d) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;

# Corporate Governance Report

- (e) review the quarterly and annual announcements on the results and financial position of the Group and of the Company;
- (f) review the co-operation and assistance given by the management to the Group's external auditors;
- (g) evaluate the cost effectiveness, independence and objectivity of the external auditors and the nature and extent of the non-audit services provided by them;
- (h) make recommendation to the Board on the appointment, re-appointment and remuneration of the external auditors of the Company;
- (i) evaluate the adequacy of the internal control systems of the Group;
- (j) evaluate the adherence to the Group's administrative, operating and internal accounting controls; and
- (k) review interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any director or executive management to attend its meetings.

During the financial year, the external auditors did not render any non-audit services to the Group.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

The Company through the AC, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's financial statement, the external auditors have highlighted to the AC matters that require the AC's attention. The external auditors are invited to attend meetings of the AC for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

The AC is working with management to establish a whistle blowing policies with the objective of providing a process for staff to report serious concerns relating to financial reporting, unethical or illegal conduct.

The AC recommends to the Board the nomination of Ernst & Young as external auditors at the forthcoming AGM of the Company.

## Internal Controls

The Board acknowledges its responsibility for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

# Corporate Governance Report

Risk management is essential to the Company's business. Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

The Group transacts mainly in Chinese Renminbi, with some transactions in Singapore and United States Dollars. Any significant adverse movement in exchange rates may have an impact on the Group's performance. The Group seeks to minimise this risk by taking advantage of natural hedging opportunities. The Group also reviews significant control policies and procedures and highlights significant matters to the Board when necessary.

The Company's external auditors, Ernst & Young, have also, in the course of their statutory audit, carried out a review of the Company's system of internal controls to the extent of their planned reliance as laid out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit and their recommendations to address such non-compliance and weaknesses are reported to the AC. The management follows up on Ernst & Young's recommendations as part of its role in the review of the Group's internal control systems. The AC also meets with the external auditors without the presence of management at least once a year to discuss internal controls and various accounting issues. In addition, the AC reviews the effectiveness of actions taken by management on the recommendations on internal controls by internal and external auditors. During the year, the AC also reviewed the effectiveness of the Company's internal controls and was satisfied that the internal controls are adequate to meet the needs of the Company in its current business environment.

## Internal Audit

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Group's assets, the Group outsourced its internal audit function. The internal auditors will report to the Chairman of the AC on any material weakness and risks identified in the course of the audit, which will also be communicated to management. Management will accordingly update the AC the status of the remedial action plans.

The AC has reviewed the internal audit program, the scope and results of internal audit procedures. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

The internal auditors will report to the Chairman of the AC on any material weakness and risks identified in the course of the audit, which will also be communicated to management. Management will accordingly update the AC the status of the remedial action plans.

## (D) INVESTMENT MATTERS

The Investment Committee ("IC") comprises four members, all of whom including the Chairman are independent non-executive directors. The members of the IC are as follows:

1. Mr Lam Bing Lun, Philip - Chairman and Independent Non-Executive Director
2. Mr Kong Siu Chee - Member and Independent Non-Executive Director
3. Mr Henry Tan Song Kok - Member and Lead Independent Non-Executive Director

# Corporate Governance Report

## 4. Mr Loh Weng Whye - Member and Independent Non-Executive Director

The IC performs the following main functions:

1. review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;
2. review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy; and
3. review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress towards achieving investment objectives.

## (E) COMMUNICATION WITH SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

The Company's AGM remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the operations of the Group.

The Company's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provide that a proxy need not be a member of the Company. Voting in absentia by facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intentions.

The Chairmen of the AC, RC, NC and IC are normally available at the meeting to answer those questions relating to the work of these Committees.

The Company's external auditors are invited to attend the Company's AGM and will assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

The Group maintains a corporate website at [www.china-newtown.com](http://www.china-newtown.com) which contains the Company's publicly disclosed financial information, annual reports, news releases, announcements and corporate developments.

The Group also participates in investor forums held in Singapore and abroad and also organises briefings and meetings with analysts and fund managers to give them a better understanding of the businesses of the Group.

# Corporate Governance Report

## (F) Securities Trading

The Group has adopted an internal code with respect to the dealings in securities for the guidance of directors and officers. The Company's directors and officers are prohibited from dealing in the Company's shares on short-term considerations, during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial statements, or if they are in possession of unpublished price-sensitive information on the Group.

## (G) MATERIAL CONTRACTS

Save for the service agreements between the executive directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interests of any director or controlling shareholders subsisting at the end of the financial year ended 31 December 2008.

## (H) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The aggregate value of interested person transactions ("IPT") entered into by the Group during the financial year under review is as follows:

Name of interested person	Year ended 31 December 2008	
	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (RMB'000)
Sinopower Investment Limited	7,590	-

## (I) RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant operational and enterprise risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

# Corporate Governance Report

## **(J) USE OF INITIAL PUBLIC OFFERING PROCEEDS**

As at 31 December 2008, we have fully utilized the net proceeds of SGD256 million from our 2007 IPO as follows:

- (i) funding for the development of Wuxi, Shenyang and Changchun projects of RMB 615 million; and
- (ii) settling the cash consideration of RMB 639.5 million for the repurchase of CB2 on 12 September 2008.

## **(K) CONCLUSION**

The Company recognises the importance of good corporate governance practices for maintaining and promoting investor confidence. The Company will continue to review and improve its corporate governance practices on an ongoing basis.

# Report of the Directors

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

## 1. DIRECTORS

The Directors of the Company in office at the date of this report are:

Yue Wai Leung, Stan	(Appointed on 30 September 2006)
Cheng Wai Ho	(Appointed on 30 September 2006)
Mao Yi Ping	(Appointed on 30 November 2006)
Gu Bi Ya	(Appointed on 30 November 2006)
Lam Bing Lun, Philip	(Appointed on 30 November 2006)
Kong Siu Chee	(Appointed on 30 November 2006)
Shi Jian **	(Appointed on 11 January 2007)
Li Yao Min **	(Appointed on 11 January 2007)
Henry Tan Song Kok	(Appointed on 25 September 2007)
Loh Weng Whye	(Appointed on 25 September 2007)
Shi Bing	(Appointed on 12 December 2007)

\*\* Both Mr Shi Jian and Mr Li Yao Min were each previously appointed as directors on 28 February 2006 and 30 September 2006 respectively. They then both resigned on 5 December 2006 and were subsequently reappointed as directors on 11 January 2007.

In accordance with Article 86(1) of the Company's Articles of Association, Mr Yue Wai Leung, Stan, Mr Cheng Wai Ho, Mr Lam Bing Lun, Philip and Mr Kong Siu Chee, retire and being eligible, offer themselves for re-election and are recommended by the Nominating Committee for re-election at the forthcoming annual general meeting ("AGM") of the Company.

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in paragraph 5(i) below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 3. DIRECTORS' INTERESTS IN SHARES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings kept by the Company, an interest in shares of the Company as stated below:

# Report of the Directors

## 3. DIRECTORS' INTERESTS IN SHARES (Cont'd)

Name of director	Direct Interest		Deemed Interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Shi Jian <sup>(1)</sup>	–	–	632,625,000	642,401,000
Li Yao Min <sup>(2)</sup>	–	–	5,925,000	5,925,000
Yue Wai Leung, Stan <sup>(2)</sup>	–	–	5,925,000	5,925,000
Cheng Wai Ho <sup>(3)</sup>	–	–	3,500,000	3,500,000
Gu Bi Ya <sup>(2)</sup>	–	–	3,000,000	3,000,000
Mao Yi Ping <sup>(2)</sup>	–	–	2,475,000	2,475,000
Henry Tan Song Kok	100,000	100,000	–	–
Loh Weng Whye	100,000	400,000	–	–
Shi Bing <sup>(4)</sup>	–	–	632,625,000	642,401,000

- (1) Mr Shi Jian is deemed to be interested in Sinopower Investment Limited's ("Sinopower") entire shareholding in the Company by virtue of the fact that he is a controlling shareholder of SRE Group Limited ("SRE") through SRE Investment Holding Limited. Mr Shi Jian's spouse also has a negligible direct shareholding in SRE.
- (2) Deemed interested in the Company through the shares to be allotted and issued pursuant to the Management Grant of the Company.
- (3) Mr Cheng Wai Ho is deemed to be interested in 3,500,000 shares comprising 3,000,000 shares to be allotted and issued to him pursuant to the Management Grant of the Company and 500,000 shares held by his brother, Mr Cheng Wai Lam.
- (4) Mr Shi Bing, who is the son of Mr Shi Jian, is deemed to be interested in Sinopower's entire shareholding in the Company.

Mr Shi Jian and Mr Shi Bing, who have a controlling interest in the Company, are deemed to have an interest in shares of the subsidiary companies of the Company.

There was no change in any of the abovementioned interests between the end of the financial year and 21 January 2009. Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## 4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he/she is a member or with a company in which he/she has a substantial financial interest, except as disclosed in the financial statements and except that Mr Shi Jian, Mr Li Yao Min, Mr Yue Wai Leung, Stan, Mr Cheng Wai Ho, Ms Gu Bi Ya, Mr Mao Yi Ping and Mr Shi Bing have an employment relationship with the Company, and have received remuneration in that capacity.

# Report of the Directors

## 5. RIGHTS TO SUBSCRIBE FOR SHARES

### i) The Management Grant

On 5 July 2007, the Board of Directors approved the award of a total of 28,500,000 ordinary shares of no par value (“Shares”) (following adjustments made pursuant to the sub-division of one Shares into 75,000 Shares (the “Share Split”) to certain of our Company’s directors and employees as stated below (collectively, referred to as the “Entitled Persons”), as an incentive for their continued service to the Company (the “Management Grant”). The Management Grant was implemented on 5 July 2007.

On 9 July 2007, options on 28,500,000 unissued Shares with an exercise price of RMB 8 per Share (before adjusting for the Share Split) were granted to the Entitled Persons.

In accordance with the terms of the Management Grant, the Share which are to be allotted will vest as follows:-

- a. 10% at the end of the 12<sup>th</sup> month after the date of listing of the Company on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”);
- b. 15% at the end of the 24<sup>th</sup> month after the date of listing of the Company on the Main Board of the SGX-ST;
- c. 20% at the end of the 36<sup>th</sup> month after the date of listing of the Company on the Main Board of the SGX-ST;
- d. 25% at the end of the 48<sup>th</sup> month after the date of listing of the Company on the Main Board of the SGX-ST; and
- e. the remaining 30% at the end of the 60<sup>th</sup> month after the date of listing of the Company on the Main Board of the SGX-ST,

provided that the relevant Entitled Persons remain in service within the Group on the vesting day and he/she has not submitted a notice of resignation. The exercise price is RMB 8 per Share (before adjusting for the Share Split).

### **Other information required by the Listing Manual of the SGX-ST**

In addition to the information disclosed elsewhere in the report, the directors report that during the financial year:

- (a) The Committee administering the Management Grant comprises Mr Kong Siu Chee, Mr Loh Weng Whye and Mr Lam Bing Lun, Philip.
- (b) No Awards were granted to the controlling shareholders of the Company or their associates.
- (c) No employees of the Company or its related corporations have received 5% or more of the total Shares available under the Awards except as disclosed below.

# Report of the Directors

- (d) Details of Awards granted to participants who are directors of the Company and participants who received 5% or more of the total numbers of Shares available under the Awards are as follows:

Number of unissued Shares under the Awards				
Name of participants	Unissued Shares under the Awards granted during the financial year ended 31.12.2008	Unissued Shares under the Awards granted since commencement of the Management Grant to 31.12.2008	Shares allotted and issued pursuant to the release of the Awards since commencement of the Management Grant to 31.12.2008	Aggregate unissued Shares under the Awards unreleased as at 31.12.2008
<b>Director of the Company</b>				
Li Yao Min	5,925,000	5,925,000	–	5,925,000
Yue Wai Leung, Stan	5,925,000	5,925,000	–	5,925,000
Cheng Wai Ho	3,000,000	3,000,000	–	3,000,000
Mao Yi Ping	2,475,000	2,475,000	–	2,475,000
Gu Bi Ya	3,000,000	3,000,000	–	3,000,000
<b>Employee</b>				
Yang Yong Gang	5,100,000	5,100,000	–	5,100,000
Tai Kuo Lin	1,875,000	1,875,000	–	1,875,000

- (e) All Shares granted under the Awards were granted at a discount. For more information on the fair value of the Shares, please refer to Note 28 of the Notes to Financial Statements.

## ii) Convertible Bonds

On 13 February 2007, the Company issued RMB1,239,600,000 aggregate principal amount 5.0% U.S. Dollar settled convertible bonds due on 13 February 2010 (“Convertible Bonds”) to various third-party investors namely OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P., Forum Asian Realty Income II, L.P. (“Forum”), Merrill Lynch International, Highbridge International LLC and Highbridge Asia Opportunities Master Fund, L.P. Pursuant to the terms and conditions of the Convertible Bonds (“Terms & Conditions of the Convertible Bonds”), the Convertible Bond holders have the right to convert any number of the Convertible Bonds into Shares at any time during the period on (and including) 13 September 2007 and ending on the redemption date or the maturity date of the Convertible Bonds.

On 5 November 2007, the Company had allotted and issued 62,550,000 Shares (after adjusting for the Share Split) to Forum pursuant to the partial conversion of the Convertible Bonds. At the end of the financial year, the unissued Shares relating to the Convertible Bonds are 618,525,000 Shares (after adjusting for the Share Split).

The details of the Terms & Conditions of the Convertible Bonds were set out in the Company’s Prospectus dated 5 November 2007.

# Report of the Directors

## 5. RIGHTS TO SUBSCRIBE FOR SHARES (Cont'd)

### ii) Convertible Bonds (Cont'd)

On 1 August 2008, the Company entered into agreements with the bondholders to exchange all the outstanding principal for a combination of: a) US Dollar equivalent of RMB 639,450,000 in cash; b) a 17.75% high yield note with a principal amount of RMB 593,000,000 together with a grant of 80 million shares of the Company; and c) 525 million shares of the Company. The repurchase of the Convertible Bonds was completed on 12 September 2008.

### iii) Options To Take Up Unissued Shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted, except the Management Grant.

### iv) Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

### v) Unissued Shares Under Option

At the end of the financial year, the unissued shares were as follows:

- 27,750,000 shares of the Company relating to the Management Grant.

## 6. AUDIT COMMITTEE

The Audit Committee comprises the following members:

Henry Tan Song Kok	(Lead Independent Non-Executive Director)
Lam Bing Lun, Philip	(Independent Non-Executive Director)
Loh Weng Whye	(Independent Non-Executive Director)

During the financial year, the external auditors did not render any non-audit services to the group.

The Audit Committee has recommended to the Board of Directors the nomination of Ernst & Young for re-appointment as external auditors at the forthcoming AGM of the Company.

The functions performed by the Audit Committee are detailed in the Report on Corporate Governance.

# Report of the Directors

## 7. AUDITORS

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors

**Mr Yue Wai Leung, Stan**  
Director

**Mr Cheng Wai Ho**  
Director

7 April 2009

# Statement by Directors

We, Yue Wai Leung, Stan and Cheng Wai Ho, being two of the Directors of China New Town Development Company Limited, do hereby state that, in the opinion of the Directors:

- a. the consolidated financial statements of the Group and the financial statements of the Company together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results and changes in equity and cash flows of the Group and the changes in the equity of the Company for the financial year ended on that date; and
- b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**On behalf of the Board of Directors**

**Mr Yue Wai Leung, Stan**  
Director

**Mr Cheng Wai Ho**  
Director

7 April 2009

# Independent Auditors' Report

To the shareholders of China New Town Development Company Limited  
(Incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying financial statements of China New Town Development Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

# Independent Auditors' Report

## Opinion

In our opinion, the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company, give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1(a) in the consolidated financial statements that indicates that the Group's ability to continue as a going concern depends on its ability to realise anticipated land sales while also extending the repayment and payment terms of certain short-term financial obligations. These conditions, along with other matters set forth in Note 2.1(a), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
7 April 2009

# Consolidated Income Statement

For the year ended 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
<b>Revenue</b>	6	564,096	363,194
<b>Cost of sales</b>	7	(369,101)	(203,061)
<b>Gross profit</b>		194,995	160,133
<b>Other income</b>	6	16,159	72,919
<b>Selling and distribution costs</b>	7	(35,891)	(37,752)
<b>Administrative expenses</b>	7	(165,911)	(106,455)
<b>Other expenses</b>	6	(36,162)	(45,567)
<b>Loss on convertible bonds other than interest cost, net</b>	23	(287,826)	(79,445)
<b>Impairment loss of property, plant and equipment</b>	12	(136,773)	-
<b>(Decrease)/Increase in fair values of investment properties</b>	13	(488,160)	38,948
<b>Operating (loss)/profit</b>		(939,569)	2,781
<b>Finance costs</b>	8	(193,696)	(293,564)
<b>Loss before tax</b>		(1,133,265)	(290,783)
<b>Income tax</b>	9	145,915	18,772
<b>Loss after tax</b>		(987,350)	(272,011)
<b>Attributable to:</b>			
Equity holders of the Company		(845,543)	(287,353)
Minority interests		(141,807)	15,342
		(987,350)	(272,011)
<b>Dividends</b>	10	-	-
<b>Loss per share attributable to equity holders of the parent (RMB per share):</b>	11		
Basic loss per share		(0.5335)	(0.3430)
Diluted loss per share		(0.5335)	(0.3430)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Balance Sheets

As at 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Group		Company	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
<b>Non-current assets</b>					
Investments in subsidiaries	3	–	–	2,968,699	3,386,846
Investments in associated companies	4	200	200	–	–
Property, plant and equipment	12	1,255,185	1,276,038	323	164
Investment properties	13	497,010	845,000	–	–
Property under development for long-term investment		39,740	85,336	–	–
Prepaid land lease payments	14	320,273	326,070	–	–
Non-current trade receivables	17	124,841	78,043	–	–
Deferred tax assets	9	129,816	3,157	–	–
Other assets		50,749	40,768	–	–
<b>Total non-current assets</b>		<b>2,417,814</b>	<b>2,654,612</b>	<b>2,969,022</b>	<b>3,387,010</b>
<b>Current assets</b>					
Land infrastructure under development for sale	15	3,470,967	2,633,604	–	–
Inventories		3,459	3,781	–	–
Amounts due from subsidiaries		–	–	74,265	48,494
Amounts due from related parties	26	1,757	1,755	–	–
Prepayments and other receivables	16	31,860	27,193	269	166
Trade receivables	17	290,012	553,017	–	–
Cash and bank balances	18	184,253	1,750,256	47,411	1,037,563
<b>Total current assets</b>		<b>3,982,308</b>	<b>4,969,606</b>	<b>121,945</b>	<b>1,086,223</b>
<b>Total assets</b>		<b>6,400,122</b>	<b>7,624,218</b>	<b>3,090,967</b>	<b>4,473,233</b>
<b>Equity</b>					
Equity attributable to equity holders of the Company:					
Share capital	19	2,115,240	1,891,080	2,115,240	1,891,080
Treasury shares	19	(180)	–	(180)	–
Other reserves	20	604,670	435,976	1,938,083	1,769,389
Accumulated losses		(1,002,796)	(157,253)	(1,549,915)	(308,962)
Minority interests		359,101	500,908	–	–
<b>Total equity</b>		<b>2,076,035</b>	<b>2,670,711</b>	<b>2,503,228</b>	<b>3,351,507</b>

# Balance Sheets (Continued)

As at 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Group		Company	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
<b>Non-current liabilities</b>					
Senior notes	22	518,809	–	518,809	–
Deferred income from sale of golf club membership	24	591,165	487,224	–	–
Deferred tax liabilities	9	–	103,788	–	–
<b>Total non-current liabilities</b>		<b>1,109,974</b>	<b>591,012</b>	<b>518,809</b>	<b>–</b>
<b>Current liabilities</b>					
Interest-bearing bank borrowings	21	1,137,000	1,640,000	–	–
Trade payables	25	1,036,291	832,167	–	–
Other payables and accruals	25	301,616	105,458	61,339	8,966
Amounts due to related parties	26	117,437	1,017	7,591	–
Advances from customers	27	89,161	2,571	–	–
Other borrowings	29	–	350,000	–	–
Deferred income arising from construction of ancillary public facilities	24	271,443	141,849	–	–
Convertible bonds - host debts	23	–	1,101,860	–	1,101,860
Convertible bonds - embedded derivatives	23	–	10,900	–	10,900
Current income tax liabilities		261,165	176,673	–	–
<b>Total current liabilities</b>		<b>3,214,113</b>	<b>4,362,495</b>	<b>68,930</b>	<b>1,121,726</b>
<b>Total liabilities</b>		<b>4,324,087</b>	<b>4,953,507</b>	<b>587,739</b>	<b>1,121,726</b>
<b>Total equity and liabilities</b>		<b>6,400,122</b>	<b>7,624,218</b>	<b>3,090,967</b>	<b>4,473,233</b>

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the year ended 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

## Group

	Notes	Equity attributable to equity holders of the Company					Total	Minority interests	Total equity
		Share capital	Treasury shares	Other reserves	Retained earnings / (accumulated losses)				
As at 31 December 2006	19/20	78	-	224,032	130,100	354,210	309,683	663,893	
Loss for the year		-	-	-	(287,353)	(287,353)	15,342	(272,011)	
Grant of equity-settled share options to management	20/28	-	-	8,516	-	8,516	-	8,516	
Capital contributions from minority owners of subsidiaries		-	-	-	-	-	175,883	175,883	
Increase in share capital from shares issued at initial public offering of Company, net of related transaction costs of RMB87,792 thousand	19	1,288,498	-	-	-	1,288,498	-	1,288,498	
Convertible bonds - equity components	20/23	-	-	620,900	-	620,900	-	620,900	
Imputed equity contribution upon CB1 conversion	20	469,828	-	(396,900)	-	72,928	-	72,928	
Imputed equity contribution upon CB2 conversion	20	132,676	-	(20,572)	-	112,104	-	112,104	
As at 31 December 2007	19/20	1,891,080	-	435,976	(157,253)	2,169,803	500,908	2,670,711	
Loss for the year		-	-	-	(845,543)	(845,543)	(141,807)	(987,350)	
Grant of equity-settled share options to management	20/28	-	-	16,884	-	16,884	-	16,884	
Refund of transaction costs for new shares issued upon IPO	19	22,349	-	-	-	22,349	-	22,349	
Considerations for the Repurchase of CB2's equity component	20/23	-	-	(11,623)	-	(11,623)	-	(11,623)	
Subscription Shares issued upon the Repurchase of CB2	20/23	175,125	-	-	-	175,125	-	175,125	
Grant Shares issued with issuance of Senior Notes upon the Repurchase of CB2	19/23	26,686	-	-	-	26,686	-	26,686	
Capital contribution from an indirect shareholder received upon the Repurchase of CB2	20/23	-	-	163,433	-	163,433	-	163,433	
Treasury shares	19	-	(180)	-	-	(180)	-	(180)	
As at 31 December 2008	19/20	2,115,240	(180)	604,670	(1,002,796)	1,716,934	359,101	2,076,035	

# Statements of Changes in Equity

For the year ended 31 December 2008

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.  
(All amounts expressed in RMB'000 unless otherwise specified)

## Company

	Notes	Share capital	Treasury shares	Other reserves	Accumulated losses	Total
As at 31 December 2006	19/20	78	-	1,557,445	(539)	1,556,984
Loss for the year		-	-	-	(308,423)	(308,423)
Grant of equity-settled share options to management	20/28	-	-	8,516	-	8,516
Increase in share capital from shares issued at initial public offering of Company, net of related transaction costs of RMB87,792 thousand	19	1,288,498	-	-	-	1,288,498
Convertible bonds - equity components	20/23	-	-	620,900	-	620,900
Imputed equity contribution upon CB1 conversion	20	469,828	-	(396,900)	-	72,928
Imputed equity contribution upon CB2 conversion	20	132,676	-	(20,572)	-	112,104
As at 31 December 2007	19/20	1,891,080	-	1,769,389	(308,962)	3,351,507
Loss for the year		-	-	-	(1,240,953)	(1,240,953)
Grant of equity-settled share options to management	20/28	-	-	16,884	-	16,884
Refund of transaction costs for new shares issued upon IPO	19	22,349	-	-	-	22,349
Considerations for the Repurchase of CB2's equity component	20/23	-	-	(11,623)	-	(11,623)
Subscription Shares issued upon the Repurchase of CB2	19/23	175,125	-	-	-	175,125
Grant Shares issued with issuance of Senior Notes upon the Repurchase of CB2	19/23	26,686	-	-	-	26,686
Capital contribution from an indirect shareholder received upon the Repurchase of CB2	20/23	-	-	163,433	-	163,433
Treasury shares	19	-	(180)	-	-	(180)
As at 31 December 2008	19/20	2,115,240	(180)	1,938,083	(1,549,915)	2,503,228

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
<b>Cash flows from operating activities</b>			
Loss before tax		(1,133,265)	(290,783)
Adjustments for:			
Depreciation of property, plant and equipment	12	65,849	57,750
Amortisation of prepaid land lease payments	14	8,843	8,330
Loss on disposal of property, plant and equipment		–	207
Impairment of property, plant and equipment	12	136,773	–
Gain on disposal of investment properties	6	–	(338)
Fair value loss/(gain) on investment properties	13	488,160	(38,948)
Loss on CB2 other than interest cost, net		287,826	79,445
Transaction costs of the Repurchase of CB2	7	29,739	–
Foreign exchange loss, net	6	34,264	44,012
Share options expense	20	16,884	8,516
Interest income	6	(14,601)	(26,052)
Interest expense	8	193,696	293,564
		114,168	135,703
Increase in restricted bank deposits		(55)	(25)
Increase in land infrastructure under development for sale		(730,734)	(1,113,051)
Decrease/(Increase) in inventories		322	(891)
(Increase)/Decrease in amounts due from related parties		(2)	1,491
Increase in prepayments and other current assets		(9,874)	(21,748)
Decrease in trade receivables		217,620	132,624
Increase in deferred income from sale of golf club membership		103,941	3,454
Increase in trade and other payables		477,271	363,842
Increase/(Decrease) in amounts due to related parties		116,420	(39,668)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>289,077</b>	<b>(538,269)</b>

# Consolidated Cash Flow Statement

For the year ended 31 December 2008

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
<b>Cash flows from investing activities</b>			
Purchases/constructions of property, plant and equipment		(177,498)	(123,334)
Proceeds from disposal of property, plant and equipment		128	674
Refund of amounts paid for land use rights		10,317	-
Payment for properties under development for long-term investments/investment properties		(8,984)	(153,589)
Interest received		14,601	26,052
<b>Net cash outflow from investing activities</b>		<b>(161,436)</b>	<b>(250,197)</b>
<b>Cash flows from financing activities</b>			
Proceeds from public listing		-	1,376,290
Amounts paid for treasury shares	19	(180)	-
Proceeds from issuance of convertible bonds		-	1,165,457
Capital contributions from minority owners of subsidiaries		-	175,883
Repayment of borrowings		(503,000)	(450,000)
Loan (repayments to)/ from a related party	29(a)	(350,000)	350,000
Considerations paid for the Repurchase of CB2	23	(639,450)	-
Payments for expenses incurred for the Repurchase of CB2		(6,955)	-
Restricted cash amounts relating to coupon payments for Senior Notes/convertible bonds		(14,461)	(31,673)
Interest paid		(184,839)	(114,838)
Refund/(payment) of transaction costs for new shares		22,349	(87,287)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,676,536)</b>	<b>2,383,832</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,548,895)</b>	<b>1,595,366</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(31,624)</b>	<b>(46,019)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,718,495</b>	<b>169,148</b>
<b>Cash and cash equivalents at end of year</b>	<b>18</b>	<b>137,976</b>	<b>1,718,495</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 1. Corporate information

### Corporate information

China New Town Development Company Limited (the “Company”) was incorporated on 4 January 2006 in the British Virgin Islands (the “BVI”) by one shareholder. After series of reorganisation, on 14 November 2007, the Company became a listed company on the Singapore Exchange Securities Trading Limited (“the SGX-ST”).

The Company with its subsidiaries (the “Group”) is a new town developer in People’s Republic of China (“PRC”) and is principally engaged in planning and developing large-scale new towns in China’s largest cities of which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Land use rights to the residential parcels in the new towns developed by the Group are then sold by the relevant land authorities to third party property developers, the proceeds of which are apportioned to the Group on specified bases. The Group also develops and manages commercial properties in those new towns.

### Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 to the financial statements.

## 2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value, as disclosed in the accounting policies below.

The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### (a) Going concern basis

As of 31 December 2008, the Group had cash and bank balances and trade receivables of approximately RMB474 million and current liabilities, net of deferred income arising from construction of ancillary public facilities and advances from customers, of approximately RMB2,854 million. Though the Group’s total current assets amounted to RMB3,982 million, the timing and amount of cash inflows from the realisation of approximately RMB3,471 million of land infrastructure under development for sale depends upon local governments’ land sale plan, selling prices and overall market demand of the land developed by the Group. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.1 Basis of preparation (Continued)

### (a) Going concern basis (Continued)

To reduce the financial liabilities due during 2009, management of the Group are currently negotiating with the lender to renew and extend its RMB1,137 million loan due (see Note 21) in the second half of 2009, with the same or similar terms. We are also negotiating with new lenders to obtain additional financing. For example, in January, 2009, we secured additional short-term secured loan of RMB 80 million (see Note 32 (a)).

We will continue to manage our other short-term financial obligations as they fall due while also requesting some of our significant trade creditors for an extension of payment terms. We cannot be certain, however, that we will be able to successfully, extend payment terms timely, or refinance or obtain new financings (secured or unsecured) on favourable terms and conditions, if at all, and that the additional financing alone would be adequate to achieve our objectives.

We will continue to monitor the Group's compliance with all of the covenants contained in both the bank indebtedness and our Senior Notes, pursuant to which we can additionally incur up to a maximum of RMB600 million of bank indebtedness (reduced by the amount of new bank loan of RMB80 million obtained, see Note 32(a)) to directly finance our new town projects plus borrowing of USD50 million for general purposes.

In addition to obtaining new borrowing arrangements, we are seeking alternative fund raising opportunities. For example, in March 2009, we entered into share subscription arrangement with one of our significant shareholders where we will issue 680,000,000 new ordinary shares and will receive approximately SGD 29 million cash (see Note 32(b)). We also have a letter of intent from the same shareholder to acquire certain properties of the Group (see Note 32(d)).

If we are unable to complete the above plan, we would consider other alternatives, for example, seeking further support from existing stakeholders. Therefore, in spite of the material uncertainty, the directors believe that it is appropriate to prepare the consolidated financial statements on the going concern basis, and therefore these consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2008.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared on the same reporting date as those of the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances and adjustments are made to bring into line any dissimilar accounting policies that may exist.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.1 Basis of preparation (Continued)

### (b) Basis of consolidation (Continued)

All intra-group transactions and balances, and any unrealised gains arising from intra-group transactions, are eliminated in full on consolidation.

Minority interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Changes in a parent's ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. A gain or loss on disposal to minority interests (without loss of control) is recognised directly in equity.

### (c) Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land infrastructure under development for sales) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the balance sheet date.

## 2.2 Impact of new and revised IFRSs

The accounting policies adopted are consistently with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRSs and IFRIC interpretations as they became effective. Standards and interpretations to existing standards that are not yet effective have not been early adopted by the Group.

		Effective dates
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 January 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
Amendments to IAS39 and IFRS 7	Reclassification of Financial Assets	1 July 2008

Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.2 Impact of new and revised IFRSs (Continued)

The principal effects of these changes are as follows:

### IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The Group has adopted IFRIC Interpretation 11 insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly. The interpretation has had no impact on the financial position or performance of the Group.

### IFRIC 12 – Service Concession Arrangements

The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The interpretation has had no impact on the financial position or performance of the Group.

### IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. This interpretation has had no impact on the financial position or performance of the Group.

### Amendments to IAS39 and IFRS 7 – Reclassification of Financial Assets

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements of the Group requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Actual results could differ from those estimates.

### Judgements

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

(i) Classification between investment properties and owner-occupied properties

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

### Estimation uncertainty

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

(i) Estimate of fair value of investment properties

Investment properties were revalued at the balance sheet dates during the years ended 31 December 2007 and 31 December 2008 using the income approach on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(ii) Carrying amount of land infrastructure under development

The Group's land infrastructure under development is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land infrastructure, the Group makes estimates of cost allocated to each parcel of land and attributable to ancillary public facilities and infrastructure, and net realisable value, i.e., the revenue to be derived from the sale of land infrastructure by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land infrastructure under development based on prevailing market conditions.

If the cost is lower than the estimated net realisable value, provision for the excess of net realisable value of land infrastructure under development over its cost should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land infrastructure in the periods in which such estimate is changed will be adjusted accordingly.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.3 Significant accounting judgements, estimates and assumptions (Continued)

### Estimation uncertainty (Continued)

#### (iii) Valuation of derivatives embedded in the convertible bonds

The fair values of the derivatives (other than equity component) embedded in the convertible bonds, that need to be accounted for separately at fair value, cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported fair values and changes in fair values of such derivatives.

#### (iv) Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

#### (v) Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

#### (vi) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies

### Subsidiaries

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividend received and receivables. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### Investments in associated companies

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

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

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate company.

### Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

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

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Investments and other financial assets (Continued)

#### (b) Loans and receivables

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

#### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturity dates and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost less any allowance for impairment. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### (d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity in the net unrealised gains/losses reserve until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively. Losses arising from the impairment of such investments are recognised in the income statement and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Fair value of financial instruments

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

### Impairment of financial assets

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

#### (a) Assets carried at amortised cost

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### (b) Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Impairment of financial assets (Continued)

#### (c) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

### Derecognition of financial assets

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

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

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

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

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

### Convertible bonds

When the equity conversion options embedded in the convertible bonds issued by the Company are not equity instruments of the Company, the entire convertible bonds are accounted for as a financial liability, i.e., a host debt instrument with embedded derivatives. On initial recognition, the embedded derivatives are separated from the host debt instrument, measured at fair value and presented as part of derivative financial instruments, and are accounted for as a financial liability at fair value through profit or loss and are remeasured in subsequent years. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component (the host debt), the host debt instrument is initially recognised at fair value net of related transaction costs, and is subsequently measured at amortised cost. Transaction costs are apportioned between the host debt and derivative components of the convertible bonds based on the allocation of proceeds to the host debt and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the host debt is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Convertible bonds (Continued)

When the equity conversion options embedded in the convertible bonds are equity instruments of the Company, they are classified as equity and presented separately from the liabilities components (including any derivatives embedded in the convertible bonds other than the equity component) of the convertible bonds. The carrying amount of convertible bonds with such equity components is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the convertible bonds as a whole the amount determined for the liability components, hence, no gain or loss arises from separation of the equity and liability components of the convertible bonds. After separation of equity and liability components, the derivatives, if any, embedded in the convertible bonds other than the equity component, are accounted for as a financial liability at fair value through profit or loss. The host debt instrument is initially recognised at fair value net of related transaction costs, and is subsequently measured at amortised cost.

When the Company extinguishes convertible bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible bonds at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued. Once the allocation of the consideration is made, the amount of gain or loss relating to the liability component is recognised in the income statement and the amount of consideration relating to the equity component is recognised in equity.

### Derecognition of financial liabilities

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

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

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Hotel properties	Building 30 years, equipment 10 years, fixtures and fittings 5 years
Golf operational assets	Golf course between 40 and 50 years, club buildings 30 years, club equipment 10 years, club fixtures and fittings 5 years
Buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

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

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

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

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment properties

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Land infrastructure under development

Development cost of land infrastructure comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land infrastructure.

Land infrastructure under development is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land infrastructure by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land infrastructure based on prevailing market conditions.

### Impairment of non-financial assets

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

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

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

### Operating leases

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Operating leases (Continued)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement. Prepaid land lease payments included in investment properties are not amortised as investment properties are stated at fair value.

### Inventories

Inventories, which mainly refer to supplies and low-value consumables used in hotel and golf course operations, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to golf course and hotel operations are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the balance sheet date and the differences between the cost and the net realisable value are accounted for as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices.

Any excess of book value over the net realisable value of individual items of inventories is recognised as a provision.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

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

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Revenue recognition

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

#### *Revenue from the development of land infrastructure*

The Group has been given the right to carry out construction and preparation works in respect of the infrastructure of land plots and public facilities within the districts owned by the local government. The completed land plots are sold by the government to land buyers through public auction, tender or listing procedures from time to time, upon which the Group is entitled to receive a proportion of revenue proceeds.

The Group provides land buyers with certain construction works, including the infrastructure of land plots and surrounding public facilities. As public facilities are separately identifiable from the infrastructure of land plots, which must be completed when the plots are sold to land buyers by the government, certain public facilities may not be completed at the time of the sale. Total revenue proceeds are allocated between the completed and the outstanding construction works based on their fair value.

In addition, no revenue from the development of the infrastructure (attributable to the parcels to be sold) would be recognised before the sales by the government of the parcels of land, as the amount of revenue (attributable to the parcels to be sold) cannot be measured reliably before such sales occur.

The revenue attributable to the completed infrastructure is recognised upon the transfer of risks and rewards in connection with land plots, which refers to the time when the land plots are sold to the buyers by the government through public land auction, tender or listing procedures. The deferred revenue of outstanding construction works is recognised when the related construction works are completed.

In October 2008, a new regulation jointly issued by Shanghai City Development and Reform Committee, Shanghai City Finance Bureau and Shanghai City Housing and Land Resources Administration Bureau, was approved by Shanghai City Government, which reduced the Group's entitlement to share of the revenue proceeds for all land (developed by Shanghai Golden Luodian Development Co., Ltd., "SGLD") sold after 1 January 2007.

Accordingly, the Group revised its share of revenue proceeds receivable for land sold after 1 January 2007, and accounted for such change in proportion of revenue proceeds due to the Group prospectively. The change resulted in the following pre-tax impact on the consolidated financial statements of the Group for the year ended 31 December 2008.

	As of 31 December 2008 and for the year then ended
Decrease in revenue for the year	164,968
Decrease in deferred income arising from construction of ancillary public facilities as of 31 December 2008	8,575
Decrease in trade receivable as of 31 December 2008	173,543

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Revenue recognition (cont'd)

#### *Hotel operations revenue*

Hotel operations revenue represents the income from hotel rooms and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

#### *Golf course operations revenue*

Golf course operations revenue represents the income from the usage of golf courses and ancillary equipment, the provision of golf services, and the provision of food and beverages, etc., which is recognised when the services are rendered or goods are sold.

#### *Golf club membership revenue*

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Golf club membership revenue is recognised on the straight-line basis which reflects the expected period when the benefits are provided.

#### *Operating lease income*

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

#### *Property management revenue*

Property management revenue is recognised in the periods when the services are rendered.

#### *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### Borrowing costs

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

Other borrowing costs are recognised as expenses when incurred.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the income statement over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

### Income tax

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

Current tax is provided at rates applicable to entities in the PRC on the income for statutory financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associated companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Income tax (cont'd)

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

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

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

Deferred tax assets relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

### Dividends

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

### Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in the PRC (the "PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the income statement as incurred.

### Share-based payment transactions

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

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Share-based payment transactions (cont'd)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

### Foreign currency translation

The financial statements are presented in RMB which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.4 Summary of Significant Accounting Policies (Continued)

### Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments of the Group.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

### Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the balance sheet of the Group.

## 2.5 Impact of issued but not yet effective IFRSs

### *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements*

The amendment to IFRS 1 allows an entity to determine the “cost” of investments in subsidiaries, jointly- controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly-controlled entity or associate to be recognised in the income statement in the separate financial statements. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent’s separate financial statements and do not have an impact on the consolidated financial statements.

### *IFRS 3 Business Combinations (revised 2008) and IAS 27 Consolidated and Separate Financial Statements (revised 2008)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to 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. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The changes in revised IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to adopt this early.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.5 Impact of issued but not yet effective IFRSs (Continued)

### IAS 1 Presentation of Financial Statements (revised 2007)

The revised standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

### Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

### Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment to IAS 39 was issued in August 2008 and becomes effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

### IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statements.

### IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a new investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.5 Impact of issued but not yet effective IFRSs (Continued)

### IFRIC 17 Distributions of Non-Cash Assets to Owners

IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after 1 July 2009. The interpretation is to be applied prospectively. It clarifies when and how a dividend payable should be recognised if an entity distributes assets other than cash as dividends to its owners. Furthermore, the interpretation provides guidance on how to measure the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

### IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July 2009. The interpretation is to be applied prospectively. It is likely to be particularly relevant for the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water) or to do both. IFRIC 18 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

### Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations

The amendments to IFRS 2 were issued in January 2008 and become effective for financial years beginning on or after 1 January 2009. They clarify the definition of a vesting condition and prescribe the treatment for an award that is effectively cancelled. The amendments will not have a material impact on the financial position or performance of the Group.

### IFRS 8 Operating Segments

The IFRS 8 was issued in November 2006 and becomes effective for financial years beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 *Segment Reporting* (IAS 14) upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments identified under IAS 14.

### IAS 23 Borrowing Costs (Revised)

The revised IAS 23 was issued in April 2007 and becomes effective for financial years beginning on or after 1 January 2009. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. It will not have a material impact on the financial position or performance of the Group.

### Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. An entity shall apply these amendments for annual periods beginning on or after 1 January 2009. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements:

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.5 Impact of issued but not yet effective IFRSs (Continued)

### *Improvements to IFRSs (cont'd)*

**IAS 1 Presentation of Financial Statements:** Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet.

**IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:** Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

**IAS 10 Events after the Reporting Period:** Clarified that dividends declared after the end of the reporting period are not obligations.

**IAS 16 Property, Plant and Equipment:** Replaced the term “net selling price” with “fair value less costs to sell”

**IAS 16 Property, Plant and Equipment:** Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

**IAS 18 Revenue:** Replaced of the term “direct costs” with “transaction costs” as defined in IAS 39.

**IAS 19 Employee Benefits:** Revised the definition of “past service costs”, “return on plan assets” and “short term and other long-term employee benefits”. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

**IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:** Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

**IAS 23 Borrowing Costs:** The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one – the interest expense which is calculated using the effective interest rate method calculated in accordance with IAS 39.

**IAS 27 Consolidated and Separate Financial Statements:** When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

**IAS 28 Investments in Associates:** If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 2.5 Impact of issued but not yet effective IFRSs (Continued)

### *Improvements to IFRSs (cont'd)*

**IAS 29 *Financial Reporting in Hyperinflationary Economies*:** Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

**IAS 31 *Interests in Joint ventures*:** If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

**IAS 34 *Interim Financial Reporting*:** Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

**IAS 36 *Impairment of Assets*:** When discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”.

**IAS 38 *Intangible Assets*:** Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

**IAS 39 *Financial Instruments: Recognition and Measurement*:** Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the “fair value through profit or loss” classification after initial recognition. Removed the reference in IAS 39 to a “segment” when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

**IAS 40 *Investment Property*:** Revised the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised the conditions for a voluntary change in accounting policy to be consistent with those of IAS 8 and clarified that the carrying amount of an investment property held under a lease is the valuation obtained increased by any recognised liability.

**IAS 41 *Agriculture*:** Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term “point-of-sale costs” with “costs to sell”.

**IFRS 7 *Financial Instruments: Disclosures*:** Removed the reference to “total interest income” as a component of finance costs.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 3. Investments in subsidiaries

### Company

	31 December 2008	31 December 2007
Shares, at cost	2,024,561	2,024,561
Less: Impairment provision	(787,000)	–
Advances to subsidiaries	1,731,138	1,362,285
	<u>2,968,699</u>	<u>3,386,846</u>

SGLD made significant losses in the year ended 31 December 2008, and the carrying amount of investment in SGLD on the Company's separate financial statements before impairment provision was significantly higher than the Company's share of the book value of SGLD's net assets, the Company performed an impairment assessment on the investment in SGLD. As a result, a RMB787 million impairment loss, being the excess of carrying amount over the recoverable amount (RMB1,237.6 million, the value in use based on estimated future cash flows discounted at a rate of 11.5 percent per annum), was recognised in the Company's separate financial statements for the year ended 31 December 2008.

The impairment loss does not affect the consolidated financial statements, as the investments in SGLD (as a subsidiary) are fully eliminated upon consolidation and all operating results of SGLD were included in the consolidated income statements.

The Group's direct or indirect interests in all subsidiaries are set out below:

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%)		Principal activities
			2008	2007	
<u>Directly held by the Company</u>					
Meeko Investment Limited	British Virgin Islands 19 August 2005	1,230,300	100	100	Investment holding
Weblink International Limited	British Virgin Islands 17 November 2005	794,261	100	100	Investment holding
Protex Investment Limited	British Virgin Islands 18 October 2006	–	100	100	Investment holding
		<u>2,024,561</u>			

# Notes to the Financial Statements

For the year ended 31 December 2008

## 3. Investments in subsidiaries (continued)

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities
			2008	2007	2008	2007	
<u>Indirectly held by the Company</u>							
SGLD	PRC 26 September 2002	548,100	72.63	72.63	72.63	72.63	Land infrastructure development
Shanghai Lake Malaren Golf Club Co., Ltd.	PRC 6 July 2004	5,000	95	95	69	69	Golf course management
Shanghai Lake Malaren Property Management Co., Ltd.	PRC 23 June 2005	5,000	97.6	97.6	70.89	70.89	Property management
Shanghai Junyihui Entertainment Co., Ltd.	PRC 28 July 2005	1,680	100	100	72.63	72.63	Entertainment services provider
Shanghai Jia Tong Enterprises Co., Ltd.	PRC 12 April 2006	1,000	100	100	100	100	Consultation services and property management
Shanghai Lake Malaren Hotel Management Co., Ltd.	PRC 25 April 2006	5,000	100	100	72.63	72.63	Hotel and club management
China New Town Development (Changchun) Co., Ltd.	British Virgin Islands 7 September 2006	–	100	100	100	100	Investment holding
China New Town Development (Wuxi) Co., Ltd.	British Virgin Islands 18 October 2006	–	100	100	100	100	Investment holding
China New Town Development (Shenyang) Co., Ltd.	British Virgin Islands 18 October 2006	–	100	100	100	100	Investment holding
Safewell Investment Limited	British Virgin Islands 14 February 2007	–	100	100	100	100	Investment holding

# Notes to the Financial Statements

For the year ended 31 December 2008

## 3. Investments in subsidiaries (continued)

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities
			2008	2007	2008	2007	
<u>Indirectly held by the Company</u>							
Wuxi Hongshan New Town Development Co., Ltd.	PRC 6 March 2007	192,689	90	90	90	90	Real estate development and management
Shenyang Lixiang New Town Development Co., Ltd.	PRC 6 March 2007	747,667	90	90	90	90	Real estate development and management
Shanghai CNTD Management Consulting Co., Ltd.	PRC 21 June 2007	1,513	100	100	100	100	Enterprise investment consultation
Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd.	PRC 17 August 2007	372,204	90	90	90	90	Planting, maintenance and management of scenic spots in the Wuxi Project
Changchun New Town Automobile Industry Construct Co., Ltd.	PRC 15 November 2007	220,267	80	80	80	80	Land infrastructure development
Shenyang Lake Malaren Country Club Co., Ltd.	PRC 6 March 2008	17,704	100	–	100	–	Sports management
Shenyang Lixiang New Town virescence Environmental Protection construction Co., Ltd.	PRC 13 March 2008	351,150	100	–	100	–	Landscaping, and plant maintenance and management of scenic spots
Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd.	PRC 18 March 2008	1,000	90	–	90	–	Business management

# Notes to the Financial Statements

For the year ended 31 December 2008

## 3. Investments in subsidiaries (continued)

The advances to subsidiaries are unsecured, non-interest-bearing and without fixed repayment terms; details of which are as follows:

	31 December 2008	31 December 2007
Amounts due from:		
China New Town Development (Shenyang) Co., Ltd.	1,042,047	673,194
China New Town Development (Wuxi) Co., Ltd.	511,258	511,258
China New Town Development (Changchun) Co., Ltd.	176,320	176,320
Safewell Investment Limited	1,513	1,513
	<u>1,731,138</u>	<u>1,362,285</u>

## 4. Investments in associated companies

### Group

	31 December 2008	31 December 2007
Share of net assets:		
Balance at beginning and end of the year	<u>200</u>	<u>200</u>

Details of the associated companies are as follows:

Name	Place and date of incorporation	Proportion of ownership interest attributable to the Group (%)		Effective equity interest attributable to the Group (%)		Issued and paid-up capital	Authorised share capital	Principal activities
		31 December 2008	31 December 2007	31 December 2008	31 December 2007			
Shanghai Jinweifeng Commercial Property Management Co., Ltd.	PRC 5 August 2005	49	49	35.59	35.59	RMB 1 million	RMB 1 million	Provision of consultancy services and property agency service; and retail and wholesale trade in textile goods and handicrafts
Shanghai Malaren Lake Artwork Exhibition Co., Ltd.	PRC 25 April 2006	20	20	14.53	14.53	RMB 1 million	RMB 1 million	Artwork exhibition

The assets and operation results of these associated companies are not material to the Group.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 5. Segment information

The Group's turnover and results for the years ended 31 December 2007 and 31 December 2008 were mainly derived from the development of land infrastructure, property leasing, hotel operations and golf course operations. In accordance with the Group's internal financial reporting, the Group has determined that the primary and the only reporting format is by business segment, as all of the Group's operational assets and operations are located in Mainland China. Accordingly, no segment analysis by geographical segment is provided for the years ended 31 December 2007 and 31 December 2008.

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.

An analysis by business segment is as follows:

	Year ended 31 December 2008					Total
	Development of land infrastructure	Property leasing	Hotel operations	Golf course operations	Others	
<b>Segment results</b>						
Total segment sales	466,446	558	32,194	61,210	10,240	570,648
Intersegment sales	-	-	-	-	(6,552)	(6,552)
External sales	466,446	558	32,194	61,210	3,688	564,096
Operating profit/(loss)/ segment profit/(loss)	131,471	(487,261)	(185,875)	(10,720)	(387,184)	(939,569)
Finance costs						(193,696)
Loss before tax						(1,133,265)
Income tax						145,915
Loss for the year						(987,350)
<b>Other segment items included in the income statement</b>						
Depreciation	(5,461)	-	(34,450)	(24,548)	(1,390)	(65,849)
Amortisation	(513)	-	(3,028)	(5,302)	-	(8,843)
Loss on CB2 other than interest cost, net	-	-	-	-	(287,826)	(287,826)
Impairment loss on property, plant and equipment	-	-	(136,773)	-	-	(136,773)
Fair value loss on investment properties	-	(488,160)	-	-	-	(488,160)

# Notes to the Financial Statements

For the year ended 31 December 2008

## 5. Segment information (continued)

	Year ended 31 December 2008					Total
	Development of land infrastructure	Property leasing	Hotel operations	Golf course operations	Others	
<b>Segment assets and liabilities</b>						
Segment assets	3,429,983	538,507	629,653	841,162	830,801	6,270,106
Investments in associated companies						200
Deferred tax assets						129,816
<b>Total assets</b>						<b>6,400,122</b>
Segment liabilities	1,466,748	137,504	53,023	675,515	593,132	2,925,922
Deferred tax liabilities						-
Unallocated liabilities						1,398,165
<b>Total liabilities</b>						<b>4,324,087</b>
Capital expenditure	28,108	94,574	39,643	107,685	9,507	279,517
	Year ended 31 December 2007					Total
	Development of land infrastructure	Property leasing	Hotel operations	Golf course operations	Others	
<b>Segment results</b>						
Total segment sales	267,454	5,255	32,546	57,008	4,312	366,575
Intersegment sales	-	-	(281)	(119)	(2,981)	(3,381)
External sales	267,454	5,255	32,265	56,889	1,331	363,194
<b>Operating profit/(loss)/ segment profit/(loss)</b>	154,281	46,535	(51,087)	(1,552)	(145,396)	2,781
Finance costs						(293,564)
<b>Loss before tax</b>						<b>(290,783)</b>
Income tax						18,772
<b>Loss for the year</b>						<b>(272,011)</b>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 5. Segment information (continued)

	Year ended 31 December 2007					Total
	Development of land infrastructure	Property leasing	Hotel operations	Golf course operations	Others	
<b>Other segment items included in the income statement</b>						
Depreciation	(1,914)	–	(33,749)	(21,206)	(881)	(57,750)
Amortisation	–	–	(3,028)	(5,302)	–	(8,330)
Loss on convertible bonds other than interest cost, net	–	–	–	–	(79,445)	(79,445)
Fair value gain on investment properties	–	38,948	–	–	–	38,948
<b>Segment assets and liabilities</b>						
Segment assets	3,755,142	942,265	744,131	729,962	1,449,361	7,620,861
Investments in associated companies						200
Deferred tax assets						3,157
<b>Total assets</b>						<b>7,624,218</b>
Segment liabilities	877,000	52,681	38,186	587,666	1,127,513	2,683,046
Deferred tax liabilities						103,788
Unallocated liabilities						2,166,673
<b>Total liabilities</b>						<b>4,953,507</b>
Capital expenditure	30,626	113,739	62,093	20,285	711	227,454

# Notes to the Financial Statements

For the year ended 31 December 2008

## 6. Revenue, other income and other expenses

### Revenue

	Year ended 31 December 2008	Year ended 31 December 2007
Development of land infrastructure:		
Development of land	193,885	94,102
Construction of ancillary public facilities	303,420	190,891
Hotel operations	34,047	33,978
Golf course operations	56,719	59,673
Golf club membership fees	21,948	13,113
Investment property leasing	593	5,533
Others	4,269	1,630
Less: Business tax and surcharges	(50,785)	(35,726)
	564,096	363,194

### Other income

	Year ended 31 December 2008	Year ended 31 December 2007
Government grant - interest subsidy	-	46,486
Interest income	14,601	26,052
Gain from sale of investment properties	-	338
Others	1,558	43
	16,159	72,919

In January 2007, the Group obtained RMB61,700 thousand from the government in accordance with relevant policy and detailed regulations with regard to Trial Measures to Expedite the Development of Towns in Shanghai (“关于上海市促进试点城镇发展的试点意见的实施细则”). The grant amount received was a subsidy for interest expense incurred by the Group for the construction of public facilities. Such type of grant is recognised by the Group only when the application is successful as there is no assurance that the application can be successfully processed. As some of the borrowing costs that the grant was to subsidise had been capitalised as part of land infrastructure under development for sale, a portion of the grant amount was offset against land infrastructure under development for sale and the remaining amount of RMB46,486 thousand was recognised as other income for the year ended 31 December 2007.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 6. Revenue, other income and other expenses (continued)

### Other expenses

	Year ended 31 December 2008	Year ended 31 December 2007
Foreign exchange loss, net	34,264	44,012
Bank charges	1,174	1,345
Others	724	210
	<u>36,162</u>	<u>45,567</u>

## 7. Expenses by nature

	Year ended 31 December 2008	Year ended 31 December 2007
Cost of development of land infrastructure	278,468	121,484
Depreciation of property, plant and equipment	65,849	57,750
Amortisation of prepaid land lease payments	8,843	8,330
Employee benefits	87,064	66,509
Cost of inventories	13,909	11,271
Utility expenses	14,332	14,306
Property tax, stamp duty and land used tax	11,057	12,196
Commission to agency for sale of golf club membership	1,536	918
Bad debt write-off	10,193	-
Expenses incurred for the Repurchase of CB2	29,739	-
Expenses incurred for listing of existing shares	-	19,437
Others	49,913	35,067
Total cost of sales, selling and distribution costs and administrative expenses	<u>570,903</u>	<u>347,268</u>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 8. Finance costs

	Year ended 31 December 2008	Year ended 31 December 2007
Interest on bank and borrowings	123,351	113,699
Interest on Senior Notes	36,757	–
Interest on convertible bonds	167,704	215,496
Less: Interest capitalised	(134,116)	(35,631)
	<u>193,696</u>	<u>293,564</u>

The borrowing costs have been capitalised at weighted average rates of 12.70% and 11.44% per annum for the years ended 31 December 2008 and 31 December 2007 respectively.

## 9. Income tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% (2007: 33%) on their taxable income according to the Income Tax Law of PRC.

The major components of income tax are:

	Year ended 31 December 2008	Year ended 31 December 2007
Income tax (credit)/charge:		
Current income tax	84,532	12,526
Deferred tax	(230,447)	(31,298)
Income tax credit as reported in the income statement	<u>(145,915)</u>	<u>(18,772)</u>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 9. Income tax (continued)

A reconciliation between tax credit and the product of accounting profit multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2008

	CNTD and BVI companies		Mainland China		Total	
Loss before tax	(454,874)		(678,391)		(1,133,265)	
Tax at statutory tax rate	-	-	(169,598)	25.0%	(169,598)	15.0%
Tax losses not recognised	-	-	692	(0.1%)	692	(0.1%)
Non-deductible expenses for tax purposes	-	-	22,991	(3.4%)	22,991	(2.0%)
Income tax as reported in the income statement	-	-	(145,915)	21.5%	(145,915)	12.9%

Year ended 31 December 2007

	CNTD and BVI companies		Mainland China		Total	
Profit/(loss) before tax	(322,151)		31,368		(290,783)	
Tax at statutory tax rate	-	-	10,351	33.0%	10,351	(3.6%)
Tax losses not recognised	-	-	259	0.8%	259	(0.1%)
Non-deductible expenses for tax purposes	-	-	2,822	9.0%	2,822	(1.0%)
	-	-	13,432	42.8%	13,432	(4.6%)
Effects on deferred tax of enactment of change in tax rate from 33% to 25%	-	-	(32,204)	(102.7%)	(32,204)	11.1%
Income tax as reported in the income statement	-	-	(18,772)	(59.8%)	(18,772)	6.5%

# Notes to the Financial Statements

For the year ended 31 December 2008

## 9. Income tax (continued)

### Deferred income tax:

	Consolidated balance sheet		Consolidated income statement	
	31 December 2008	31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
Deferred tax liabilities/(assets)				
Net difference of net carrying amount of prepaid land lease payments and land infrastructure under development with their tax base	40,613	34,368	6,245	(3,998)
Pre-operating expense	(211)	(433)	222	962
Net difference of net carrying amount of property, plant and equipment with its tax base	(34,193)	-	(34,193)	-
Net difference of net carrying amount of investment properties with their tax base	(17,820)	101,356	(119,176)	(16,865)
Losses available for offsetting against future taxable income	(7,807)	(2,724)	(5,083)	(1,609)
The difference in accounting and tax bases arising from the accounting for golf club revenue and related costs	(110,398)	(31,936)	(78,462)	(7,936)
Others	-	-	-	(1,852)
	<u>(129,816)</u>	<u>100,631</u>		
Deferred income tax (credit)/ expense			<u>(230,447)</u>	<u>(31,298)</u>
Deferred tax assets	<u>(129,816)</u>	<u>(3,157)</u>		
Deferred tax liabilities	<u>-</u>	<u>103,788</u>		

# Notes to the Financial Statements

For the year ended 31 December 2008

## 10. Dividends

No dividends have been paid or declared by the Company during the years ended 31 December 2008 and 31 December 2007.

## 11. Loss per share

The calculation of basic loss per share amount is based on the loss attributable to ordinary equity holders of the Company for the years ended 31 December 2008 and 31 December 2007.

A diluted loss per share amount is calculated by dividing the loss attributable to ordinary equity holders of the Company (after adjusting income statement effects of dilutive convertible bonds, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Employee share options (see Note 28) are treated as options and outstanding from the date of grant, however, since they are anti-dilutive, they have not been included in the dilutive loss per share calculation for the years ended 31 December 2008 and 31 December 2007. The calculation of diluted loss per share for the year ended 31 December 2007 did not assume the conversion of CB2 which would have an anti-dilutive effect on the loss per share.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	Year ended 31 December 2008	Year ended 31 December 2007
Loss attributable to ordinary equity holders of the Company	(845,543)	(287,353)
Less: Net effect of dilutive potential ordinary shares	-	-
Loss attributable to ordinary equity holders of the parent adjusted for effect of the dilutive convertible bond	<u>(845,543)</u>	<u>(287,353)</u>
Weighted average number of ordinary shares outstanding	1,584,838,699	837,882,945
Add: Net effect of dilutive potential ordinary shares	-	-
Number of ordinary shares used to calculate the diluted loss per share	<u>1,584,838,699</u>	<u>837,882,945</u>
Basic loss per share (RMB)	<u>(0.5335)</u>	<u>(0.3430)</u>
Diluted loss per share (RMB)	<u>(0.5335)</u>	<u>(0.3430)</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between 31 December 2008 and the date when these financial statements were approved and authorised for issue that would affect the calculation of the above loss per share.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 12. Property, plant and equipment

Group	Hotel properties	Golf operational assets	Other buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
<u>Original cost</u>							
At 1 January 2007	686,437	520,209	16,262	46,462	26,479	21,643	1,317,492
Transfers	-	10,600	22,864	-	-	(33,464)	-
Additions	-	-	414	3,890	5,205	104,206	113,715
Disposals	-	-	(772)	-	(222)	-	(994)
At 31 December 2007	686,437	530,809	38,768	50,352	31,462	92,385	1,430,213
Transfers	16,748	88,268	30,988	-	-	(136,004)	-
Additions	15,874	4,788	5,104	7,837	9,167	139,127	181,897
Disposals	-	-	(252)	(57)	(642)	-	(951)
At 31 December 2008	719,059	623,865	74,608	58,132	39,987	95,508	1,611,159
<u>Accumulated depreciation</u>							
At 1 January 2007	49,214	29,055	1,236	8,999	8,034	-	96,538
Provided during the year	28,439	14,354	1,274	8,969	4,714	-	57,750
Disposals	-	-	-	-	(113)	-	(113)
At 31 December 2007	77,653	43,409	2,510	17,968	12,635	-	154,175
Provided during the year	30,438	16,533	3,646	9,031	6,201	-	65,849
Disposals	-	-	(252)	(28)	(543)	-	(823)
At 31 December 2008	108,091	59,942	5,904	26,971	18,293	-	219,201
<u>Impairment</u>							
At 31 December 2008	136,773	-	-	-	-	-	136,773
<u>Net carrying amount</u>							
At 1 January 2007	637,223	491,154	15,026	37,463	18,445	21,643	1,220,954
At 31 December 2007	608,784	487,400	36,258	32,384	18,827	92,385	1,276,038
At 31 December 2008	474,195	563,923	68,704	31,161	21,694	95,508	1,255,185

Certain of the Group's properties have been pledged to banks for interest-bearing bank loans granted to the Group (see Note 21).

### Impairment of property, plant and equipment

Due to the current economic downturn and losses in hotel operations in 2008, the Group performed an impairment assessment on the property, plant and equipment used in the hotel operations, and as a result, a RMB136,773 thousand impairment loss, being the excess of their carrying amounts over their recoverable amounts, was recognised in the Group's financial statements for the year ended 31 December 2008. The recoverable amounts were determined based on value in use and was determined at the estimated future cash flow discounted at rates of 11 to 11.5 per cent per annum.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 13. Investment properties

Group	Year ended 31 December 2008	Year ended 31 December 2007
At beginning of year	845,000	780,000
Add: New addition of investment properties	140,170	28,403
Less: Disposal of investment properties	–	(2,351)
Add: (Loss)/Gain from decrease / increase in fair value of investment properties	(488,160)	38,948
At end of year	497,010	845,000

The investment properties represent retail spaces on commercial streets owned by the Group which were valued by DTZ Debenham Tie Leung Limited (“DTZ”), an independent professionally qualified valuer, at the respective balance sheet dates.

As there is no active market for the said properties, and due to the absence of similar property in the same location and condition, the valuations were performed based on the income approach.

Changes in fair values of investment properties are recognised in the consolidated income statement. The Group’s interests in investment properties at their net book values are analysed as follows:

Description and Location	Existing use	Tenure	Unexpired lease term	31 December 2008	31 December 2007
Scandinavia Street Shanghai, PRC	Retail street	Leasehold	46.8 years	420,000	845,000
Wu Culture Street Wuxi, PRC	Retail street	Leasehold	38.9 years	77,010	–
				497,010	845,000

The Scandinavia street is pledged for bank borrowings (see Note 21).

The following amounts relating to the investment properties have been recognised in the consolidated income statement:

	Year ended 31 December 2008	Year ended 31 December 2007
Rental income	840	5,533
(Loss)/Gain from (decrease)/increase in fair value	(488,160)	38,948
Gain from disposal of investment properties	–	338
Other direct operating expenses	(547)	(3,540)
	(547)	(3,540)

# Notes to the Financial Statements

For the year ended 31 December 2008

## 14. Prepaid land lease payments

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

	31 December 2008	31 December 2007
In Mainland China, leases of between 40 and 50 years	320,273	326,070
<b>Group</b>	<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2007</b>
At beginning of year	326,070	334,400
Additions	3,046	-
Amortisation charges to the income statement	(8,843)	(8,330)
At end of year	320,273	326,070

The net carrying amounts of prepaid land lease payments, which were pledged for bank borrowings (see Note 21), were as follows at the respective balance sheet dates:

	31 December 2008	31 December 2007
Land use rights for convention facilities	73,865	75,445
Land use rights for golf club house and hotel	232,875	239,625
	306,740	315,070

## 15. Land infrastructure under development for sale

<b>Group</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
At cost:		
Mainland China	3,470,967	2,633,604

Land infrastructure under development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 16. Prepayments and other receivables

Group	31 December 2008	31 December 2007
Prepayments	9,442	2,260
Other receivables	22,418	24,933
	31,860	27,193

An aged analysis of the prepayments and other receivables, as at the respective balance sheet dates, is as follows:

	31 December 2008	31 December 2007
Within 6 months	10,009	5,111
6 months to 1 year	947	19,178
1 year to 2 years	20,141	2,021
2 years to 3 years	186	883
Over 3 years	577	–
	31,860	27,193

None of the above balance is either past due or impaired.

## 17. Trade receivables

Group	31 December 2008	31 December 2007
Receivables from the development of land infrastructure	302,369	541,975
Receivables from the sale of golf club membership	110,531	74,792
Others	1,953	14,293
	414,853	631,060

# Notes to the Financial Statements

For the year ended 31 December 2008

## 17. Trade receivables (continued)

An aged analysis of the trade receivables, as at the respective balance sheet dates, is as follows:

	31 December 2008	31 December 2007
Within 6 months	153,356	273,059
6 months to 1 year	92,209	118,843
1 year to 2 years	52,510	136,078
2 years to 3 years	47,226	4,180
Over 3 years	69,552	98,900
	<u>414,853</u>	<u>631,060</u>

The above balances are unsecured and interest-free. The fair values of the trade receivables at each of the balance sheet dates approximate to their carrying amounts. RMB10,193 thousand trade receivables were written off as of 31 December 2008 (2007: Nil).

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

	31 December 2008	31 December 2007
Neither past due nor impaired	396,609	619,900
Past due but not impaired:		
Within 30 days	584	3,402
30 to 60 days	266	2,520
60 to 90 days	189	2,049
90 to 120 days	795	1,128
Over 120 days	16,410	2,061
	<u>414,853</u>	<u>631,060</u>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 18. Cash and bank balances

	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Cash on hand	372	264	1	12
Cash at bank	112,604	715,273	1,276	3,089
Short-term bank deposits	25,000	1,002,958	–	1,002,789
Cash and cash equivalents	137,976	1,718,495	1,277	1,005,890
Restricted bank deposits	46,277	31,761	46,134	31,673
	<u>184,253</u>	<u>1,750,256</u>	<u>47,411</u>	<u>1,037,563</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months, based on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates.

Included in restricted bank deposits as of 31 December 2008 is mainly an amount of USD6,750,000 (2007: USD4,336,057), relating to the interest to be paid for Senior Notes issued on 12 September 2008 (see Note 22) (2007: for CB2) on 12 March 2009 (2007: from 14 August 2007 to 13 February 2008), which has been escrowed in an interest reserve account (2007: in a debt service account).

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

RMB equivalent of the following currencies:	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
SGD	79	962,496	79	962,496
RMB	136,772	609,822	–	–
HKD	1,199	2,935	1,198	2,934
USD	46,203	175,003	46,134	72,133
	<u>184,253</u>	<u>1,750,256</u>	<u>47,411</u>	<u>1,037,563</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 19. Share capital

### Group and Company

Ordinary shares issued and fully paid	Year ended 31 December 2008		Year ended 31 December 2007	
	Number of shares (Thousands)	Amount*	Number of shares (Thousands)	Amount*
Share capital at the beginning of the year	1,401,025	1,891,080	10	78
Share split (sub-division of each existing share into 75,000 shares)	-	-	750,000	78
Increases during the year:				
Ordinary shares issued upon initial public listing at SGD0.83 per share, net of related transaction costs of RMB87,792 thousand	-	-	323,350	1,288,498
Ordinary shares converted from CB1	-	-	265,125	469,828
Ordinary shares converted from CB2	-	-	62,550	132,676
Subscription Shares issued upon the Repurchase of CB2 (see Note 23)	525,000	175,125	-	-
Grant Shares issued with issuance of Senior Notes upon the Repurchase of CB2 (see Note 23)	80,000	26,686	-	-
Refund of transaction costs for new shares issued upon IPO	-	22,349	-	-
Treasury shares	(600)	-	-	-
Share capital at the end of the year	2,005,425	2,115,240	1,401,025	1,891,080

Treasury shares	Number of shares (Thousands)	Amount*
At 31 December 2008	600	180

\* There is no par value for the shares of the Company.

The holders of ordinary shares, except treasury shares, are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the Shareholders. All ordinary shares carry one vote per share without restrictions.

All the rights and obligations attaching to the treasury shares are suspended and shall not be exercised by or against the Company.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 20. Other reserves

### Group

	Imputed equity contribution upon reorganisation	Employee equity benefits reserve	Equity component of convertible bonds	Capital contribution received upon the Repurchase of CB2	Other reserves	Total
At 1 January 2007	224,032	-	-	-	-	224,032
Grant of equity-settled share options to management	-	8,516	-	-	-	8,516
Convertible bonds issuance	-	-	620,900	-	-	620,900
CB1 conversion	-	-	(396,900)	-	-	(396,900)
CB2 conversion	-	-	(20,572)	-	-	(20,572)
At 31 December 2007	224,032	8,516	203,428	-	-	435,976
Grant of equity-settled share options to management	-	16,884	-	-	-	16,884
Transfer upon the Repurchase of CB2	-	-	(191,805)	-	191,805	-
Considerations for the Repurchase of CB2's equity component	-	-	(11,623)	-	-	(11,623)
Capital contribution from an indirect shareholder received upon the Repurchase of CB2	-	-	-	163,433	-	163,433
At 31 December 2008	224,032	25,400	-	163,433	191,805	604,670

# Notes to the Financial Statements

For the year ended 31 December 2008

## 20. Other reserves (continued)

### Company

	Imputed equity contribution upon reorganisation	Employee equity benefits reserve	Equity component of convertible bonds	Capital contribution received upon the Repurchase of CB2	Other reserves	Total
At 1 January 2007	1,557,445	-	-	-	-	1,557,445
Grant of equity-settled share options to management	-	8,516	-	-	-	8,516
Convertible bonds issuance	-	-	620,900	-	-	620,900
CB1 conversion	-	-	(396,900)	-	-	(396,900)
CB2 conversion	-	-	(20,572)	-	-	(20,572)
At 31 December 2007	1,557,445	8,516	203,428	-	-	1,769,389
Grant of equity-settled share options to management	-	16,884	-	-	-	16,884
Transfer upon the Repurchase of CB2	-	-	(191,805)	-	191,805	-
Considerations for the Repurchase of CB2's equity component	-	-	(11,623)	-	-	(11,623)
Capital contribution from an indirect shareholder received upon the Repurchase of CB2	-	-	-	163,433	-	163,433
At 31 December 2008	1,557,445	25,400	-	163,433	191,805	1,938,083

### Nature and purpose of other reserves

#### Imputed equity contribution upon reorganisation

The Company applied the pooling of interests method to account for the business combination under common control which occurred on 20 December 2006. This therefore represents the difference between the Company's share of net assets of the Group, net share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 20. Other reserves (continued)

### Employee equity benefits reserve:

Employee equity benefits reserve represents the equity-settled share options granted to management (see Note 28). The reserve represents of the cumulative value of services received from management recorded over the grant date of equity-settled share options, and would be reduced by the expiry or exercise of the share options.

	Year ended 31 December 2008	Year ended 31 December 2007
At beginning of year	8,516	–
Cost of equity-settled share options during the year	16,884	8,516
At end of year	25,400	8,516

### Equity component of convertible bonds

This represents the equity component of CB2 after the change of terms of CB2 net of effect of the Repurchase of CB2. (see Note 23)

### Capital contribution received upon the Repurchase of CB2

This represents the capital contribution from SRE Investment in connection with the Company's Repurchase of CB2. (see Note 23)

### Other reserves

This represents the fair value change of the equity component of CB2 upon the Repurchase of CB2.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 21. Interest-bearing bank borrowings

At the year end, the interest-bearing bank borrowings which were all denominated in RMB were as follows:

Group	31 December 2008	31 December 2007
Bank loans – collateralised	1,137,000	1,640,000

The bank borrowings are repayable as follows:

	31 December 2008	31 December 2007
Within 6 months	–	1,640,000
6 months to 9 months	791,000	–
9 months to 12 months	346,000	–
	1,137,000	1,640,000

The Group's bank loans bore interest at floating rates ranging from 5.76% to 7.74% and 6.30% to 7.56% per annum for the years ended 31 December 2008 and 31 December 2007, respectively.

### Short-term bank borrowings

As at 31 December 2008, bank borrowings of RMB1,137,000 thousand (2007: RMB1,640,000 thousand) were collateralised by pledges of the Group's certain properties, investment properties and prepaid land lease payments, whose net carrying amounts at 31 December 2008 were RMB579,394 thousand (2007: RMB715,052 thousand), RMB420,000 thousand (2007: RMB845,000 thousand) and RMB306,740 thousand (2007: RMB315,070 thousand), respectively.

The Group had no undrawn credit facilities as at 31 December 2008 and 31 December 2007.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 22. Senior Notes

On 12 September 2008, a 17.75% US dollar settled Senior Secured Guaranteed Notes (the "Senior Notes") with the principal amount of RMB593.3 million due on 12 September 2011 were issued by the Company as part of the consideration for the Repurchase of CB2 (see Note 23).

The movements of the carrying amounts of Senior Notes in the year ended 31 December 2008 are as follows:

	Year ended 31 December 2008
Carrying amount on initial recognition upon issuance	514,078
Interest expense (recognised using effective interest rate of 25.75% per annum)	36,757
Interest paid	-
Carrying amount at end of year	550,835
Less: current portion – accrued coupon interest (Note 25)	(32,026)
Non-current portion at end of year	518,809

Excluding the renewal of existing bank indebtedness, the Senior Notes have contractual restrictions on the amount of additional bank indebtedness that the Group can incur. For example, as at December 31, 2008, in accordance with the covenants of the Senior Notes, the Group could incur up to RMB600 million of additional bank indebtedness (which was subsequently reduced by the amount of new bank loan of RMB80 million obtained, see Note 32(a)) to directly finance its new town projects plus USD50 million for general purposes.

## 23. Convertible bonds and derivative financial liabilities

### Group and Company

#### CB1

On 20 December 2006, a convertible bond ("CB1") convertible into shares of the Company was issued to Sinopower Investment Limited ("Sinopower"), a shareholder of the Company and a wholly-owned subsidiary of SRE Group Limited, by the Company together with additional shares representing 49% of the enlarged ordinary issued share capital of the Company, in exchange for Sinopower's 100% interest in Meeko Investment Limited ("Meeko"), a BVI company which directly holds 45.26% of equity interest in SGLD.

The principal amount of this convertible bond is USD12,173,833.93. This bond is not interest-bearing and will fall due on 19 December 2008. The holder of the bond has the right to convert the entire bond to 3,535 shares (subject to adjustments when there is event such as share split, consolidation of shares, capitalisation of reserves, etc. and equivalent to 265,125,000 shares after the share split, see Note 19) of the Company on the earlier of the date when the Company's shares commenced dealing on a recognised stock exchange and 19 December 2008.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 23. Convertible bonds and derivative financial liabilities (continued)

### Group and Company (continued)

#### CB1 (continued)

Based on the original terms of CB1, the equity conversion options embedded in CB1 are not equity instruments of the Company, the entire convertible bond is accounted for as financial liabilities, i.e., host debt instruments with embedded derivatives. The embedded derivatives are separated from the host debt instruments, and are accounted for as financial liabilities at fair value through profit or loss. The host debt instruments are initially recognised at fair value net of related transaction costs, and are subsequently measured at amortised cost.

However, on 1 July 2007, the terms and conditions of CB1 were amended as follows:

- The denomination of CB1 was amended from USD to RMB and the principal amount of CB1 was amended from USD12,173,833.93 to RMB94,712,427.98.
- The denomination of the conversion price was amended from USD to RMB and the initial conversion price was amended from USD3,443.80 to RMB26,792.76 per share, based on the principal amount of CB1 of RMB94,712,427.98 and 3,535 shares (subject to adjustments when there is event such as share split, consolidation of shares, capitalisation of reserves, etc. and equivalent to 265,125,000 shares after the share split, see Note 19).

The purpose of the revision in terms, which became effective on 1 July 2007, was to revise the currency denomination of CB1 so that it becomes the same as the functional currency of the Company, i.e., RMB, and fix the number of shares issued on the conversion of the CB1, so that the revised embedded conversion option becomes an equity instrument of the Company. Hence, after the change in terms, the new CB1 comprises two components: a financial liability (a straight debt) and an equity instrument (the conversion option, i.e., a call option granting the holder the right to convert CB1 into a fixed number of ordinary shares of the Company). Accordingly, the Company has presented the liability and equity components separately on its balance sheet from 1 July 2007, and hence any subsequent changes in fair value of the conversion option should no longer be accounted for in the financial statements.

The Company engaged DTZ in conjunction with Real Actuarial Consulting Limited to value the fair value of CB1 based on the revised terms at 1 July 2007 (the date when the terms were amended), and the difference of the fair value before and after the change was recognised in the income statement. The straight debt was initially recognised at fair value, and was subsequently carried at amortised cost based on the effective interest rate for the cash flows based on the new terms effective on 1 July 2007. As a result, the effective interest rate for the straight debt portion was changed from 29.40% to 26.78% per annum.

#### Conversion of CB1

On 13 November 2007, the Company allotted and issued 265,125,000 shares to Sinopower pursuant to the conversion of CB1. On 13 November 2007, the carrying amount of liability and equity components of CB1 was transferred to share capital from liability and other reserves respectively.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 23. Convertible bonds and derivative financial liabilities (continued)

### Group and Company (continued)

#### CB2

On 13 February 2007, 5.0% US dollar settled convertible bonds ("CB2") with a principal amount of RMB1,239.6 million due on 13 February 2010 (the "Maturity Date") were issued by the Company to four investors. On the Maturity Date, the Company should pay 136.2201% of the principal amount if CB2 had still not been converted by the investors into shares of the Company. In addition, CB2 could be put back to the Company at 135% of the principal amount on 13 February 2009 (the "Redemption Date") if the Company is not listed on an acceptable stock exchange by that date.

Based on the original terms of CB2, bondholders may convert CB2 into shares at any time during the period between the date when the Company is listed on an acceptable stock exchange and the Redemption Date or Maturity Date, as applicable. Subject to certain adjustments, the number of shares to be issued upon conversion and the conversion price should be calculated by applying certain formulas contingent upon the time when the initial public offer of the Company occurs and would also be affected by movements in exchange rates of the USD versus the RMB, etc.

Based on the original terms of CB2, the equity conversion options embedded in the bonds were not equity instruments of the Company, the entire CB2 were accounted for as financial liabilities, i.e., host debt instruments with embedded derivatives (a conversion option and a put option, i.e. the right to put the convertible bonds back to the Company if the Company is not listed at the Redemption Date). The embedded derivatives were separated from the host debt instruments, and were accounted for as financial liabilities at fair value through profit or loss. The host debt instruments were initially recognised at fair value net of related transaction costs, and were subsequently measured at amortised cost.

For CB2 (based on original terms), the coupon interest rate was 5% per annum while the effective interest rate for the straight debt portion was 23.00% per annum.

On 15 September 2007, the Company agreed with the holders of CB2 to modify the terms of CB2, such that the modified equity conversion options of the instruments would be classified as equity of the Company. The amendments were made so that fair value changes of the conversion option (equity instrument) should no longer be accounted for in the financial statements after the date when the terms are amended. As a result of the modification of the terms of the convertible bonds, the Company incurred a loss of RMB236,438 thousand (including an increase in fair value of CB2 and a write-off of an unamortised transaction cost) on the date of amendment, which was recognised in the income statement.

After the amendment, the revised CB2 comprise three components: a straight-debt portion (financial liability), an embedded put option (financial liability) as revised (i.e., the right of the bondholders to put back the revised the convertible bonds at 135% of the principal amount during the period from 15 September 2008 to 15 October 2008 if they are not yet converted) and an equity instrument (the conversion option, i.e., a call option granting the holders the right, for a specified period of time before the Maturity Date, to convert it into a fixed number of ordinary shares of the Company, i.e., 9,081 shares before the share split). Accordingly, the Company has presented the liability and equity components separately on its balance sheet since the date when the terms of CB2 were amended. The straight debt was initially recognised at fair value on the amendment date, and was subsequently carried at amortised cost based on the effective interest rate (22.94%) for the cash flows based on the new terms. The embedded put option was separated from the straight debt instrument, and was accounted for as a financial liability at fair value through profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 23. Convertible bonds and derivative financial liabilities (continued)

### Group and Company (continued)

#### CB2 (continued)

##### Partial conversion of the convertible bonds

On 5 November 2007, the Company allotted and issued 62,550,000 shares (after adjusting for the share split) pursuant to the partial conversion of CB2.

The carrying amounts of both the straight debt and embedded put option of the part of CB2 that was converted were transferred to share capital from liability and the carrying amount of the equity component of the part of CB2 that was converted was transferred to share capital from other reserve. The remaining straight debt of CB2 was subsequently carried at amortised cost based on the original effective interest rate that was determined in September 2007.

On 31 December 2007, both the host debts and the embedded put option of the convertible bonds were recognised as current liabilities as the convertible bonds may be required (at the discretion of the bondholders) for repayment within the next 12 months.

##### Repurchase of CB2

On 12 September 2008, the Company has completed the purchase of the outstanding CB2 with a principal amount of RMB1,127 million from the bondholders (the "Repurchase of CB2"). The Company, as consideration given to the bondholders for the Repurchase of CB2, paid RMB 639.5 million in cash, issued 525 million shares (the "Subscription Shares") of the Company, and issued Senior Notes (see Note 22) with a principal amount of RMB593.3 million together with a grant of 80 million shares of the Company (the "Grant Shares"). In connection with the Repurchase of CB2, the Company's indirect and substantial shareholder, SRE Investment Holdings Limited ("SRE Investment"), also issued to those bondholders a price guarantee (the "Price Guarantee") regarding the price of the Company's shares on the third anniversary of the issuance of the Subscription Shares (the "Third Anniversary"), under which SRE Investment undertook to pay the bondholders an amount equal to the difference between the SGD0.165 and the share price of the Subscription Shares sold during 40 business days after the Third Anniversary, multiplied by the number of such Subscription Shares sold.

As a result, on that date, the Company accounted for the Repurchase of CB2 by:

- Recognised the issuance of Subscription Shares, Senior Notes, and Grant Shares, at their fair values, i.e., RMB175,125 thousand, RMB514,078 thousand and RMB26,686 thousand respectively;
- Recognized a capital contribution, at its fair value of RMB163,433 thousand, from SRE Investment as a result of its Price Guarantee issued to the bondholders in connection with the Repurchase of CB2; and
- Allocated the consideration given and any transaction costs for the repurchase to the liability and equity components of CB2. The liability components of CB2 (the host debt portion and embedded put option) were derecognised, and the resulting gain of RMB25,025 thousand (i.e., the difference between the consideration of RMB1,507,150 thousand allocated to the liability components and their carrying amounts of RMB1,532,175 thousand) was recognised in the income statement, while the amount of consideration of RMB11,623 thousand allocated to the equity component was recognised in equity.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 23. Convertible bonds and derivative financial liabilities (continued)

### Group and Company (continued)

#### CB2 (continued)

The movements of the carrying amounts of host debts in CB1 and CB2 in the years ended 31 December 2008 and 31 December 2007 are as follows:

CB1	Year ended 31 December 2007	
Carrying amount of host debt at beginning of year		56,773
Foreign exchange gain		(1,405)
Interest expense recognised using the effective interest rate		14,270
Change in the carrying amount due to the change in terms		3,291
Conversion to shares		(72,929)
Carrying amount of host debt at end of year		-
	Year ended 31 December 2008	Year ended 31 December 2007
CB2		
Carrying amount of host debt at beginning of year	1,101,860	-
Carrying amount of host debt on initial recognition upon issuance (fair value upon issuance net of attributable transaction cost of RMB50,492 thousand)	-	1,038,364
Interest expense recognised using the effective interest rate	167,704	201,227
Change in the carrying amount due to the change in terms	-	1,212
Conversion to shares	-	(107,953)
Interest paid	(61,140)	(30,990)
Repurchase	(1,208,424)	-
Carrying amount of host debt at end of year	-	1,101,860

# Notes to the Financial Statements

For the year ended 31 December 2008

## 23. Convertible bonds and derivative financial liabilities (continued)

### Group and Company (continued)

#### CB2 (continued)

The fair value movements for derivatives embedded in CB1 and CB2 in the years ended 31 December 2008 and 31 December 2007 are as follows:

CB1	Year ended 31 December 2007	
At beginning of year		410,264
Fair value decrease		(11,212)
Loss on change in terms:		
Decrease in carrying value of convertible bonds		(2,152)
Transfer to equity (equity component after change in terms)		(396,900)
At end of year		-
	Year ended 31 December 2008	Year ended 31 December 2007
CB2		
At beginning of year	10,900	-
Initial recognition upon issuance of bonds	-	150,745
Increase/(decrease) in fair value	312,851	(148,132)
Loss on change in terms:		
Increase in carrying value of convertible bonds	-	197,109
Write-off of unamortised transaction cost	-	39,329
Transfer to equity (equity component after change in terms)	-	(224,000)
Conversion to shares	-	(4,151)
Repurchase	(323,751)	-
At end of year	-	10,900

The fair values of the convertible bonds and the embedded derivatives are valued by DTZ and Real Actuarial Consulting Limited.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 24. Deferred income

Group	Notes	31 December 2008	31 December 2007
Deferred revenue arising from:			
Sale of golf club membership	(i)	591,165	487,224
Sale of land infrastructure	(ii)	271,443	141,849
		862,608	629,073

Notes:

- (i) The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.
- (ii) The deferred revenue arising from the sale of land infrastructure represents the portion of amounts received/receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities attributable to the parcels of land sold are still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

## 25. Trade payables, other payables and accruals

Group	31 December 2008	31 December 2007
Trade payables	1,036,291	832,167
Accruals for commission of golf club membership	29,219	20,330
Payroll and welfare	4,230	4,124
Other taxes payable:		
Business tax payable	101,460	13,266
Property tax payable	19,695	15,704
Land use tax payable	7,616	4,360
Other miscellaneous tax	2,189	1,548
Unpaid expenses incurred for the Repurchase of CB2	22,785	–
Receipts in excess of the Group's estimated share of land sale proceeds	25,152	–
Other payables	56,308	44,842
Accrued coupon interest of Senior Notes	32,026	–
Accrued interest on bank borrowings	936	1,284
	1,337,907	937,625

# Notes to the Financial Statements

For the year ended 31 December 2008

## 25. Trade and other payables (continued)

Terms and conditions of the above liabilities:

- Trade payables are non-interest-bearing and are normally settled within one year, which is normal for the industry which has a long operating cycle.
- Accruals for the commission of golf club membership to agents are settled when the period related golf club membership fees are received.
- Payroll and welfare are normally settled within the next month.
- Interest payable on bank borrowings is normally settled quarterly throughout the financial year.
- Other payables and other tax payables are non-interest-bearing and are normally settled within one year.

## 26. Amounts due from / to related parties

Group	Note	31 December 2008	31 December 2007
Amounts due from related parties:			
Amounts due from associates		1,757	1,755
Amounts due to related parties:			
SRE Group Limited	(i)	109,845	30
Sinopower Investment Limited		7,591	-
Grand Wealth Resources Limited		-	987
Others		1	-
		117,437	1,017

- (i) On 17 August 2008, SRE Group Limited, SGLD and the Company signed a letter of intent, pursuant to which SRE Group Limited intended to acquire certain properties of the Group at RMB2 billion. SRE Group Limited has paid USD16 million (equivalent to RMB109.8 million) as earnest money. However, the letter of intent will not be binding and the earnest money will be refunded to SRE Group Limited, unless approvals from shareholders of both the Company and SRE Group Limited are obtained by 30 June 2009 (that was recently extended to 30 June 2010 (see Note 32(d)) and registration with the local land authorities is completed by that date.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 27. Advances from customers

### Group

Advances from customers mainly represented sales proceeds received in advance for its land sales, hotel operations and golf course operations during the years ended 31 December 2008 and 31 December 2007. All of the advances from customers are expected to be recognised as revenue when the related services are provided, and they are non-refundable unless the Group cannot provide services.

## 28. Employee benefits

### Group

	Year ended 31 December 2008	Year ended 31 December 2007
Employee benefits expense (including directors)		
Wages and salaries	56,355	47,474
Social welfare other than pensions	4,367	3,164
Pension – defined contribution plan	3,225	2,717
Staff welfare and bonuses	6,233	4,638
Share-based payments (Management Stock Option Plan)	16,884	8,516
	87,064	66,509

### Management Stock Option Plan (“MSOP”)

On 5 July 2007, the Board of Directors of the Company passed a resolution to award a total of 380 shares (equivalent to 28,500,000 shares after the share split) to certain of the Company’s directors and employees (“Entitled Persons”) as an incentive for their continued service to the Company in the following proportions.

Entitled Person	Number of shares allotted	
	Before share split	Translate to numbers after share split
Li Yao Min	79	5,925,000
Yue Wai Leung, Stan	79	5,925,000
Yang Yong Gang	68	5,100,000
Gu Bi Ya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yi Ping	33	2,475,000
Tai Kuo Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiao Meng	3	225,000
Zhang Qiong	3	225,000
Total	380	28,500,000

# Notes to the Financial Statements

For the year ended 31 December 2008

## 28. Employee benefits (continued)

### Group (continued)

In accordance with the terms of the MSOP, the shares are allotted and will vest as follows: (a) 10% at the end of the 12th month after the date of listing of the Company on the Main Board of the SGX; (b) 15% at the end of the 24th month after the date of listing of the Company on the Main Board of the SGX; (c) 20% at the end of the 36th month after the date of listing of the Company on the Main Board of the SGX; (d) 25% at the end of 48th month after the date of listing of the Company on the Main Board of the SGX; and (e) the remaining 30% at the end of the 60th month after the date of listing of the Company on the Main Board of the SGX.

The MSOP is provided on the basis that the relevant Entitled Persons remain in service within the Group on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per share (before share split). The MSOP is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, the Company will recognise the expenses over the vesting periods.

### Fair value of stock options granted

DTZ was engaged by the Group to assess the fair value of these MSOP, who estimated the weighted average fair value to be RMB151,717 per share (before the share split, see Note 19) at the date of grant.

The fair value of the equity-settled stock options granted is estimated as at the date of grant using the binomial option pricing model, taking into accounts the terms and conditions upon which the options were granted. The following are the inputs to the model used in the valuation at the grant date:

### Assumption:

Estimated share price (before the share split)	RMB 151,724
Exercise price (before the share split)	RMB8
Maturity date for exercise	No maturity date
Dividend yield (%)	0.00%
Risk-free interest rate (% p.a.)	5.24%
Volatility rate (% p.a.)	28.40%

The volatility used in the model is based on the historical volatilities of listed companies who have risk profiles comparable with the risk profile of the Group.

One of the Entitled Persons who has 10 shares (before share split) has left the Company during the year ended 31 December 2007, so his right under the MSOP was forfeited according to the terms of MSOP.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 29. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Transactions with the parties significantly influenced by or whose significant voting power resides with, directly or indirectly, some members of key management personnel of the Company:			
Land development revenue	(i)	221,964	321,198
Loan provided by the entity who has significant influence over the Group	(ii)	–	350,000
Loan repaid	(iii)	350,000	–
Capital contribution from SRE Investment in connection with the Company's Repurchase of CB2	23	163,433	–

Notes:

- (i) The revenue in 2008 was from the development of land infrastructure as a result of the purchase of land use rights by Shenyang Lukang Real Estate Limited Company. RMB89,544 thousand was recognised for the year ended 31 December 2008 and RMB132,420 thousand was deferred as income as arising from construction of ancillary public facilities as at 31 December 2008.
- (ii) During the year ended 31 December 2007, Shanghai Luodian Assets Management and Investment Co., Ltd., a 27.37% shareholder of SGLD, provided an unsecured loan of RMB350 million to the Group. The loan bore interest at 7% per annum and the term of the loan was for a period of six months.
- (iii) The loan in (ii) was repaid on 26 March 2008.
- (b) Compensation of key management personnel of the Group:

	Year ended 31 December 2008	Year ended 31 December 2007
Wages and salaries	15,796	10,716
Share-based payments (MSOP)	16,884	8,516
Social security costs	274	102
Pension – defined contribution plan	591	97
Staff welfare and bonuses	360	221
	<u>33,905</u>	<u>19,652</u>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 30. Commitments

At the balance sheet dates, the Group had commitments as follows:

Group	31 December 2008	31 December 2007
Commitments in respect of land infrastructure under development for sale:		
Contracted but not provided for	2,626,055	2,790,355
Authorised but not contracted for	6,061,496	6,869,908
Properties under development for long-term investments:		
Contracted but not provided for	–	15,230
Authorised but not contracted for	157,405	155,738
Property, plant and equipment and leasehold land:		
Contracted but not provided for	348,296	131,309
Authorised but not contracted for	3,230,256	3,514,443
<b>Total</b>	<b>12,423,508</b>	<b>13,476,983</b>

The Group had significant commitments as of 31 December 2008 as it had entered into three township development projects in Wuxi, Shenyang and Changchun and such commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects.

As of 31 December 2008, among the commitments that are contracted but not provided for, RMB2,009 million are with no specified due date for payments.

## 31. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, Senior Notes and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes except for the embedded derivatives in CB2, which were repurchased in 2008 (see Note 23). The board reviews and agrees policies for managing each of the risks which are summarised below:

### Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings and Senior Notes are disclosed in Note 21 and Note 22.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 31. Financial risk management objectives and policies (continued)

### Interest rate risk (continued)

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's loss before tax (mainly the impact on floating rate borrowings). Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes the loss before tax as disclosed below.

	Year ended 31 December 2008	Year ended 31 December 2007
Increase/(decrease) in interest rate (basis points)	100/(100)	50/(50)
(Increase)/decrease on loss before tax	(15,822)/15,822	(9,519)/9,519

### Foreign currency risk

All the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from golf membership fees received in United States dollars. In addition, the Group has raised significant amounts of funds in United States dollars via the issuance of convertible bonds and in Singapore dollars via the public listing. The Group has not hedged its foreign exchange rate risk as it expects that the bank deposits raised would be utilised for projects and converted to RMB in the near future.

The RMB is not a freely convertible currency, the conversion of the RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity to reasonably possible changes in the SGD, USD or HKD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities). Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes the loss before tax as disclosed below.

	Year ended 31 December 2008	Year ended 31 December 2007
Increase/(decrease) in SGD	10%/(10%)	5%/(5%)
Decrease/(Increase) on loss before tax	8/(8)	48,125/(48,125)
Increase/(decrease) in USD	10%/(10%)	5%/(5%)
Decrease/(increase) on loss before tax	4,737/(4,737)	8,894/(8,894)
Increase/(decrease) in HKD	10%/(10%)	5%/(5%)
Decrease/(increase) on loss before tax	120/(120)	147/(147)

# Notes to the Financial Statements

For the year ended 31 December 2008

## 31. Financial risk management objectives and policies (continued)

### Credit risk

Credit risk arises from cash and bank balances, trade receivables, other current assets and amounts due from related parties, the balances of which represent the maximum credit risk exposure of the Group. As at 31 December 2008 and 31 December 2007, a large portion of the trade receivables were from the revenue derived from the development of land infrastructure and therefore there is concentration risk. Management considers that the credit risk is considered low as land infrastructure is sold through public auction, tender or listing procedures to qualified land buyers, whose qualifications are verified by relevant government authorities and buyers have paid a portion of proceeds as performance bonds to be the government authorities.

Purchasers of golf club membership are generally granted with monthly instalment payment terms ranging from 12 to 24 months. Pursuant to the related sale agreement, the Group can cancel a buyer's membership if the instalment payment is overdue for more than three months. Buyers are generally wealthy individual purchasers and the Group has no net exposure as the deferred income from sale of golf club membership is larger than related receivables. Hence, no adverse impact on the loss before tax if the buyers' membership were cancelled due to the non-payments.

### Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended	On	Contractual	Less than	3 to 12	1 to 5	Over	Total
31 December 2008	demand	due date	3 months	months	years	5 years	
		not specified					
Interest-bearing loans	-	-	16,373	1,165,426	-	-	1,181,799
Senior Notes	-	-	52,655	52,655	803,922	-	909,232
Trade payables	673,698	362,593	-	-	-	-	1,036,291
Other liabilities	255,131	-	-	-	-	-	255,131
	<u>928,829</u>	<u>362,593</u>	<u>69,028</u>	<u>1,218,081</u>	<u>803,922</u>	<u>-</u>	<u>3,382,453</u>

# Notes to the Financial Statements

For the year ended 31 December 2008

## 31. Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

Year ended 31 December 2007	On demand	Contractual due date not specified	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing loans	-	-	28,632	2,084,719	-	-	2,113,351
Convertible Bonds	-	-	-	1,576,057	-	-	1,576,057
Trade payables	493,417	338,750	-	-	-	-	832,167
Other liabilities	70,313	-	-	-	-	-	70,313
	<u>563,730</u>	<u>338,750</u>	<u>28,632</u>	<u>3,660,776</u>	<u>-</u>	<u>-</u>	<u>4,591,888</u>

The 2007 comparative information has been restated to reflect the contractual due date not specified financial liabilities.

### Fair values

Except as indicated below, the fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

	Carrying amount		Fair value	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
CB2 – host debt	-	1,101,860	-	1,249,900

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds, convertible bonds or new shares.

As the Group is engaged in the development of land infrastructure, it needs substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

# Notes to the Financial Statements

For the year ended 31 December 2008

## 31. Financial risk management objectives and policies (continued)

### Capital management (continued)

The Group's gearing ratio (as defined by management for capital management purposes) is calculated below:

	31 December 2008	31 December 2007
Interest-bearing loans and borrowings	1,137,000	1,990,000
Senior Notes	550,835	–
CB2	–	1,112,760
Trade and other payables	1,337,907	937,625
Less: Cash and bank balances	(184,253)	(1,750,256)
Net debt	<u>2,841,489</u>	<u>2,290,129</u>
Capital:		
Equity attributable to equity holders of the Company	<u>1,716,934</u>	<u>2,169,803</u>
Capital and net debt	<u>4,558,423</u>	<u>4,459,932</u>
Gearing ratio	<u>62.33%</u>	<u>51.35%</u>

### Collateral

RMB46,134 thousand (equivalent to USD6,750 thousand) (2007: RMB31,761 thousand, equivalent to USD4,336 thousand) of the Group's restricted bank deposits (see Note 18) has been escrowed in an interest reserve bank account as the first instalment payment of the Senior Notes (2007: of the CB2). Besides, the Group has also pledged its certain properties, investment properties and prepaid land lease payments in order to fulfil the collateral requirements for the interest-bearing bank borrowings (see Note 21) as at 31 December 2008 and 2007.

The Group did not hold collateral of any sort as at 31 December 2008 and 2007.

# Notes to the Financial Statements

For the year ended 31 December 2008

## 32. Subsequent events

- (a) In January 2009, the Group entered into a loan contract to borrow a one-year loan amounting to RMB80 million (bearing interest at 5.31% p.a.) from Bank of Communications, for which the Group's certain property and investment property with carrying amounts of RMB18 million and RMB77 million respectively (as of 31 December 2008) were pledged as collaterals.
- (b) In March 2009, the Company entered into a Subscription Agreement with Sinopower that, the Company will propose placement of 680,000,000 new ordinary shares (the "New Shares") at an issue price of SGD0.051 per share to Sinopower. The total consideration for the issue of New Shares amounting to SGD34,680,000 will be satisfied by (i) the capitalisation of outstanding interest free loans of an aggregate amount of HKD28,600,000 made by the Sinopower to the Company and (ii) the payment of the remaining aggregate issue price for the New Shares of SGD29,083,131. After the proposed placement is completed, the existing issued share capital of the Company will be increased from 2,005,425,000 shares (excluding treasury shares) to 2,685,425,000 shares (excluding treasury shares) and Sinopower's shareholding interest in the Company would increase from approximately 32.03% to approximately 49.24%. On 26 March 2009, the SGX granted approval in-principle for the proposed listing and quotation of the New Shares on the Main Board of the SGX, subject to certain conditions, including the specific approval from the Company's shareholders for the proposed placements and the issue of the New Shares to Sinopower.
- (c) In March 2009, Shanghai Municipal Housing, Land And Resource Administration Bureau has announced that one plot of residential land (with a site area of approximately 96,842 square metres) from the SGLD project for public auction.
- (d) On 17 August 2008, SRE Group Limited, SGLD and the Company signed a letter of intent, pursuant to which SRE Group Limited intended to acquire certain properties of the Group at RMB2 billion (see Note 26(i)). SRE Group Limited has paid USD16 million (equivalent to RMB109.8 million) as earnest money. However, the letter of intent will not be binding and the earnest money will be refunded to SRE Group Limited, unless approvals from shareholders of both the Company and SRE Group Limited are obtained by 30 June 2009. On 25 March 2009, the parties signed an amendment to extend the expiry date of the original letter of intent, the amended letter of intent will not be binding and the earnest money will be refunded to SRE Group Limited, unless approvals from shareholders of both the Company and SRE Group Limited are obtained by 30 June 2010.
- (e) A new subsidiary, Shanghai Golden Luodian Transportation and Construction Co., Ltd. ("SGLTC"), was incorporated on 16 March 2009 in Shanghai. SGLTC is 95% owned by SGLD, and its registered capital is RMB 50 million. The principal activities of SGLTC are construction of transportation facilities, development, sale, lease and management of real estate properties.

## 33. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 7 April 2009.

# Analysis of Shareholdings

As at 2 April 2009

Issued and Fully Paid-up Capital	:	RMB2,115,240,000
Total number of issued shares excluding treasury shares	:	2,005,425,000
Total number of treasury shares	:	600,000
Class of shares	:	Ordinary shares of no par value
Voting rights	:	One vote per share

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 2 APRIL 2009

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	5	0.06	1,404	-
1,000 - 10,000	4,516	53.52	18,498,854	0.92
10,001 - 1,000,000	3,862	45.77	313,503,942	15.63
1,000,001 AND ABOVE	55	0.65	1,674,020,800	83.45
	<b>8,438</b>	<b>100.00</b>	<b>2,006,025,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS AS AT 2 APRIL 2009

NO.	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	SINOPOWER INVESTMENT LIMITED	642,401,000	32.02
2	RAFFLES NOMINEES PTE LTD	489,369,318	24.39
3	CITIBANK NOMINEES SINGAPORE PTE LTD	213,182,682	10.63
4	PRIMEMODERN LIMITED	125,887,500	6.28
5	UOB KAY HIAN PTE LTD	18,189,000	0.91
6	GRAND WEALTH RESOURCES LIMITED	15,000,000	0.75
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	14,519,000	0.72
8	HSBC (SINGAPORE) NOMINEES PTE LTD	13,492,000	0.67
9	KIM ENG SECURITIES PTE. LTD.	11,846,000	0.59
10	LIM & TAN SECURITIES PTE LTD	11,235,000	0.56
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	11,000,000	0.55
12	OCBC SECURITIES PRIVATE LTD	7,314,000	0.36
13	XU SHENG	7,000,000	0.35
14	PHILLIP SECURITIES PTE LTD	6,875,000	0.34
15	DBS NOMINEES PTE LTD	6,858,300	0.34
16	SHAN LIHUA	5,444,000	0.27
17	NG SEE CHENG	5,390,000	0.27
18	CIMB-GK SECURITIES PTE. LTD.	4,845,000	0.24
19	TAN SHIH LENG	3,650,000	0.18
20	DBS VICKERS SECURITIES (S) PTE LTD	3,327,000	0.17
	<b>TOTAL :</b>	<b>1,616,824,800</b>	<b>80.59</b>

# Analysis of Shareholdings

As at 2 April 2009

## Substantial Shareholders

Substantial shareholders of the Company as at 2 April 2009.

Name	No. of Ordinary shares				
	Direct Interest	%	Deemed Interest	%	
Primemodern Limited	125,877,500	6.28	–	–	
The Royal Bank of Scotland plc	–	–	125,887,500 <sup>(1)</sup>	6.28	
The Royal Bank of Scotland Group plc	–	–	125,887,500 <sup>(1)</sup>	6.28	
RBS Specialised Property Investments Limited	–	–	125,887,500 <sup>(1)</sup>	6.28	
Deutsche Bank AG, Hong Kong Branch	128,887,500	6.43	–	–	
Sinopower Investment Limited	642,401,000	32.02	–	–	
SRE Group Limited	–	–	642,401,000 <sup>(2)</sup>	32.02	
SRE Investment Holding Limited	–	–	642,401,000 <sup>(3)</sup>	32.02	
Shi Jian	–	–	642,401,000 <sup>(4)</sup>	32.02	
Shi Bing	–	–	642,401,000 <sup>(5)</sup>	32.02	
Highbridge G.P., Ltd.	}	–	–	143,629,463 <sup>(6)</sup>	7.16
Clive Harris					
Richard Crawshaw					
Highbridge Capital Management, LLC					
J.P. Morgan Asset Management Holdings Inc.					
JPMChase & Co.					
Dubin & Swieca Asset Management, LLC					
Dubin & Swieca Asset Management, Inc.					
Glenn Dubin					
Henry Swieca					
OZ Master Fund, Ltd.	}	–	–	344,703,855 <sup>(7)</sup>	17.18
OZ Asia Master Fund, Ltd.					
OZ Management, L.P.					
Och-Ziff Holding Corporation					
Och-Ziff Capital Management Group, LLC					
Daniel Saul Och					
Forum Asian Realty Income II L.P.					
Forum Asian Realty Income II GP Limited					
Forum Partners Investment Management, L.L.C.					
Russell C. Platt					

Notes:

- (1) The Royal Bank of Scotland plc, The Royal Bank of Scotland Group plc and RBS Specialised Property Investments Limited are deemed interested by virtue of the fact that Primemodern Limited is an indirect wholly-owned subsidiary of The Royal Bank of Scotland Group plc.

# Analysis of Shareholdings

As at 2 April 2009

- (2) SRE Group Limited (“SRE Group”) is deemed interested by virtue of the fact that Sinopower Investment Limited (“Sinopower”) is a wholly-owned subsidiary of SRE Group.
- (3) SRE Investment Holding Limited (“SRE Investment”) is deemed interested by virtue of the fact that it is a controlling shareholder of SRE Group, which in turn deemed interested in Sinopower’s entire shareholding in the Company.
- (4) Mr Shi Jian is deemed interested in Sinopower’s entire shareholding in the Company by virtue of the fact that he is a controlling shareholder of SRE Group through SRE Investment.
- (5) Mr Shi Bing is deemed interested by virtue of the fact that he is the son of Mr Shi Jian, which in turn deemed interested in Sinopower’s entire shareholding in the Company through SRE Investment and SRE Group.
- (6) Highbridge International LLC (“Fund A”) and Highbridge Asia Opportunities Master Fund, L.P. (“Fund B”) hold 57,421,785 shares and 86,207,678 shares representing 2.86% and 4.30% respectively. In total, Fund A and Fund B hold 143,629,463 shares representing 7.16% of the issued share capital of the Company.

Highbridge Master L.P. (“Highbridge Master”) owns 100% of Fund A. Highbridge Master, therefore, has a deemed interest in the 57,421,785 shares held by Fund A. The general partner of Highbridge Master is Highbridge G.P., Ltd. (“Highbridge GP”). By virtue of its management of Highbridge Master, Highbridge GP, through Highbridge Master, has a deemed interest in the 57,421,785 shares held by Fund A.

Highbridge GP is also the general partner of Fund B. By virtue of this, Highbridge GP has a deemed interest in the 86,207,678 shares held by Fund B.

In aggregate, Highbridge GP has a deemed interest in all the 143,629,463 shares held by Fund A and Fund B, representing 7.16% of the issued share capital of the Company. Highbridge GP is therefore, a substantial shareholder of the Company.

Clive Harris and Richard Crawshaw each holds not less than 20% in Highbridge GP. By virtue of their holdings, Clive Harris and Richard Crawshaw, through Highbridge GP, have deemed interests in 143,629,463 shares and are substantial shareholders in the Company.

The 143,629,463 shares held by Fund A and Fund B are traded at the discretion of Highbridge Capital Management, LLC (“Highbridge Capital”). Highbridge Capital therefore, has a deemed interest in those 143,629,463 shares and is a substantial shareholder in the Company.

J.P. Morgan Asset Management Holdings Inc. (“JP Morgan AMH”) holds not less than 20% in Highbridge Capital. JP Morgan AMH, through its holdings in Highbridge Capital, has a deemed interest in the 143,629,463 shares and is a substantial shareholder in the Company.

JP Morgan AMH is 100% owned by JPMChase & Co. By virtue of this, JPMChase & Co., through JP Morgan AMH and in turn Highbridge Capital, has a deemed interest in the 143,629,463 shares and is a substantial shareholder in the Company.

Dubin & Swieca Asset Management, LLC (“Dubin & Swieca”) holds not less than 20% in Highbridge Capital. Dubin & Swieca, through Highbridge Capital, therefore has a deemed interest in the 143,629,463 shares and is a substantial shareholder in the Company.

Dubin & Swieca Asset Management, Inc. (“Dubin & Swieca AM”) holds not less than 50% in Dubin & Swieca. Therefore, Dubin & Swieca AM, through Dubin & Swieca and in turn Highbridge Capital, has a deemed interest in the 143,629,463 shares and is a substantial shareholder in the Company.

Glenn Dubin and Henry Swieca each holds not less than 20% in Dubin & Swieca AM. They therefore, through Dubin & Swieca AM, Dubin & Swieca and in turn Highbridge Capital, have deemed interests in the 143,629,463 shares and are substantial shareholders in the Company.

Raffles Nominees (Pte.) Ltd. is the registered holder for the 143,629,463 shares.

- (7) OZ Master Fund, Ltd. (“Fund A”), OZ Asia Master Fund, Ltd. (“Fund B”) and OZ Global Special Investments Master Fund, Ltd. (“Fund C”) and, collectively with Fund A and Fund B, “Funds”) hold an aggregate of 155,370,869 shares, 150,158,538 shares and 39,174,448 shares representing 7.75%, 7.49% and 1.95% respectively of the issued share capital of the Company. In total, therefore, the Funds hold 344,703,855 shares, representing 17.18% of the issued share capital of the Company.

# Analysis of Shareholdings

As at 2 April 2009

As each of Fund A and Fund B holds 5% or more of the issued share capital of the Company, both are substantial shareholders of the Company.

OZ Management, L.P. (“OZM”) manages the investments of the Funds on a discretionary basis. By virtue of this, OZM has a deemed interest in, and is a substantial shareholder of the Company in respect of, all the 344,703,855 shares held by the Funds, representing 17.18% of the issued share capital of the Company.

Och-Ziff Holding Corporation (“OZH”) is the sole general partner of, and is authorised to manage and represent OZM. By virtue of this, OZH, through OZM, has a deemed interest in, and is a substantial shareholder of the Company in respect of, all the 344,703,855 shares held by the Funds, representing 17.18% of the issued share capital of the Company.

Och-Ziff Capital Management Group, LLC (“OZCM”) is the sole shareholder in OZH. By virtue of this, OZCM, through OZH and in turn OZM, has a deemed interest in, and is a substantial shareholder of the Company in respect of, all the 344,703,855 shares held by the Funds, representing 17.18% of the issued share capital of the Company.

Daniel Saul Och (“DSO”) holds not less than 20% of the voting rights in OZCM. By virtue of this, DSO, through OZCM and in turn OZH and OZM, has a deemed interest in, and is a substantial shareholder of the Company in respect of, all the 344,703,855 shares held by the Funds, representing 17.18% of the issued share capital of the Company.

Raffles Nominees (Pte.) Ltd. is the registered holder for the 344,703,855 shares.

- (8) Forum Asian Realty Income II L.P. (“FARI II LP”) holds a total of 200,216,681 shares representing 9.98% of the issued share capital of the Company. FARI II LP therefore, holds more than 5% of the total number of issued shares in the Company and is a substantial shareholder of the Company.

Forum Asian Realty Income II GP Limited (“FARI II GP”) is the general partner of, and is authorized to manage and represent FARI II LP. By virtue of this, FARI II GP has a deemed interest in, and is a substantial shareholder of the Company in respect of all the 200,216,681 shares held by FARI II LP, representing 9.98% of the issued share capital of the Company.

Forum Partners Investment Management, L.L.C. (“FPIM”) holds all the issued shares in FARI II GP. By virtue of this, FPIM, through FARI II GP, has a deemed interest in, and is a substantial shareholder of the Company in respect of all the 200,216,681 shares held by FARI II LP, representing 9.98% of the issued share capital of the Company.

Russell C. Platt (“RCP”) holds not less than 20% of the issued share capital in FPIM. By virtue of this, RCP, through FPIM and in turn FARI II GP, has a deemed interest in, and is a substantial shareholder of the Company in respect of all the 200,216,681 shares held by FARI II LP, representing 9.98% of the issued share capital of the Company.

Citibank Nominees Singapore Pte. Ltd. is the registered holder for the 200,216,681 shares.

## FREE FLOAT

As at 2 April 2009, approximately 67.97% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of China New Town Development Company Limited (“Company”) will be held at Holiday Inn Atrium, Level 4, 317 Outram Road, Singapore 169075 on Thursday, 30 April 2009 at 3.30 p.m. for the following purposes:

## Ordinary Business

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors who are retiring pursuant to Article 86(1) of the Articles of Association of the Company:
  - (a) Mr Yue Wai Leung, Stan **(Resolution 2)**
  - (b) Mr Cheng Wai Ho **(Resolution 3)**
  - (c) Mr Lam Bing Lun, Philip **(Resolution 4)**
  - (d) Mr Kong Siu Chee **(Resolution 5)**
3. To approve the Board Committees’ meeting allowance of S\$11,200 for the financial year ended 31 December 2008. **(Resolution 6)**
4. To approve the Directors’ fees of S\$301,200 for the financial year ending 31 December 2009 and the payment thereof on a quarterly basis. **(Resolution 7)**
5. To re-appoint Messrs Ernst & Young as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business of the Company for which due notice shall have been given.

## Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company – Ordinary Resolution

“That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue ordinary shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

# Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution 9 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution 9 was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution 9 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 9) does not exceed 50% of the issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 9) does not exceed 20% of the issued Shares (excluding treasury shares) (as calculated in accordance with paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”), for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) at the time this Resolution 9 is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 9 is passed; and
  - (ii) any subsequent bonus issue, consolidation or sub-division of Shares;
- (3) in exercising the authority conferred by this Resolution 9, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 9 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”  
**[See Explanatory Note (i)] (Resolution 9)**

8. Authority to allot and issue Shares up to one hundred per cent. (100%) of the total number of issued Shares excluding treasury shares of the Company on a pro-rata basis by way of a renounceable rights issue – Ordinary Resolution

“That, contingent on Resolution 9 being passed, authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant Instruments that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

# Notice of Annual General Meeting

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution 10 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution 10 was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution 10 on a pro-rata basis to shareholders of the Company by way of a renounceable rights issue (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 10) does not exceed 100% (or such other limit permitted by the SGX-ST from time to time) of the issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), and in determining whether such 100% limit has been reached, all Shares to be issued pursuant to this Resolution 10 or Resolution 9 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 10 or Resolution 9) shall be taken into account (unless the SGX-ST's prevailing regulations and requirements otherwise provide);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) at the time this Resolution 10 is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 10 is passed; and
  - (ii) any subsequent bonus issue, consolidation or sub-division of Shares;
- (3) in exercising the authority conferred by this Resolution 10, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 10 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”  
[See Explanatory Note (ii)] (Resolution 10)

# Notice of Annual General Meeting

9. Authority to grant options and issue Shares under the CNTD Share Option Scheme – Ordinary Resolution

“That the Directors be and are hereby authorised to offer and grant options in accordance with the provisions of the CNTD Share Option Scheme (the “Scheme”) and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of Shares to be issued pursuant to the Scheme, the CNTD Performance Share Plan and the CNTD Management Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.”

[See Explanatory Note (iii)]

(Resolution 11)

10. Authority to grant awards and issue Shares under the CNTD Performance Share Plan – Ordinary Resolution

“That the Directors be and are hereby authorised to offer and grant awards in accordance with the provisions of the CNTD Performance Share Plan (the “Plan”) and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of awards under the Plan provided always that the aggregate number of Shares to be issued pursuant to the Plan, the Scheme and the CNTD Management Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.”

[See Explanatory Note (iv)]

(Resolution 12)

11. Authority to grant awards and issue Shares under the CNTD Management Grant - Ordinary Resolution

“That the Directors be and are hereby authorised to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of awards under the CNTD Management Grant (the “Grant”) provided always that aggregate number of Shares to be issued pursuant to the plan, the Scheme and the Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.”

[See Explanatory Note (v)]

(Resolution 13)

By Order of the Board

Tam Sau Fung  
Lim Chee Ying  
Company Secretaries

Singapore, 14 April 2009

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) Ordinary Resolution 9 is to empower the Directors, from the date of the passing of Ordinary Resolution 9 to the date of the next Annual General Meeting, to issue Shares and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 50% of the issued Shares (excluding treasury shares), with a sub-limit of 20% of the issued Shares (excluding treasury shares) for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Ordinary Resolution 9 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 9 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 9, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association.
- (ii) Ordinary Resolution 10 is to empower the Directors, from the date of the passing of Ordinary Resolution 10 to the date of the next Annual General Meeting, to issue Shares and to make or grant Instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an amount not exceeding in total 100% of the issued Shares (excluding treasury shares), on a pro-rata basis to shareholders by way of a renounceable rights issue. For the purpose of determining the aggregate number of Shares that may be issued, Shares issued pursuant to Ordinary Resolution 9 shall also be counted in determining whether the 100% limit has been reached, and the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Ordinary Resolution 10 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Ordinary Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 10, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "Press Release"); the new measures include allowing issuers to issue up to 100% of its issued share capital via a pro-rata renounceable rights issue, subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in its annual report. The Press Release states that this new measure will be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.
- (iii) Ordinary Resolution 11 is to empower the Directors to offer and grant options and to issue new Shares pursuant to the Scheme provided that the aggregate number of new Shares to be issued pursuant to the Scheme, the Plan and the Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.
- (iv) Ordinary Resolution 12 is to empower the Directors to offer and grant awards and to issue new Shares pursuant to the Plan provided that the aggregate number of new Shares to be issued pursuant to the Plan, the Scheme and the Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.
- (v) Ordinary Resolution 13 is to empower the Directors to issue new Shares pursuant to the Grant provided that the aggregate number of new Shares to be issued pursuant to the Plan, the Scheme and the Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.

## Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a Depositor wishes to appoint a proxy or proxies, then the Depositor Proxy Form must be completed, signed and deposited at the office of the Company's Singapore share transfer agent, Tricor Barbinder Share Registration Services at 8 Cross Street #11-00, PWC Building, Singapore 048424, not less than 48 hours before the time appointed for holding the Annual General Meeting.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

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# Corporate Information

## Board of Directors

Mr Shi Jian  
*(Executive Chairman)*  
Mr Li Yao Min  
*(Co-Vice Chairman)*  
Mr Yue Wai Leung, Stan  
*(Co-Vice Chairman)*  
Mr Cheng Wai Ho  
*(Chief Executive Officer/  
Executive Director)*  
Ms Gu Bi Ya  
*(Executive Director)*  
Mr Mao Yi Ping  
*(Executive Director)*  
Mr Shi Bing  
*(Executive Director)*  
Mr Henry Tan Song Kok  
*(Lead Independent  
Non-Executive Director)*  
Mr Loh Weng Whye  
*(Independent Non-  
Executive Director)*  
Mr Lam Bing Lun, Philip  
*(Independent Non-  
Executive Director)*  
Mr Kong Siu Chee  
*(Independent Non-  
Executive Director)*

## Audit Committee

Mr Henry Tan Song Kok  
*(Chairman)*  
Mr Lam Bing Lun, Philip  
Mr Loh Weng Whye

## Nominating Committee

Mr Loh Weng Whye  
*(Chairman)*  
Mr Lam Bing Lun, Philip  
Mr Kong Siu Chee

## Remuneration Committee

Mr Kong Siu Chee  
*(Chairman)*  
Mr Loh Weng Whye  
Mr Lam Bing Lun, Philip

## Investment Committee

Mr Lam Bing Lun, Philip  
*(Chairman)*  
Mr Kong Siu Chee  
Mr Henry Tan Song Kok  
Mr Loh Weng Whye

## Company Secretaries

Ms Tam Sau Fung, HKICPA  
Ms Lim Chee Ying, LLB (Hons), ACIS

## Registered Office

2/F Palm Grove House  
P.O. Box 3340  
Road Town, Tortola  
British Virgin Islands  
Telephone: (284) 494 6004  
Facsimile: (284) 494 6404

## Business Address

9th Floor, Times Tower,  
391-407 Jaffe Road  
Wanchai, Hong Kong SAR  
Telephone: (852) 3965 9000  
Facsimile: (852) 3965 9111  
Website: www.china-newtown.com

## British Virgin Islands Share Registrar

Tricor Services (BVI) Limited  
P.O. Box 3340  
Road Town, Tortola  
British Virgin Islands

## Singapore Share Transfer Agent

Tricor Barbinder Share Registration  
Services  
8 Cross Street #11-00  
PWC Building  
Singapore 048424

## Legal Counsels

WongPartnership LLP  
One George Street #20-01  
Singapore 049145

Jingtian & Gongcheng  
3505 K.Wah Center  
1010 Huai Hai Road (M)  
Shanghai 200031  
China

Conyers Dill & Pearman  
50 Raffles Place  
#18-04 Singapore Land Tower  
Singapore 048623

## Auditors

Ernst & Young  
18th Floor, Two International  
Finance Centre  
8 Finance Street, Central  
Hong Kong SAR  
Partner-in-Charge: Mr Philip Leung  
Wai Lup  
Date of Appointment: 20 November  
2007

## Issue Managers In Relation To The Initial Public Offering

Citigroup Global Markets Singapore  
Pte. Ltd.  
12th Floor, Centennial Tower  
3 Temasek Avenue  
Singapore 039190

Deutsche Bank AG, Singapore  
Branch  
17th Floor, South Tower  
One Raffles Quay  
Singapore 048583

## Stock Exchange Listed

Main Board of the Singapore  
Exchange Securities Trading  
Limited  
Stock Name: ChinaNTown  
ISIN Code: VGG2156N1006



9/F, Times Tower, 391-407 Jaffe Road, Wanchai, Hong Kong SAR  
Tel: 852 3965 9000 Fax: 852 3965 9111