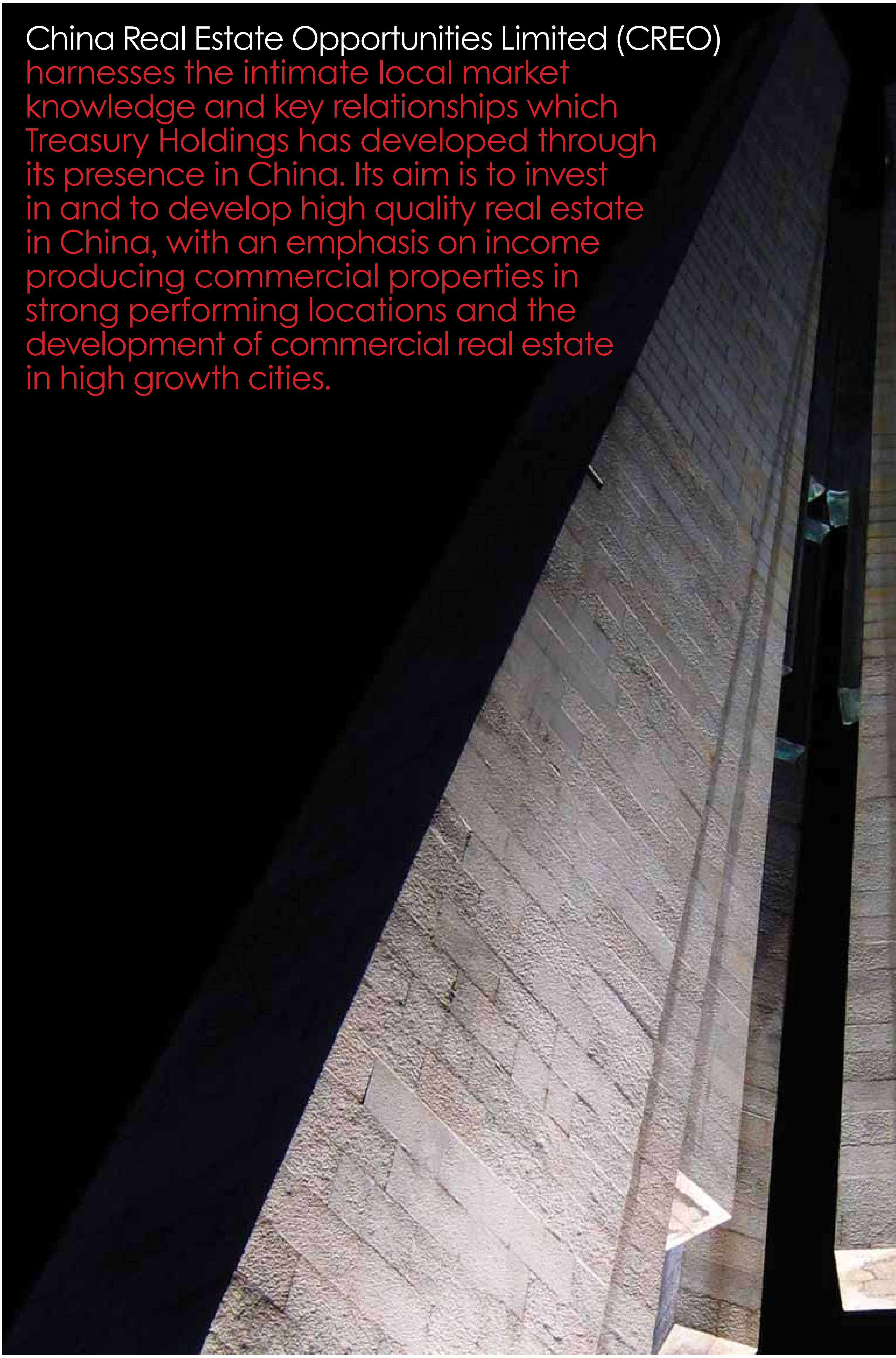
CREO
CHINA REAL ESTATE OPPORTUNITIES

ANNUAL REPORT & ACCOUNTS 2007

investmentpotential

China Real Estate Opportunities Limited (CREO) harnesses the intimate local market knowledge and key relationships which Treasury Holdings has developed through its presence in China. Its aim is to invest in and to develop high quality real estate in China, with an emphasis on income producing commercial properties in strong performing locations and the development of commercial real estate in high growth cities.



contents

chairman's statement:

Ray Horney

I am pleased to report on the progress of your Company over the period from its incorporation on 5 December 2006 to 31 December 2007.

During the period under review, your Company has established a formidable presence in the Chinese property market as the owner of a diversified portfolio of investment and development properties. More importantly, the Company has secured a market position distinct from the majority of its competitors with its focus on commercial rather than residential real estate.

In July 2007 the Company was admitted to AIM, successfully raising £260 million by way of a placing of new ordinary shares. This has enabled the Company to complete the acquisition of the initial property portfolio comprising City Centre, Central Plaza and the Treasury Building, all in Shanghai, Tangdao Bay in Qingdao and Beijing Logistics Park. These properties have achieved an impressive increase in value over this short period of over 11 per cent.

Subsequent to the year end, the Board announced the acquisition, with the Shanghai Industrial Investment Corporation, the real estate investment arm of the Shanghai municipal Government, of a further two sites in Tangdao Bay, adjoining the Company's existing development site.

Increasingly, independent market commentators are providing positive reviews of those companies that have a significant component of their China focused portfolio in income producing real estate to provide a buffer against the uncertainty of large-scale residential development, which for the past ten years has been the mainstay of the Chinese real estate market activity.

The Company's robust share price performance in the fourth quarter of 2007 and post year end is largely reflective of the market's appreciation of CREO's strategic focus, and more importantly its operation in a sector of the market in which CREO has forged and will retain a strong leadership position.

In the short to medium term we are well positioned to capitalise on the rental growth in the office and retail sectors, which we expect will be driven by China's strong underlying economic growth and fast growing retail demand. Looking to the longer term, we have established an excellent platform for future expansion.

GROWTH IN NET ASSET VALUE

Period end independent valuations of the Company's initial property portfolio, carried out by CB Richard Ellis show an aggregate gross value for the initial portfolio in excess of £600 million at the exchange rate prevailing on 31 December 2007.

Under IFRS, there is a requirement for the Group to provide for deferred taxation on the fair value gains on investment and development properties and this provision is reflected in the consolidated balance sheet on page 29. In all cases the properties in question are held through subsidiaries incorporated outside China, principally in Jersey and the British Virgin Islands. As stated in the Company's July 2007 admission document, the disposal of equity interests of the Company's subsidiaries incorporated outside China would not give rise to any taxation in the Peoples' Republic of China (PRC).

Were the consolidated balance sheet net asset value to be adjusted so as to eliminate the provision for deferred tax, this would result in an uplift of £92.8 million giving an adjusted net asset value per share at 31 December 2007 of £8.23 (flotation: £7.68), fully diluted for management options. The purchase of the two sites in Tangdao Bay after the period end will add an estimated additional 5.4 pence per share to the fully diluted net asset value, adjusted on a similar basis.

The increase in net asset value during the period reflects the strong performance of the Chinese property portfolio, details of which are set out in the Investment Manager's Review.

THE CHINESE PROPERTY MARKET

2007 saw a challenging environment in China, partly caused by regulatory initiatives from central government intended to ensure price stability in the housing sector. This is an era of unprecedented urbanisation across China which is projected to resettle fifteen million rural residents annually over the next ten years into urban environments. CREO has pursued a strategy of avoiding large scale residential development projects and the associated accumulation of substantial land banks, and is focusing on opportunities within the non-residential sector, which has been unaffected to any material extent by the recent wave of regulatory activity.

The Company's initial concentration of retail and office assets in Shanghai, China's commercial centre, has proved successful. There are historically low vacancy rates in the office sector underpinning strong rental growth, whilst the high level of wages in Shanghai relative to China as a whole has fuelled double digit annual retail sales growth over the past four years.

PORTFOLIO REVIEW

CREO's development portfolio projects in Shanghai, Beijing and Qingdao continue to move forward in line with expectations. The acquisition, subsequent to the year end, of two additional development sites at Tangdao Bay in Qingdao adjoining the Company's initial site, has created the opportunity for a substantial mixed use development. These acquisitions will increase the gross floor area of the Qingdao development from approximately 180,000 square metres to some 430,000 square metres. The development is expected to include around 250,000 square metres of non-residential space comprising high quality retail, hotel and office facilities which will all benefit from Qingdao's role as host to the 2008 Olympics yachting events. This development should continue to profit from continuing interest from domestic, Korean and Japanese investors, attracted by the government's commitment to the construction of an 8km tunnel under Jiaozhou Bay, reducing the commuting time to the Qingdao city centre from over one hour to less than 20 minutes.

FOREIGN EXCHANGE

The Company's asset value in sterling terms, the currency in which its shares are denominated, has benefited from exposure to the Chinese Renminbi, which over the second half of 2007 witnessed its strongest period of appreciation since the adjustment of the Chinese Renminbi-US dollar peg in July 2005. Currency futures markets suggest strong appreciation into 2008 and beyond, which would have further positive impact for CREO given its Renminbi property assets and US dollar denominated debt.

INFRASTRUCTURE INVESTMENT

Looking to the future, the Company will maintain its focus on the commercial real estate sector and will continue to acquire additional assets in Shanghai and Beijing, whilst seeking value opportunities in the country's second tier cities as infrastructure build continues apace. The government's continued commitment to transport, telecommunications and social infrastructure has seen the construction of 57,000 kilometres of international grade highways (second only to the United States) over the past ten years, expenditure of US$72 billion on the rail system over the last four years (US$42 billion projected for 2008) and approval to expand the national airport framework from 140 to approximately 240 commercial airports by 2020 (Source: The Economist February 2008).

Development properties will play an increasing role in the Company's activities over coming years, notwithstanding the fact that stable, income producing assets are expected to continue to dominate the balance sheet for the foreseeable future.

OUTLOOK

I am pleased to report that the Company's investment manager, Treasury Holdings China Limited, having now had a presence in China for over four years, has continued to prosper. Leveraging Treasury Holdings' experience as a high quality real estate developer and investor, CREO has established strong foundations for growth, both within the existing portfolio and through selective additions of quality acquisitions. CREO will also seek acquisitions in a broader number of Chinese regional markets than hitherto, with the aim of providing significant upside through the inherent growth created by the government's overwhelming commitment to infrastructure.

Treasury Holdings' headcount of over 60 staff in its Shanghai headquarters and in Beijing and Qingdao is testimony to the extent of its commitment to China and to CREO as well as the depth of its resources. Richard Barrett, a CREO non executive Director and Treasury Holdings China Chairman, has now been a full-time resident in Shanghai for over two years and I have every confidence in the team which he and his senior colleagues have built up there.

I would like to take this opportunity to thank our local partners and advisers. In particular I would like to express the Board's gratitude to the Shanghai Industrial Investment Corporation, which continues to act as a strong ally to the Company through providing excellent guidance in the navigation of the Chinese regulatory and administrative landscape whilst being a valuable joint venture partner in our Qingdao project.

Overall this has been an excellent start for the Company and I and the Board remain optimistic about the Company's prospects. I look forward to updating you in due course regarding the Company's further progress in the vibrant Chinese property market.

Ray Horney
Chairman
25 March 2008

"Overall this has been an excellent start for the Company and I and the Board remain optimistic about the Company's prospects."

financial information:
as at 31 December 2007

FINANCIAL INFORMATION

as at 31 December	**2007** **£'000**
Net assets	424,144
Net asset value per share – basic	£8.37
Net asset value per share – diluted	£8.23

Consolidated net asset value as adjusted, see page 17, Directors' Report.

GBP: CNY exchange rate	14.66

CAPITAL STRUCTURE AND HISTORICAL INFORMATION

Authorised	Issued	
No limit	50,676,185	Ordinary shares of no par value

The Company was incorporated in Jersey on 5 December 2006 and listed on the London Alternative Investment Market (AIM) on 11 July 2007.

FINANCIAL CALENDAR

In addition, the Company publishes information according to the following calendar:

Interim unaudited results	August / September
Preliminary final results	March / April
Year end	31 December
Annual General Meeting	June / July

investment adviser's report:

for the Chinese property market

As noted in the Chairman's statement, CREO was admitted to AIM in July 2007 raising £260 million for its investment program. The Company harnesses the intimate local market knowledge and key relationships that Treasury Holdings has developed through its presence in China, whilst leveraging their international real estate experience to create opportunities with significant upside value.

Its aim is to invest in and to develop high quality real estate in China, with an emphasis on income producing commercial properties in strong performing locations and the development of commercial real estate in high growth cities.

As at 31 December 2007, the Company had assembled a portfolio of assets in the Chinese cities of Shanghai, Qingdao and Beijing with a value in excess of £600 million, as valued by independent, international valuation firm CB Richard Ellis.

CREO continues to expand its profile and influence in the real estate market in the People's Republic of China ("PRC") having identified commercial property investment and management as a segment of the market significantly under represented. This provided the opportunity to focus on the investment in, and development of high-quality real estate in China, with an emphasis on rental income producing commercial properties with development upside in high growth cities.

The PRC residential real estate markets have been the focus of strong regulatory activity over the past 18 months, which has sought to stabilise housing prices and to encourage developers to develop their land banks in an efficient and timely manner. The commercial property sector is largely isolated from this regulatory framework and as such CREO remains confident of its ability to continue to grow its asset base and provide value added management.

China's economic base continues to provide strong support for CREO's ambitions and in an era of unprecedented growth in disposable income, business activity and continued expansion of the country's infrastructure, the foundations are firmly in place for strong returns from commercial real estate in the coming years.

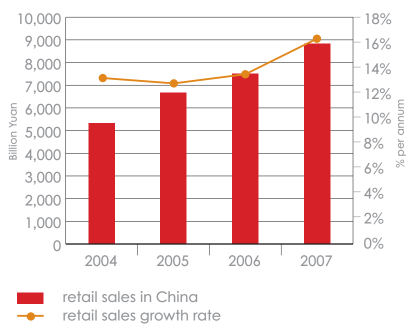
MACRO-ECONOMIC ENVIRONMENT

China recorded GDP growth of 11.4 per cent for the year ended 31 December 2007 and continues its seemingly inexorable progress towards becoming one of the world's largest and most dynamic economies (see graph right).

URBANISATION AND INFRASTRUCTURE

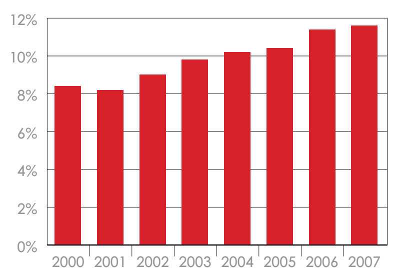
Urbanisation remains a significant policy in the Government's structural reforms with 15 million rural residents per annum expected to move to urban environments over the next decade. This program has been, and continues to be led by the government's unwavering commitment to infrastructure which has been a major contributor to employment growth, substantial improvement in standard of living and has underpinned the economic growth in more remote locations, as business activity has followed the infrastructure program across the country.

Retail Sales in China



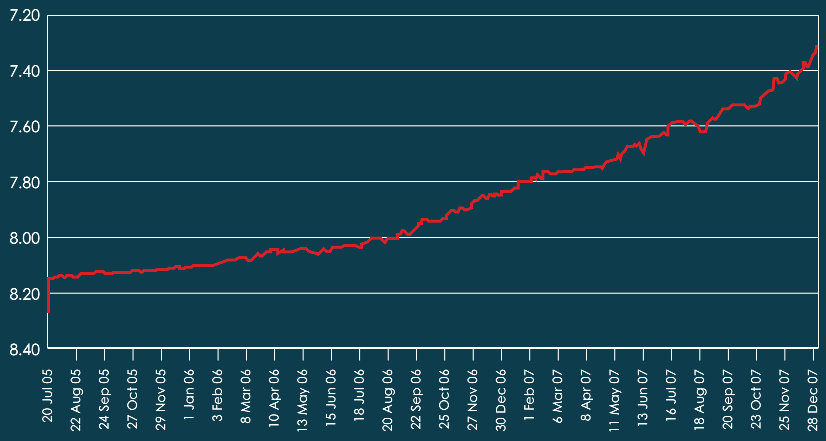
Source: National Bureau of Statistics of China

China GDP Growth Rate



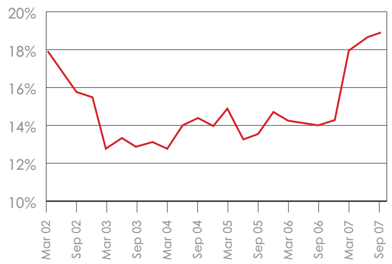
Source: National Bureau of Statistics of China

CNY Revaluation (CNY/USD)



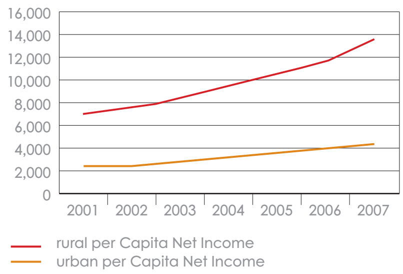
Source: People's Bank of China

China Employee's Average Wage Growth



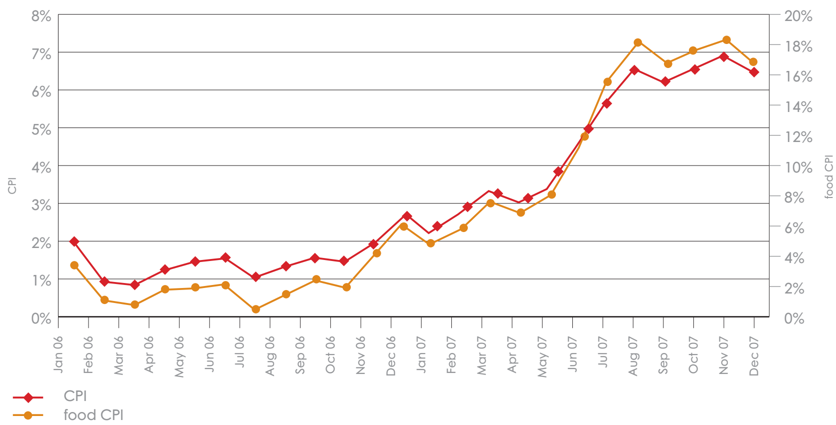
Source: National Bureau of Statistics of China

China Rural and Urban Disposable Income



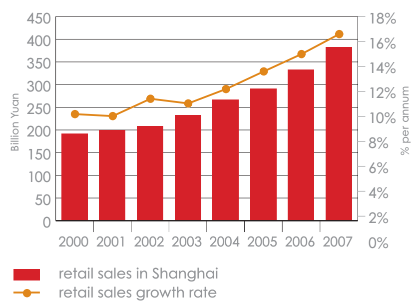
Source: National Bureau of Statistics of China

China CPI



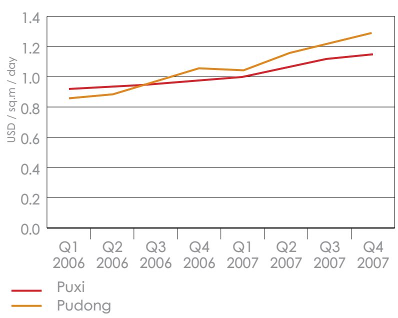
Source: National Bureau of Statistics of China

Retail Sales in Shanghai



Source: Shanghai Statistical Bureau

Grade A Office Rents-Shanghai



Source: Jones Lang LaSalle Shanghai Research

DISPOSABLE INCOMES

Nationally, China has experienced annual double digit wage growth for the past five years. The resultant increase in disposable incomes has provided significant benefit to the retail industry, which has been further promoted by an increasing number of international retailers providing a higher level of product and service (see graphs left).

INFLATIONARY PRESSURE

China has entered an inflationary cycle over the past 12 months for the first time in nearly a decade with the Consumer Price Index rising by 7.1 per cent in 2007. The major component within the inflation structure is food, with Consumer Price Index growth for food of nearly 20 per cent in 2007. Bad weather in early 2008 will further reduce food output, placing greater strains on the government's ability to deal with inflation in the short term. The effect of high food inflation is somewhat offset by the high growth in disposable incomes, and caps on the prices of fundamental products such as fuel. Even so, inflation is not expected to be reduced significantly in the short term (see graph middle left).

PORTFOLIO REVIEW

The retail sector has been a significant beneficiary of higher economic activity as evidenced by growth in retail sales averaging more than 13 per cent per annum across China over the past four years and over 11 per cent in Shanghai. Similarly the office real estate market in Shanghai has shown strong growth as a result of new entrants to the market such as banks and associated service sector tenants, and a period of low net supply which is expected to continue in the medium term future (see graphs bottom left).

Central Plaza, Shanghai

Currently the CREO portfolio consists largely of commercial income producing properties in the Shanghai market and each of these properties has performed strongly over the period to 31 December 2007. The opportunity for each of these assets at acquisition was value added management, repositioning and the delivery of significant reversionary rental income. In this respect considerable progress has been made.

CENTRAL PLAZA

Central Plaza is located in the heart of Shanghai's Central Business District ("CBD") and has experienced strong rental growth combined with stable occupancy over the latter period of 2007. The planned refurbishment to create significant value within the retail podium is moving ahead in accordance with the approved budget and timeframe. It is expected that the bulk of the refurbishment programme will be completed during 2008, facilitating the establishment of a quality retail offering within the property. This will significantly enhance the rental profile and market positioning of the asset.

CITY CENTRE

City Centre is located in a major regional location on the western edge of the Shanghai CBD. It has benefited from Treasury's proactive management of the retail and commercial tenancy base, which has ensured strong growth in rental income. The retail component, with Parkson Department Store as its anchor tenant, continues to trade strongly with high visibility within its catchment area, known for its high level of disposable income. Likewise the twin tower office element has maintained strong occupancy levels, in excess of 95 per cent, whilst also achieving strong rent increases in tenant renewals.

THE TREASURY BUILDING

The Treasury Building, also located within the Shanghai CBD, has maintained a strong profile in the market and as a new build, completed in early 2007, retains strong prospects of reversionary growth in rents as tenants move through lease cycles over the next 24 months.

The Treasury Building, Shanghai

Tangdao


Airport Logistics Park, Beijing

DEVELOPMENT ASSETS

The three development assets in the portfolio, Beijing Logistics Park, Tangdao Bay in Qingdao and the extension to City Centre are proceeding in accordance with the relevant approved development programmes. Of note after the period end, was the announcement by CREO of the acquisition of two additional sites adjoining the Tangdao Bay development. As a consequence the floor area to be constructed has increased from 180,000 square metres to approximately 430,000 square metres and will include retail and hotel facilities in addition to gaining exclusive access to the marina facilities previously developed by the government.

OUTLOOK

CREO has successfully secured for itself an attractive niche in the China property market and is developing a strong reputation as a proactive and successful manager of commercial, income producing real estate.

The outlook remains favourable. From an economic perspective, China's domestic economy is growing in sophistication and maturity with strong upside built in through currency appreciation. The commercial real estate markets continue to provide viable acquisition targets and CREO has a strong network of contacts to identify and execute these transactions. Furthermore the existing development assets within the portfolio possess strong location characteristics, which will underpin significant value appreciation over time.


City Centre, Phase III, Shanghai

City Centre, Phase III, Shanghai

£260 million

raised for CREO's investment program through admission to AIM in July 2007

property portfolio:
China

development

1. City Centre Phase III, Shanghai
2. Tangdao Bay Site A
3. Beijing Logistics Park
4. City Centre Phase 5[1]
5. Tangdao Bay Sites B & C[2]

office/retail

6. City Centre Phase I and II, Shanghai
7. Central Plaza, Shanghai
8. The Treasury Building, Shanghai

1. LuxChina Property Development Company Limited successfully bid for City Centre Phase 5 in 2007 and a confirmation letter was signed with the relevant government bureau. However at 31 December 2007, the land use right transfer contract had not been signed and the land use right certificate had not been obtained.

2. QINGDAO Shangshi CREO Real Estate Company Limited was successful at auction for the purchase of two additional sites in November 2007. The sales Purchase Agreement for the sites was signed in January 2008 and Land Use Right Certificate was also obtained in 2008. These properties were acquired at a cost of £9.4 million and were valued at the year end at £12.3 million.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CREOdirectors

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1 Ray Horney, Chairman [71]
Ray has been the chairman of Real Estate Opportunities Limited since 2001 prior to which he was chairman of Jermyn Investment Properties plc. He founded Rayford Supreme Holdings plc, a UK retail group listed on the London Stock Exchange, in 1983, which was acquired by Harris Queensway plc in an agreed takeover in 1985. He became chairman of St. James Beach Hotels, a group of three hotels in Barbados, in 1989, which was listed on the London and Barbados Stock Exchanges in 1994.

He took on the added responsibility of managing director in 1995 and the group was then purchased by Elegant Hotels in an agreed takeover in 1997. Mr. Horney is also chairman of Castle Market Holdings Limited and Havenview Investments Limited and vice chairman of Sandyport Development Co. Limited, a private property Company in Nassau, Bahamas and chairman of Redleaf Shopping Centres, Redleaf (Iberia) Limited, Rayford Homes Limited and Nordic Land Limited.

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Members of the Audit Committee
Stuart Leckie O.B.E.
Ian Ling
Richard Pirouet

Members of the Remuneration Committee
Ray Horney
Stuart Leckie O.B.E.
Ian Ling
Richard Pirouet

2 Stuart Leckie O.B.E.
Deputy Chairman [62]
Stuart Leckie is based in Hong Kong and advises on investments and pensions in Hong Kong and Mainland China. He is the author of books titled "Pension Funds in China" and "Investment Funds in China". He was founding Chairman of the Hong Kong Retirement Schemes Association. He worked in life insurance in the UK before moving to Hong Kong in 1979. He served as the Chairman of Watson Wyatt in Asia-Pacific and as Chairman of Fidelity Investments, Asia-Pacific. He has advised the Chinese Government on pensions reform. He has served on various committees in Hong Kong's Securities and Futures Commission, and was a Director of Exchange Fund Investment Limited, which launched the highly successful Tracker Fund.

3 Richard Barrett [54]
Richard is a Barrister of the King's Inn Dublin and a non-executive director of Real Estate Opportunities Limited. He is managing director of Treasury Holdings, and a non-executive director of Castle Market Holdings Limited and Havenview Investments Limited.

4 Ian Ling [61]
Ian has worked in the Investment and Finance Industry since 1969. He became a Member of the London Stock Exchange in 1975 and a partner in Laurie Milbank in 1977. He moved to Jersey in 1979 to establish and run an office for them. They were acquired by Chase Manhattan. Ian then set up Channel Islands Portfolio Management Limited which was subsequently acquired by Commercial Union and he then moved to Jersey General Group, an offshore financial group which has an investment arm (Ashburton Jersey Limited) and a trust and company administration unit. This was acquired by First Rand International Limited in 2000. Ian remains on the board of Ashburton and their associated companies. He sits as a Non-Executive Director of several offshore companies as well as being Chairman of the Jupiter Defined Capital Return Fund and Union Bancaire Asset Management (Jersey) Limited.

5 Richard Pirouet [61]
Richard Pirouet is a Chartered Accountant and was a partner of Ernst & Young, Jersey and its predecessor firms for 24 years up to 1998. He was managing partner of the firm from 1991 to 1998. For the nine years ending on 31 May 2007, Richard has been a Commissioner and, for most of that period, Deputy Chairman of the Island's financial regulator, The Jersey Financial Services Commission. Richard holds a number of non-executive directorships.

6 Robert Tincknell [40]
Robert has worked extensively in the UK property investment and development market, spanning a period of 20 years. He worked previously as Managing Director of the Commercial Division at The Berkeley Group plc, and joined Treasury Holdings in 2002 as Development Director where he was responsible for the entire development programme including Spencer Dock in Dublin. In 2005 he was made Group Deputy Managing Director and in 2006 Managing Director of the company's China activities. In early 2008 he returned to the UK to become Managing Director of both Treasury's UK and International Divisions.

7 Rory Williams [43]
Rory joined Treasury Holdings in 2001 as head of legal and became a director in 2002. Prior to his appointment he was a partner in the corporate division of leading Dublin law firm, Arthur Cox. Rory has responsibility for overseeing all legal aspects of Treasury Holdings' investment and development property portfolio in Ireland and abroad. He was based in Shanghai between April 2006 and June 2007.

All of the above Directors are non-executive.

Treasury Holding's HQ, Shanghai

directors' report:

affairs of the Company

The Directors present their first report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The business of the Company is that of a property company investing in the Chinese property market. A review of the Company's activities is given in the Chairman's Statement and in the Investment Adviser's Report.

STATUS

The Company was incorporated in Jersey on 5 December 2006 under the name China Real Estate Opportunities (Jersey) Limited. In January 2007, shareholder consent was obtained to change the name to China Real Estate Opportunities Limited.

The Company was approved as a listed fund under the Jersey Listed Fund Guide in July 2007. It is a closed end collective investment fund, as defined in the Collective Investment Funds (Jersey) Law 1988, as amended, and the subordinate legislation made thereunder. It has been granted exempt status under Article 123A of the Income Tax (Jersey) Law 1961. The Company is registered in Jersey under number 95357.

Ordinary shares are not eligible for inclusion in a general PEP if acquired in the market using funds contained within the PEP. The ordinary shares are not qualifying investments for the stocks and shares component of an ISA.

RESULTS AND NET ASSETS

The financial results for the period from incorporation to 31 December 2007 are shown in the Consolidated Income Statement and the Statement of Recognised Income and Expense on pages 30 and 32 respectively.

Under IFRS, there is a requirement for the Group to provide for deferred taxation on the fair value gains on investment and development properties and this provision is reflected in the consolidated balance sheet on page 29. In all cases the properties in question are held through subsidiaries incorporated outside China, principally in Jersey and the British Virgin Islands. As stated in the Company's July 2007 admission document, the disposal of equity interests of the Company's subsidiaries incorporated outside China would not give rise to any PRC taxation.

Were the consolidated balance sheet net asset value to be adjusted (as shown below) so as to eliminate the provision for deferred tax, this would result in an uplift of £92.8 million giving an adjusted net asset value per share at 31 December 2007 of £8.23, fully diluted for management options. The purchase of the two sites in Tangdao Bay after the period end will add an estimated additional 5.4 pence per share to the fully diluted net asset value, adjusted on a similar basis.

EXTRAORDINARY GENERAL MEETINGS ("EGMs")

Shareholders approved all the resolutions proposed at the EGMs held on 6 July 2007 and 3 September 2007 concerning:

- the acquisition of the properties referred to as City Centre, Central Plaza, Tangdao Bay, the Treasury Building and Beijing Logistics Park. Details of this transaction are provided in Note 11; Matters reserved for the Board;
- to authorise the Company to make market purchases of ordinary shares in the capital of the Company. Details are provided in Note 17.

EVENTS SUBSEQUENT TO THE YEAR END

In January 2008, the Company acquired a fifty percent interest in two sites in Tangdao Bay, Qingdao adjoining the Company's existing development site, acquired as part of the initial development portfolio.

In January 2008, the Company awarded options over 30,000 shares in the Company to Richard David, Managing Director of Treasury Holdings China Limited.

CREO NAV per share - consolidated adjusted diluted

31 December 2007	£ million
Consolidated net assets	331.3
Exercise of options	7.9
Add back deferred tax	92.8
Adjusted consolidated diluted net assets	432.0
Total shares in issue	50,676,185
Total shares and options in issue	52,523,185
Adjusted consolidated diluted net assets per share	
– At 31 December 2007	£8.23[1]
– At issue (pro forma)	£7.68[2]

1. The 31 December 2007 adjusted consolidated diluted NAV per share also equates to the Company NAV per share where no provision is made for deferred tax (see page 29).
2. The estimated initial diluted net asset value per share as set out in the Placing Statistics to the Company's AIM admission document was £7.68.

left and right:
Central Plaza, Shanghai

DIRECTORS

The Directors of the Company, all of whom served throughout the year, are shown with brief biographical details on page 14. Guy Leech, a director of Treasury Holdings, was appointed to the board on 8 December 2006 and resigned on 9 February 2007.

Representatives of Ogier Fiduciary Services (Jersey) Limited acted as directors on a temporary basis to satisfy the Jersey requirement for a minimum of two Jersey directors on the board. The individuals concerned all resigned on the appointment of Mr Ling and Mr Pirouet which took place prior to the AIM listing.

In accordance with the Articles of Association, all of the directors will offer themselves for re-election at the Annual General Meeting.

No Director has a service contract with the Company.

Mr Barrett is a director and 50 per cent shareholder of Treasury Holdings ("Treasury"), of which Treasury Holdings China Limited ("THCL") and Treasury (Shanghai) Real Estate Consulting Co., Limited ("TSREC") are wholly owned subsidiaries. THCL has an agreement to provide investment management services in respect of the Property Portfolio. TSREC has an agreement to provide property management services to the Property Portfolio. The terms of these agreements in force during the year are disclosed in Note 26 to the Financial Statements.

The Directors who held office at the year end and their beneficial and non beneficial interests in the ordinary no par value shares at 31 December 2007 are shown below:

as at 31 December 2007

	Ordinary no par value shares	Share options exercisable from 01 February 2008	Share Options exercisable from 11 July 2009
R Y F Horney[1]	2,750,000	75,000	40,000
R J Barrett[2]	12,527,130	535,000	–
R J Williams	120,000	75,000	150,000
R G Tincknell[3]	521,171	–	400,000
R J Pirouet	13,220	–	15,000
I K Ling	20,000	–	15,000
S H Leckie	–	–	40,000

1. Of the ordinary shares in which Mr. Horney is interested, 1,800,000 are held by Cheviot Capital (Nominees) Limited acting as custodian for Kleinwort Benson (Guernsey) Trustees Limited and 950,000 are held by Kleinwort Benson (Guernsey) Limited. Kleinwort Benson (Guernsey) Trustees Limited act as Trustee of certain trusts under which Mr Horney and/or members of his family are beneficiaries.
2. Of the ordinary shares in which Mr Barrett is interested, 661,000 are held by Treasury Holdings and 8,387,941 are held by Real Estate Opportunities Limited ("REO"). Treasury Holdings owns 66.5 per cent of the issued share capital of REO. Mr Barrett has a 50 per cent beneficial interest in Treasury Holdings.
3. During the year Mr Tincknell exercised 200,000 options at an exercise price of £0.85 per option in exchange for 200,000 ordinary shares in the Company.

SUBSTANTIAL INTERESTS

The Board has been advised that the following shareholders owned three per cent or more of the issued ordinary share capital of the Company as at 25 March 2008 (see table right).

Treasury Holdings, REO and persons acting in concert with them hold more than 40 per cent of the ordinary share capital. In addition, pursuant to a waiver granted by the UK Takeover Panel, THCL may be issued with additional ordinary shares under the terms of the investment advisory agreement without incurring an obligation under the Takeover Code to make a general offer to shareholders. The number of ordinary shares issued under the investment advisory agreement is subject to a cap of 10 per cent of the issued share capital at the time of issue of the ordinary shares.

The board will seek independent shareholder approval at this year's AGM, notice of which is set on page 67, for the cap on the number of ordinary shares issued under the investment management agreement. It is the board's intention to seek this approval on an ongoing basis.

SHARE BUY-BACKS

The Company's authority at the year end to make market purchases of up to 14.99 per cent of its issued ordinary shares was approved by shareholders on 3 September 2007. The Company will be seeking to renew the ordinary authority at this year's AGM, notice of which is set out on pages 67. This authority will only be exercised on terms that are in the interests of shareholders.

In accordance with the buy back authority approved by the shareholders, the Company bought back 2,151,622 ordinary shares at a price of £7.09 per share during the year. This represented 27.25 per cent of the total number of shares authorised for buy back.

PER CENT HELD	NAME	NO. OF ORDINARY SHARES HELD
30.21%	John Ronan	15,314,111
16.55%	Real Estate Opportunities	8,387,941
5.71%	QVT	2,896,000
5.23%	Invesco Limited	2,651,325
4.57%	SG Securities	2,314,000
3.33%	Midas Capital Partners	1,685,000

TREASURY SHARES

Due to recent changes in the Companies (Jersey) Law 1991, as amended, the Company can now subject to shareholder approval buy back shares to be held as treasury shares. The special resolution granting such authority, which is to be put to shareholders at the AGM, is set out in the notice of meeting on page 67. In the event that shares held as treasury shares are re-issued, it is the Directors' intention that such shares will be re-issued only at a premium to NAV.

FINANCIAL STATEMENTS

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 26.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process; the systems of internal control and management of financial risks, the audit process, relationships with external auditors, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The Company's internal financial controls and risk management systems have been reviewed with the Investment Adviser against risk parameters approved by the Board.

The audit plan and timetable is drawn up and agreed with the Company's Auditors in advance of the financial year-end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and, among other matters, are reported on by the Auditors in their report to the Committee. This report is considered by the Committee and discussed with the Auditors and the Investment Adviser prior to approving and signing the Financial Statements.

The Committee has reviewed the Financial Statements for the year ended 31 December 2007 with the Investment Adviser and Auditors at the conclusion of the audit process.

The Committee recommended approval by the Board of a group audit fee of £120,000. Non-audit work undertaken on behalf of the Company by the Auditors mainly comprised work in connection with due diligence on property acquisitions, tax advice and the AIM listing. Details of these fees are shown in Note 4 on page 41. The Committee has considered the independence of the Auditors and are satisfied with the confirmation provided by the Auditors as to the adequacy of safeguards in place to maintain their independence.

TERMS OF APPOINTMENT

The Company's investment management and property management agreements will be considered annually by the board. The Board is pleased to confirm that, since their appointment during the year, it is satisfied with the current performance and current terms of appointment of Treasury Holdings China Limited and Treasury (Shanghai) Real Estate Consulting Co., Limited.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing Financial Statements.

CREDITOR PAYMENT POLICY

The Company's policy is to pay trade creditors on dates of settlement and all other creditors are normally paid within 30 days or in accordance with contracted terms.

By order of the Board
Ogier Fund Administration (Jersey) Limited
Secretary and Administrator
25 March 2008

Whiteley Chambers
Don Street, St. Helier, Jersey JE4 9WG

CREO advisers:
contact details

ADMINISTRATOR, SECRETARY AND REGISTERED OFFICE
Ogier Fund Administration
(Jersey) Limited
Whiteley Chambers
Don Street
St. Helier
Jersey JE4 9WG

INVESTMENT ADVISER
Treasury Holdings China Limited
The Treasury Building
1568 Huashan Road
Shanghai
China

REGISTRAR
Capita Registrars (Jersey) Limited
12 Castle Street
St. Helier
Jersey JE4 5UW

AUDITORS
KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central Hong Kong

NOMAD AND BROKER
Landsbanki Securities (UK) Limited
Beaufort House
15 St. Botolph Street
London EC3A 7QR

IRISH STOCKBROKER
Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

INVESTMENT ADVISER
Treasury Holdings China Limited, part of the Treasury Holdings Group, acts as Investment Adviser to the Property Portfolio.

Treasury (Shanghai) Real Estate Consulting Co., Limited, part of the Treasury Holdings Group, provides property management services in relation to the Property Portfolio.

Treasury Holdings, an Irish property company is owned jointly by Richard Barrett and John Ronan, who have considerable experience of property investment and development in Ireland and overseas. As at 31 December 2007, the Treasury Group directly or indirectly owned and/or operated a property portfolio of approximately €4.8 billion.

“Leveraging Treasury Holdings' experience as a high quality real estate developer and investor, CREO has established strong foundations for growth, both within the existing portfolio and through selective additions of quality acquisitions.”

shareholder information:
where to find what you need

The shares of China Real Estate Opportunities Limited are quoted on the London Alternative Investment Market.

TAXATION OF DIVIDENDS
There is a statutory requirement for the Company to deduct income tax from dividends paid to Jersey residents and to account for such income tax deducted to the Comptroller of Income Tax and on request, to make a return of the names, addresses and shareholdings of Jersey resident shareholders. Non-Jersey resident investors will be paid without deduction of Jersey income tax. UK resident individual shareholders will be liable to UK income tax on the amount of the dividends received. Unless exempted, an Irish resident or ordinarily resident shareholder will be liable to Irish tax on the amount of any dividend received.

SHARE PRICE LISTINGS
The price of your shares can be found in the following places:

Financial Times daily	AIM Real Estate
Bloomberg	CREO.LN

INTERNET ADDRESS

Company site	www.china-reo.com

STOCK EXCHANGE CODES

Sedol: Shares	B1P8F99
ISIN: Shares	JE00B1P8F991


City Centre, Shanghai
City Center
上海城
虹桥购物中心

corporate governance

INTRODUCTION

It is the policy of the Company to comply with current best practice in UK corporate governance to the extent appropriate for a company of its size and the policy of the Jersey Financial Services Commission in relation to listed funds. The Directors are committed to maintaining the highest standards of corporate governance.

The Directors believe that, during the period under review, they have complied with the provisions of the 2006 FRC Combined Code ("the Code"), insofar as they are relevant to the Company's business, save in respect of those matters explained below in the relevant sections.

DIRECTORS AND THE BOARD

The Board

The Board comprises seven Directors, all of whom are non-executive. Mr. Horney is the Chairman of the Company and Mr. Leckie is the deputy Chairman. Four of the directors (and therefore a majority of the Board) are independent of the Investment Adviser.

From their biographies on pages 14 and 15 it will be seen that the Board has a breadth of experience relevant to the Company's business.

The Investment Adviser and the Administrator ensure that the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets at least four times a year and additional meetings are arranged as and when necessary. Between these formal meetings there is regular contact with the Investment Adviser and the Administrator. The Directors also have access to the advice and service of, in the furtherance of their duties, independent professional advice at the expense of the Group.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with reports from the Investment Adviser and the Administrator on the current investment position and outlook; strategic direction; cash management; revenue forecasts; corporate governance; marketing and shareholder relations.

It is the responsibility of the Board to carry out a review of the Company's corporate governance procedures. During the year the Board have adopted documentation as detailed below as part of their review of corporate governance procedures:

– Matters reserved for the Board;
– Terms of reference for the Audit Committee; and
– Share dealing policy for persons discharging managerial responsibility.

MEETINGS AND COMMITTEE MEMBERSHIP

During the year the Board met 25 times. Details of Board meeting attendance, committee membership and committee meeting attendance are provided in the table below. It should be noted that apart from four main Board meetings which are held in Jersey each year, a number of smaller meetings are held to deal with individual transactions and these generally are attended by the Jersey resident directors only.

DIRECTOR INDEPENDENCE

The Chairman of the Company is Mr Horney, a non-executive, who is independent of the Investment Adviser. Since all the Directors are non-executive and many day-to-day management responsibilities are sub-contracted, the Company does not have a Chief Executive Officer.

	Board	Audit Committee	Remuneration Committee
number of meetings in 2007	25	3	–
Mr Ray Horney	5	n/a	–
Mr Richard Barrett	9	n/a	n/a
Mr Rory Williams	6	n/a	n/a
Mr Robert Tincknell	5	n/a	n/a
Mr Richard Pirouet	19	3	–
Mr Ian Ling	14	3	–
Mr Stuart Leckie	6	2	–

The Board are of the opinion that the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code including provisions set out in Section 1 of the Code that at least half of the Board should comprise independent non-executive directors.

By virtue of Mr Horney being chairman of Real Estate Opportunities Limited, he does not fulfil all of the independence criteria set out in provision A3.1 of the Code however the Board believes that the Company will nevertheless comply with this aspect of the Code.

They are also of the opinion that the Company has been in compliance with clause 1.5 of the Jersey Listed Fund Guide in that the majority of the Board, including the Chairman, must be independent of the investment adviser.

For the purposes of the Jersey Listed Fund Guide, the Board have satisfied themselves that Mr Horney is independent.

PERFORMANCE EVALUATION

The Directors recognise the importance of the Code particularly in terms of evaluating the performance of the Board as a whole, the respective Committees of the Board and individual Directors. A performance evaluation has not been carried out during the year as the Company did not list until 11 July 2007.

Performance of the Board, Committees of the Board and individual Directors will be assessed going forward against predefined targets and of individual directors by way of self and peer appraisal using a comprehensive questionnaire, the findings and feedback from which will facilitate further discussion. The Deputy Chairman will be responsible for the performance evaluation of the Chairman, taking into account the views of the other Directors.

APPOINTMENT, RE-ELECTION AND TENURE OF DIRECTORS

The Directors do not consider it necessary to appoint a Nominations Committee and Directors are selected and appointed by the Board as a whole. The Board is responsible for reviewing the size and structure of the Board and the skills of Directors and for the consideration and approval of any changes.

The Articles of Association provide that the Directors must submit themselves for re-election at the first opportunity after their appointment and retire by rotation every three years. In accordance with Article 41 of the Company's Articles of Association, all of the directors will submit themselves for re-election at the Annual General Meeting. The Board confirms that the performance of all of the directors is effective and demonstrates commitment to the role of a non-executive Director. The Board recommends to shareholders the approval of resolutions 2 to 8 relating to the Directors seeking re-election. On being appointed to the Board, Directors are fully briefed as to their responsibilities and are continually updated throughout their term of office on industry and regulatory developments. A Directors' normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued service on the Board of an individual Director is in the best interests of the Company and its shareholders.

RELATIONS WITH SHAREHOLDERS

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual reports, which aim to provide shareholders with a full understanding of the Group's activities and results. All shareholders are encouraged to attend the AGM, at which they will have the opportunity to address questions to the Chairman of the Board and the Chairmen of the Committees of the Board. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or in writing to the Company Secretary at the Registered Office given on page 20. At other times the Company responds to letters from shareholders on a range of issues.

In accordance with the listing rules, the Company maintains a website which is updated with information on the Company on a regular basis. The address of the website can be found on page 21.

> CREO has successfully secured for itself an attractive niche in the China property market and is developing a strong reputation as a proactive and successful manager of commercial, income producing real estate.

AUDIT COMMITTEE

The Audit Committee is made up of Mr Pirouet (Chairman), Mr Ling and Mr Leckie.

The terms of reference of the Audit Committee allow it to meet as and when necessary, but not less than twice a year to:

- Review the financial statements;
- Monitor the integrity of the financial statements;
- Review the internal controls and risk management systems;
- Review the internal audit function;
- Consider and make recommendations to the Board in relation to the appointment of the external auditor and oversee the relationship with the auditor and provision of non-audit services;
- Review the effectiveness of the audit of the financial statements; and
- Oversee any investigation of activities which are within its terms of reference.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Annual Report and Accounts.

Details of the non-audit services provided by the Company's auditors are given in Note 4 to the financial statements on page 41. The Board considers that he provision of these services does not impair the independence of the auditors.

The Audit Committee considers whether the skills and expertise of the auditors make them a suitable supplier of any non-audit service and whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services.

REMUNERATION COMMITTEE

The Remuneration Committee is made up of Mr Leckie (Chairman), Mr Ling, Mr Horney and Mr Pirouet.

The terms of reference of the Remuneration Committee allow it to meet as and when necessary, but not less than twice a year to:

- Determine the amount and terms of any options granted under the Company's unapproved plan;
- Review and determine the level of remuneration of the Board; and
- To ensure that all necessary reporting and disclosure requirements are made in the annual report relating to remuneration of the Board and the activities of the Remuneration Committee.

Fees for the Directors are determined within the limits of the Company's Articles of Association. The maximum amount provided for Directors' remuneration by the Articles of Association is £400,000 per annum. Other than the share options referred to in the Directors' report, the Directors are not eligible for bonuses, pension benefits, or other incentives or benefits.

The Chairman of the Remuneration Committee, or his deputy, will be present at the AGM to deal with questions relating to the Committee's activities.

The terms of reference for the Remuneration Committee were only approved by the Board on 12 March 2008, the date on which the Remuneration Committee was formally constituted. During the year, the duties of the Remuneration Committee were carried out by the Board. These duties will be carried out by the Remuneration Committee going forward.

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

The Directors acknowledge that they are responsible for the Company's system of internal financial and non-financial controls ("internal controls"). The effectiveness of the Company's operations has been reviewed, and the control systems codified to enable the ongoing monitoring and management of risks and facilitate a regular review. The Directors consider that these procedures enable the Company to comply with the Turnbull Guidance.

Written agreements are in place which specifically define the roles and responsibilities of the Investment Adviser and other third party service providers.

The Board meets regularly and reviews financial reports and performance against approved forecasts and relevant stock market criteria. Reports are also produced annually on the internal controls and procedures in place for the operation of investment management and accounting activities.

The Company's control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

GOING CONCERN

The Directors have made sufficient enquires to satisfy themselves that they have reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Jersey Company Law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles and which give a true and fair view of the state of the Group's affairs at the financial year end and of the results for the year. Under that law the Directors have elected to prepare these financial statements in accordance with International Financial Reporting Standards. In preparing these financial statements, the Directors have selected what they consider to be suitable accounting policies and have applied them consistently. They have made judgements and estimates which they believe are reasonable and prudent and have followed all applicable accounting standards. They are also required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business for the foreseeable future.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 (as amended). They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports to regulators as well as to information required to be presented by statutory requirements.

The financial statements are published on **www.china-reo.com**, which is a website maintained by the Company. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that the legislation in Jersey governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdictions.

year ended
31.12.07

independent auditors' report:

to the members of China Real Estate Opportunities Limited (Incorporated in Jersey with limited liability)

We have audited the consolidated financial statements of China Real Estate Opportunities Limited ("the Company"), formally known as China Real Estate Opportunities Jersey Limited, and its subsidiaries ("the Group"), set out on pages 29 to 66, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2007, and the consolidated income statement of the Group, the income statement of the Company, the consolidated statement of recognised income and expenses and the consolidated cash flow statement of the Group for the period from 5 December 2006, the date on which the Company was incorporated, to 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of Companies (Jersey) Law 1991 (as amended). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Article 110 of Companies (Jersey) Law 1991 (as amended). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and of the financial performance of the Group and of the Company and the consolidated cash flows of the Group for the period from 5 December 2006, the date on which the Company was incorporated, to 31 December 2007, in accordance with International Financial Reporting Standards and with the requirements of Companies (Jersey) Law 1991 (as amended).

KPMG
Certified Public Accountants
25 March 2008

8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

City Centre, Shanghai

financialstatements

consolidated and company balance sheets

as at 31 December

	Notes	2007 Group £'000	2007 Company £'000
Assets			
Non current assets			
Investment properties	8	497,133	–
Properties under development	9	87,280	–
Property, plant and equipment	10	567	–
		584,980	–
Other non-current assets			
Investment in subsidiary undertakings	11	–	397,619
Investment in joint venture	12	21,504	–
Deferred tax assets	13	254	–
		606,738	397,619
Current assets			
Financial assets available-for-sale	14	2,567	–
Trade and other receivables	15	11,542	3,538
Restricted cash	16	17,786	–
Cash and cash equivalents	16	79,210	39,828
		111,105	43,366
Total assets		717,843	440,985
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	20	(246,635)	–
Deferred tax liabilities	13	(92,835)	–
		(339,470)	–
Current liabilities			
Land appreciation tax payable	21	(9,192)	–
Income tax payable	21	(308)	–
Trade and other payables	22	(37,564)	(16,841)
		(47,064)	(16,841)
Total liabilities		(386,534)	(16,841)
Net assets		331,309	424,144
Equity			
Issued capital		–	–
Share premium		250,858	250,858
Reserves		39,352	5,407
Retained earnings		41,099	167,879
Total equity attributable to shareholders of the Company	17	331,309	424,144
Net asset value per share:			
Ordinary shares – basic	19	£6.54	£8.37
Ordinary shares – diluted	19	£6.46	£8.23

These financial statements were approved by the board of directors on 25 March 2008 and were signed on its behalf by:

Ian Ling
Director

Richard Pirouet
Director

consolidated and company income statements

for the period ended 31 December

	Notes	2007 Group £'000	2007 Company £'000
Gross rental and related income	2	9,210	–
Net rental and related income	2	8,745	–
Valuation gains on investment properties	8	71,355	–
Valuation gains on subsidiaries	11	–	180,910
Administrative expenses	4	(18,102)	(15,664)
Other income		38	–
Net operating profit before net financing costs		62,036	165,246
Financial income	5	13,518	2,804
Financial expenses	5	(15,082)	(171)
Net financing (expenses)/income		(1,564)	2,633
Share of the loss of joint venture	12	(175)	–
Profit before tax		60,297	167,879
Income tax expense	6	(19,198)	–
Profit for the period		41,099	167,879
Attributable to:			
Equity holders of the parent company		41,099	167,879
Profit for the period		41,099	167,879
Earnings per share:			
Basic earnings per share	7	£1.30	
Diluted earnings per share	7	£1.27	

consolidated statement of cash flows

for the period ended 31 December

	Notes	2007 Group £'000
Operating activities		
Profit for the period		41,099
Equity settled share based payment expense	17	6,767
Depreciation of properties, plant and equipment	10	101
Net financial expenses	5	1,564
Change in fair value of investment properties	8	(71,355)
Share of loss of joint venture	12	175
Income tax expense	6	19,198
Operating loss before changes in working capital		(2,451)
Income tax paid		(689)
Increase in trade and other receivables		4,018
Decrease in trade and other payables		(26,484)
Cash generated from operations		(25,606)
Investment activities		
Acquisition of subsidiaries net of cash acquired	11(b)	(301,893)
Investment in joint venture	12	(16,164)
Acquisition of other investment	14	(2,567)
Increase in restricted cash	16	(17,786)
Addition to properties under development		(2,605)
Interest received		2,528
Cash flows from investing activities		(338,487)
Financing activities		
Proceeds from bank borrowings		221,663
Payment of transaction cost on loan issuance	20	(2,308)
Proceeds from shares issuance		246,245
Purchase of own shares	17	(15,255)
Interest paid		(7,042)
Cash flows from financing activities		443,303
Net increase in cash and cash equivalents	16	79,210
Cash and cash equivalents at 31 December	16	79,210

statement of recognised income and expenses

for the period ended 31 December

		2007	
	Notes	Group £'000	Company £'000
Currency translation differences	17	10,888	–
Revaluation of property under development and property in joint venture net of tax	17	23,057	–
Net gain recognised directly in equity		33,945	–
Profit for the period	17	41,099	167,879
Total recognised income and expenses for the period		75,044	167,879
Attribute to:			
Equity holders of the Company		75,044	167,879
Total recognised income and expenses for the period		75,044	167,879

reconciliation of movements in shareholders' funds

for the period ended 31 December

		2007	
	Notes	Group £'000	Company £'000
Total recognised income and expenses for the period		75,044	167,879
Transactions with shareholders			
– Issue of new shares	17	264,583	264,583
– Purchase of own shares	17	(15,255)	(15,255)
– Share options exercised	17	170	170
– Share options granted	18	6,767	6,767
Movement in shareholders' funds for the period		331,309	424,144
Opening shareholders' funds – equity		–	–
Closing shareholders' funds – equity		331,309	424,144

CREO ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently by China Real Estate Opportunities Limited ("the Company") and its subsidiaries ("the Group") in dealing with items which are considered material in relation to the Company and Consolidated financial statements ("the financial statements").

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

The consolidated financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: investment in subsidiaries, derivative financial instruments, financial assets available-for-sale, investment in joint ventures, investment properties and properties under development.

The accounting policies have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of companies included in the financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS's that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 28.

(c) Basis of Consolidation

(i) Subsidiaries
Subsidiaries are those entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint Ventures
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised income and expenses of jointly controlled entities on an equity accounted basis.

(iii) Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Investments by the Company
Investments in subsidiaries are carried at fair value in the financial statements of the Company with any resultant gain or loss recognised in the income statement of the Company. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of the Company's investments in subsidiaries being valued, values the subsidiaries every six months. The fair values are based on market values, being the estimated amount for which the Company's investments in subsidiaries could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, values the properties every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment properties is accounted for as described in accounting policy (n).

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

When the Group begins to redevelop an existing investment property with a view to resale, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of transfer with any gain or loss taken to profit or loss. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

(e) Properties under development

Property that is being constructed or developed for future use as investment property is classified as property under development. This is recognised initially at cost but is subsequently re-measured to fair value at each reporting date. Any gain or loss on re-measurement is taken direct to the revaluation reserve in equity unless any loss in the period exceeds any net cumulative gain previously recognised in equity. In the latter case, the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the income statement. On completion, the property is transferred to investment property with any final difference on re-measurement accounted for in accordance with the foregoing policy on investment properties.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see (iv) below) and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

(iii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives are as follows:

Buildings situated on leasehold land	20 years
Fixtures, fittings and equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(g) Land use rights

Land use rights represent lease prepayments for acquiring rights to use land in the People's Republic of China (PRC) with a period of 50 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties erected on the related land.

For investment properties and properties under development, the corresponding land use rights are classified and accounted for as part of the investment properties and properties under development respectively, which are carried at fair value as described in Notes 8 and 9.

For properties that are developed for sale, the corresponding land use rights are classified and accounted for as part of the properties.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of the Group's entities at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to pounds sterling at the foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to pounds sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

(iii) Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

(i) Impairment

(i) Financial assets
All financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, properties under development and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

(i) Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are cancelled and the cost of repurchase is deducted from share capital.

(iii) Dividends

Ordinary dividends are recognised as a liability in the period in which they are declared.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Binomial option pricing method. The expected life used has been adjusted, based on management's best estimate, for effects of behavioural considerations.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

(m) Provisions and contingent liabilities

(i) Provisions
A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(ii) Other provisions and contingent liabilities
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

(n) Rental income from operating leases

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(o) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(p) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company and the Group if the Company and the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(t) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in unlisted equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Available-for-sale financial assets

The Group's investment in certain equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses which are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(v) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(w) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2. GROSS AND NET RENTAL INCOME

	Period ended 31 December 2007 £'000
Rent receivable	9,210
Gross rental and related income	9,210
Business tax and surcharges	(465)
Net rental and related income	8,745

Rental income relates to property acquisitions during the period. If all acquisitions had occurred on 1 January 2007, the Group's total annual rental income of the properties acquired would have been £21.3m.

3. SEGMENT REPORTING

Primary and secondary segments

Since China is the sole location of the Group's property portfolio, these financial statements and related notes represent the results and financial position of the Group's primary business segment.

The secondary reporting format by property use is shown below:

	Offices £'000	Retail £'000	Car parking £'000	Others £'000	Total £'000
Group property assets	295,695	185,206	16,232	87,280	584,413
Joint venture net property assets	–	–	–	21,504	21,504
Total property assets	295,695	185,206	16,232	108,784	605,917
Properties acquired and capitalised	245,489	153,760	13,477	61,078	473,804
Net rental income	6,350	2,093	275	27	8,745

Properties acquired and capitalised represents acquisitions of investment properties and properties under development for a total amount of £460.7m, and acquisition of land use rights and capitalised additions in the period of £12.8m (Note 9) classified as properties under development.

4. ADMINISTRATION EXPENSES

	Period ended 31 December 2007 Group £'000	Company £'000
Depreciation of property, plant and equipment	(101)	–
Management fee	(7,006)	(7,006)
Auditors' remuneration		
– for audit services	(120)	(120)
– for tax services	(124)	(124)
– other services	(87)	(87)
Share based payments expense	(6,767)	(6,767)
Other administration expenses	(3,897)	(1,560)
	(18,102)	(15,664)

The management fee includes charges for various services provided by Treasury Holdings China Limited (THCL), the nature of which are set out in Note 26 'Related Parties'.

In addition to the fees stated above the auditors charged £260,000 for non-audit due diligence services which have been capitalised.

The fees of the directors of the Company for the period were as follows:

	Period ended 31 December 2007 £'000
Non-executive	
R Horney	37.5
I Ling	22.5
S Leckie	22.5
R Pirouet	22.5
	105

Annual directors' fees are an aggregate of £140,000 per annum. The fees above represent fees charged for 9 months of the financial period.

5. NET FINANCING (EXPENSES)/INCOME

	Period ended 31 December 2007 Group £'000	Company £'000
Interest income	2,608	2,041
Net foreign exchange gain	10,705	558
Fair value of foreign currency derivative	205	205
Financial income	13,518	2,804
Gross interest expense	(8,950)	(171)
Fair value of interest rate derivatives	(6,132)	–
Financial expenses	(15,082)	(171)
Net financing (expenses)/income	(1,564)	2,633

The Group has not capitalised any interest in the period.

6. INCOME TAX EXPENSE

(i) Income tax in the consolidated income statement represents:

	Group 2007 £'000
Current tax	
Provision for PRC enterprise income tax for the period	(1,139)
Provision for withholding income tax for the period	(189)
	(1,328)
Deferred tax	
Benefit of tax losses recognised	(73)
Fair value movement of financial derivatives	203
Revaluation of investment properties	(23,547)
Net effect of change in enacted future tax rate	5,547
	(17,870)
Total	(19,198)

As a collective investment fund under the Collective Investment Funds (Jersey) Law 1988, the Company is entitled to exempt company status in Jersey under the provisions of article 123(A) of the Income Tax (Jersey) Law, 1961 on payment of an annual fee which is currently £600. As an exempt company, the income and capital gains of the Company, other than Jersey source income (excluding bank deposit interest), is exempt from taxation in Jersey.

Pursuant to the PRC tax rules and regulations, the Group's PRC subsidiaries are subject to PRC income tax at a rate of 33%.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Group 2007 £'000
Profit before taxation	(60,297)
Less: Land appreciation tax	261
	(60,036)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	(19,812)
Non-deductible expenses net of non-taxable income	3
Deferred tax assets not recognised (Note 13)	(98)
Effect of tax exemption	(4,387)
Net effect of change in future enacted tax rate	5,547
	(18,747)
Land appreciation tax	(261)
Withholding income tax	(190)
Income tax	(19,198)

Profit before income tax of the Group for the year ended 31 December 2007 was mainly generated by Shanghai Hua Tian Property Development Company Limited, Shanghai Central Land Estate Company Limited and Shanghai Vision Honest Real Estate Development Company Limited, which are subject to PRC income tax rates of 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Group's subsidiaries in the PRC will be changed to 25% from 1 January 2008. The new income tax rates were used to measure the Group's deferred tax assets and deferred tax liabilities as at the acquisition date of the Group's properties in 2007 and at 31 December 2007. As a result, the Group's deferred tax assets and deferred tax liabilities as at 31 December 2007 have decreased by £81,325 and £29.7m respectively. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

7. EARNINGS PER SHARE

The calculation of the Group basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of £41.1m and the weighted average number of ordinary shares outstanding during the period ended 31 December 2007 of 31.7m. Diluted earnings per share is computed by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive share options.

	Period ended 31 December 2007 £'000
Profit attributable to ordinary shareholders (Basic and Diluted)	41,099
(i) Basic earnings per share	
Weighted average number of shares for the period (Basic)	31,683,368
Basic earnings per share	£1.30
(ii) Diluted earnings per share	
Weighted average number of ordinary shares (Basic)	31,683,368
Effect of share options in issue	641,043
Weighted average number of ordinary shares (Diluted)	32,324,411
Diluted earnings per share	£1.27

8. INVESTMENT PROPERTIES

	Total £'000
Group	
Balance at 5 December 2006	–
Acquisitions through business combinations	412,400
Additions	326
Foreign currency adjustments	13,052
Fair value adjustments	71,355
Balance at 31 December 2007	497,133

Included in the fair value adjustments of £71.4m was a net gain of £49.9m arising upon acquisition of certain properties (11 (b)). The revaluation gains of £21.5m have been credited to the consolidated income statement for the period.

At 31 December 2007, the investment properties and properties under development (Note 9) were revalued at fair value. The valuations were undertaken by independent international valuation firm CB Richard Ellis and carried out in compliance with the Royal Institute of Chartered Surveyors Practice Standards. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant associated costs. The rental yields applied per the valuations for office and rental properties in China were estimated to each be in the range of 5%–10% p.a.

All the investment properties are leased to tenants under operating leases.

As at 31 December 2007 investment properties with a total carrying value of £497m were pledged as collateral for the Group's borrowings.

9. PROPERTIES UNDER DEVELOPMENT

	2007 £'000
Group	
Balance at 5 December 2006	–
Acquisitions through business combinations	48,277
Acquisition of land use right	6,294
Additions	6,507
Foreign currency adjustments	2,288
Fair value adjustments	23,914
Balance at 31 December 2007	87,280

Included in the fair value adjustments of £23.9m was a gain of £8.5m arising from acquisition of a property project under development (Note 11 (b)). The revaluation gains of £15.4m have been credited directly to equity.

At 31 December 2007 the properties under development were revalued at fair value. The valuations were undertaken by independent international valuation firm CB Richard Ellis (Note 8).

The Group has not capitalised any interest in the period.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and properties £'000	Office and other equipment £'000	Total £'000
Cost			
Balance at 5 December 2006	–	–	–
Acquisitions through business combinations	379	106	485
Additions	183	–	183
Balance at 31 December 2007	562	106	668
Depreciation			
Balance at 5 December 2006	–	–	–
Additions	(101)	–	(101)
Balance at 31 December 2007	(101)	–	(101)
Net book value			
Balance at 5 December 2006	–	–	–
Balance at 31 December 2007	461	106	567

11. INVESTMENT IN SUBSIDIARIES

11(a) Investment in subsidiaries – Company

	Company 2007 £'000
Balance at 5 December 2006	–
Loans to subsidiary undertakings	184,265
Additions in the period	32,444
Fair value adjustments	180,910
Balance at 31 December 2007	397,619

The Company has six main subsidiaries. A list of subsidiary undertakings is set out in Note 27. The directors of the Company have elected to account for these investments at fair value under IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is based on market value, being the estimated amount for which the subsidiaries could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsions.

The investments in the subsidiaries of the Company are stated at fair value by the directors as at 31 December 2007. The estimate of fair value of such investments was compiled by the directors who were assisted by Deloitte & Touche in this matter.

The fair values of the equity in subsidiaries at 31 December 2007 are set out below:

Subsidiaries	Country of incorporation	Ownership Interest 2007 %	Company Fair value 2007 £'000
CREO (Shanghai City Centre) Limited	Jersey	100	144,399
Grand Eastern Limited	BVI	100	33,675
CREO (Shanghai Central Plaza) Limited	Jersey	100	28,499
CREO (Pudong) Limited	Jersey	100	6,883
Dream Land Properties Limited	Jersey	100	34
CREO (Qingdao) Warehousing Limited	Jersey	100	(136)
CREO Xidan (No. 1) Limited	Jersey	100	–
Fair value of subsidiaries at 31 December 2007			213,354

11(b) Investment in subsidiaries – Group

On 26 July 2007, the Company acquired a portfolio of properties, financing the purchase through the issue of ordinary shares and external debt. Details of the assets acquired are set out below:

	Fair value to group £'000
Investment and development properties	460,677
Property, plant and equipment	485
Trade and other receivables	12,892
Cash	50,441
Trade and other payables	(54,713)
Land appreciation tax payable	(8,861)
Deferred tax liability	(65,182)
Bank loans	(27,280)
	368,459
Consideration:	
Shares issued to REO for acquisition of GEL	16,125
Cash	140,875
Debt financing	205,610
Payments in cash and other costs	5,849
	368,459

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

11(b) Investment in subsidiaries – Group (continued)

Fair value accounting

The Company commissioned independent appraisals of the following acquired properties in connection with the admission of the Company's shares to trading on Alternative Investment Market (AIM). The aggregate fair value of the properties was £519.1m as compared to an aggregate acquisition cost of £460.7m.
For purposes of presenting the purchase accounting information the directors have taken the acquisition cost of the properties of £460.7m as fair value at the acquisition date rather than the appraised value. Valuation gains of £49.9m and £8.5m are included in valuation gains on investment properties and properties under development and have been credited to the consolidated income statement and reserve respectively in the consolidated financial statements.

	City Centre £'000	Central Plaza £'000	Treasury Building £'000	Total £'000
Acquisition price of investment properties and properties under development at the date of acquisition	331,725	90,114	38,837	460,676
Valuation of investment properties and properties under development at the date of acquisition	385,527	96,958	36,591	519,076
Gain/(loss)	53,802	6,844	(2,246)	58,400

Details of acquisitions during the period

1. City Centre

1.1 Acquisition document

City Centre Phases 1, 2 and 3

CREO (Shanghai City Centre) Limited (as purchaser) and the Company entered into a share purchase agreement with the City Centre vendors, effective as of 1 June 2007, pursuant to which the City Centre vendors agreed to sell their respective shareholdings in Brightime Limited (BL) and State Properties Limited (SPL), both registered in Hong Kong (HK), to CREO (Shanghai City Centre) Limited. BL and SPL own 65% and 35% respectively of the entire issued share capital of Shanghai Hua Tian Property Development Company Limited ("SHTP"), a company registered in the People's Republic of China (PRC), which in turn holds the relevant land use rights and property in respect of Phases 1, 2 and 3 of the City Centre development in Shanghai. The purchase price was £274,799,860.

The retentions to the purchase price at closing were as follows:

(i) £14,037,969 is payable only when the necessary consents have been obtained from the relevant government entities and land bureau in respect of increasing the total approved gross floor area of City Centre Phase 3 by 19,038 square metres and a land use right certificate has been issued to SHTP evidencing a total land area of 9,538 square metres in respect of City Centre Phase 3 (Note 24);

(ii) an amount equal to five percent of the purchase price was placed in escrow for a 12 month period to be used to settle claims under the agreement; and

(iii) a "relocation retention" which was placed in escrow at closing as fewer than 250 City Centre Phase 3 residential units had not been relocated by closing. Such amount was to be paid out of escrow to the City Centre vendors when 250 units had been relocated.

The agreement contained customary warranties and indemnities and the vendors gave specific indemnities in respect of certain potential title defects.

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

11(b) Investment in subsidiaries – Group (continued)

1.2 Financing document

City Centre Phases 1, 2 and 3

CREO (Shanghai City Centre) Limited and SHTP agreed financing arrangements with Credit Suisse International and Credit Suisse Shanghai Branch in respect of both an offshore loan amount of up to US$220m (the "Offshore Loan") and an onshore loan amount of up to CNY760m and US$24m to be funded onshore in US$, (the "Onshore Loans"). The interest rate in respect of the Offshore Loan is an adjusted quarterly rate equal to three months US$ LIBOR plus an interest spread of 250 basis points.

The interest rate for the Onshore Loan (CNY portion) is based on the applicable People's Bank of China rate, the 3–5 year rate plus an interest spread of 140 basis points. The interest rate for the Onshore Loan (US$ portion) is an adjusted quarterly rate equal to three months US$ LIBOR rate plus an interest spread of 140 basis points. Interest on both the Offshore Loan and Onshore Loans is payable quarterly in arrears.

The term of both the Offshore Loan and the Onshore Loans is three years from the date of funding with a 12 month extension provision. The agreements contain customary events of default, covenants, representations and security arrangements.

2. Central Plaza

2.1 Acquisition document

CREO (Shanghai Central Plaza) Limited, a subsidiary of the Company entered into a share purchase agreement with the Central Plaza vendors, effective as of 1 June 2007, pursuant to which the Central Plaza vendors agreed to sell their 100% shareholding in Central Land Estate Limited ("CLE"), a HK registered company, to CREO Central Plaza Limited. CLE holds the entire issued share capital of Shanghai Central Land Estate Limited ("SCLE"), registered in the PRC, which in turn is the sole legal owner of the property known as Central Plaza and the land use rights in respect thereof.

The purchase price was £72,838,517, payable as to £3,544,483 by way of deposit on 1 June 2007 and the balance payable at closing save for a five percent retention which was placed in escrow for 12 months and was to be used to settle any claims under the agreement.

2.2 Financing document

CREO (Shanghai Central Plaza) Limited and Aareal Bank AG have entered into a facility agreement dated 18 May 2007 in respect of the provision of a secured acquisition loan facility of up to US$107m. The interest in respect of the loan is three month US$ LIBOR or four year SWAP rate or a combination of both plus a margin of 150 basis points per annum. The term of the loan is for an initial period of four years with a one year extension option. The loan amount is to be repaid in one single payment at the end of such term. The agreement contains customary events of default, covenants, representations and security arrangements. In addition, Shanghai Central Land Estate Limited, has entered into onshore financing arrangements of up to US$9.5m with Norddeutsche Landesbank Girozentrale, Shanghai Branch. The applicable interest is LIBOR plus 75 basis points. The agreement contains customary events of default, covenants, representations and security arrangements.

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)
11(b) Investment in subsidiaries – Group (continued)
3. The Treasury Building
3.1 Acquisition document
The Company entered into a share purchase agreement with REO dated 6 July 2007 for the purchase of the entire issued share capital of Grand Eastern Limited ("GEL"), registered in the British Virgin Islands (BVI), from REO. GEL is the legal and beneficial owner of the entire issued share capital of Shanghai Vision Honest Real Estate Development Company Limited ("SVH"). SVH is registered in the PRC and has the sole benefit of the land use rights in respect of the Treasury Building. The consideration for the acquisition, after accounting for debt to be assumed of approximately £10.8m, is £16.1m. This was satisfied by the issue to REO of 2,132,941 shares in the Company.

3.2 Financing document
SVH entered into an onshore loan agreement for CNY97m for a term of three years with Credit Suisse Shanghai Branch on 13 February 2007. SVH entered into a mortgage agreement with Credit Suisse Shanghai Branch on 25 February 2007, pursuant to which a mortgage was created over the Treasury Building and the underlying land use rights. This loan is also secured by, inter alia, a corporate guarantee given by the Company.

GEL entered into an offshore loan agreement on 13 February 2007 for €18.8m for three years with Credit Suisse International. This loan is secured by, inter alia, (i) an equity pledge of GEL's 100% equity interest in SVH, (ii) a corporate guarantee given by the Company, (iii) a charge of the Company's shareholding in GEL, (iv) a charge over GEL's London collection and disbursement accounts, (v) subordination of the shareholder loan from GEL to the Company, and (vi) a collateral assignment of GEL's rights, benefits and interests under the shareholder loan from GEL to SVH.

4. Beijing Logistics Park (BLP)
4.1 Acquisition document
Treasury Holdings and the Company entered into an agreement dated 6 July 2007 pursuant to which THCL sold the entire issued share capital of Dream Land Properties Limited ("Dreamland") to the Company. By virtue of the level of debt in Dreamland, the consideration was £1.

Dreamland entered into an agreement with Beijing Airport Logistic Park Development Centre ("BAL") dated 16 February 2007 pursuant to which BAL transferred the land and the land use rights in respect of Beijing Logistics Park to Dreamland.

4.2 Financing document
The Company and DBS Bank Limited, Shanghai Branch have entered into an indicative term sheet dated 26 May 2007 in respect of both an offshore loan amount of the US$ equivalent of CNY45m (the "Offshore Loan") and an onshore loan amount of CNY83m (the "Onshore Loan"), to be funded in CNY. The interest rate for the Onshore Loan is based on the applicable People's Bank of China rate, contemplated to be the 1–3 year rate. The interest rate in respect of the Offshore Loan is three month US$ LIBOR plus a margin of 150 basis points per annum. Interest on both the Offshore Loan and Onshore Loan is payable quarterly in arrears. The term of both the Offshore Loan and the Onshore Loan is two years. The loan amount is to be repaid in one single payment at the end of such term.

On 8 June 2007, the Company advanced to Dreamland (as borrower) a loan of approximately US$12.2m (£6.2m) for the purpose of enabling Dreamland to complete the acquisition of Beijing Logistics Park. The loan is repayable one year from the date of drawdown. Interest is payable at a rate of three month LIBOR plus 2% per annum. The loan remains outstanding following the acquisition of Dreamland by the Company.

12. INVESTMENT IN JOINT VENTURE

The Group has the following joint venture investment:

Joint venture	Country	Ownership 2007 %
Qingdao Shangshi CREO Real Estate Company Limited	People's Republic of China	50

The Group has a 50% interest in a joint venture Qingdao Shangshi CREO Real Estate Company Limited whose principal activity is real estate development. The Group entered into a joint venture agreement with SIIC Shanghai (Holdings) Company Limited ("SIIC") and Shanghai Shangshi City Development & Investment Company Limited ("SSCD") dated 15 May 2007 to govern the relationship of the parties over their interests in Qingdao Shangshi CREO Real Estate Company Limited. Qingdao Shangshi CREO Real Estate Company Limited holds the land use rights in respect of a development site at Tangdao Bay in the Province of Shandong. Included in the consolidated financial statements are the following items that represent the Group's interests in the assets and liabilities, revenues and expenditures of the joint venture:

Summary financial information on joint venture – 50%

Group	2007 £'000
Non-current assets	26,615
Current assets	5,237
Non-current liabilities	(1,543)
Current liabilities	(8,805)
Net assets	21,504
Income	9
Expenses	(184)
Net loss	(175)

Movement in investment in joint venture	2007 £'000
Acquisition	16,164
Share of revaluation of properties	4,924
Share of loss of joint venture	(175)
Foreign currency gains	591
	21,504

The property of the joint venture was revalued at fair value at 31 December 2007. The valuations were undertaken by independent international valuation firm CB Richard Ellis.

In addition to the property assets recognised in non-current assets above, the Group's Joint Venture, Qingdao Shangshi CREO Real Estate Company Limited was successful at auction for the purchase of two additional sites in November 2007. The Sales Purchase Agreement for the sites was signed in January 2008 and land use right certificate will be obtained in 2008. An advance payment of £10.2m was recorded at cost in the balance sheet under current assets of Qingdao Shangshi CREO Real Estate Company Limited at the period end. Qingdao Shangshi CREO Real Estate Company Limited is required to pay a further £8.6m to complete the transaction. For informational purposes these properties were valued by CB Richard Ellis at £24.6m at the period end. The Group's share of any consequential change between cost and valuation would be 50%.

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

Group	Assets 2007 £'000	Liabilities 2007 £'000
Fair value change in investment properties	–	(78,227)
Fair value change in properties under development	–	(14,608)
Fair value change in financial derivatives	153	–
Deductible tax loss	101	–
Deferred tax assets/(liabilities)	254	(92,835)

The PRC income tax rate of 25% would be charged if the Group decided to realise its investment and development properties at the year end valuations through the sale of the underlying assets after the year end. Apart from the deferred tax liability that arises on revaluation gains there are two deferred tax assets that relate to derivatives and losses carried forward within the individual PRC entities.

Deferred tax liabilities

The following deferred tax liabilities arose as a result of the revaluation of investment properties and properties under development:

	Total £'000
Balance at 5 December 2006	–
Acquisition through business combinations	(65,182)
Recognition of deferred tax liabilities	(23,817)
Foreign currency movements	(3,836)
Balance at 31 December 2007	(92,835)

Deferred tax assets

The following deferred tax assets were also acquired as part of the acquisition of subsidiaries in July 2007:

	Recognition of tax losses £'000	Recognition of fair value movement of financial derivatives £'000	Total £'000
Balance at 5 December 2006	–	–	–
Acquisition through business combinations	156	–	156
Recognition of deferred tax assets	–	153	153
Realisation for the period	(55)	–	(55)
Balance at 31 December 2007	101	153	254

13. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:	2007 £'000
Tax losses	98

Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits in the future. These tax losses were mainly arising from the Company's subsidiaries in Hong Kong and the PRC .

Movement in unrecognised deferred tax assets during the period	Tax losses £'000
Balance at 5 December 2006	–
Addition	98
Recognition	–
Balance at 31 December 2007	98

Company

There are no deferred tax assets or liabilities included in the Company's balance sheet at 31 December 2007. No deferred tax arises on the revaluation of the Company's investment in subsidiaries as the Company is tax exempt in Jersey.

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2007	
	Group £'000	Company £'000
Balance at 31 December 2007	2,567	–

At 31 December 2007 the Group holds a 9.75% equity interest in LuxChina Property Development Company Limited, a property investment company located in the PRC. The value of the investment at 31 December 2007 is carried at fair value which has been assessed as the cost of the investment.

LuxChina Property Development Company Limited successfully bid for City Centre Phase 5 in 2007 and a confirmation letter was signed with the relevant government bureau. However at 31 December 2007, the land use right transfer contract had not been signed and the land use right certificate had not been obtained.

The investment of £2.57m represent's the Group's total capital contribution. City Centre Phase 5 was independently valued by CB Richard Ellis, professional valuers at 31 December 2007. Subsequent to finalisation of the City Centre Phase 5 acquisition the Group's share of the net assets of LuxChina Property Development Company Limited following the valuation uplift will be £5.7m.

15. TRADE AND OTHER RECEIVABLES

	2007	
Due within one year	Group £'000	Company £'000
Trade receivables due from third parties	511	–
Other receivables due from related parties	4,798	–
Prepayments	1,874	–
Non-trade receivables	791	–
Bank deposit interest receivable	80	50
Derivative financial instruments	205	205
Refundable deposit	3,283	3,283
	11,542	3,538

Other receivables due from related parties include a land deposit paid by the Group in relation to a project being undertaken by LuxChina Property Development Company Limited (Note 14). The balance outstanding on this receivable at the period end was £4.7m.

The derivative financial instrument is the fair value of a currency swap held by the Company.

The refundable deposit with interest accruing was repaid in full in February 2008.

16. TOTAL CASH BALANCES

	2007 Group £'000	2007 Company £'000
Bank balances	39,715	335
Call deposits	39,495	39,493
Cash and cash equivalents	79,210	39,828
Restricted cash	17,786	–
Total cash	96,996	39,828

The cash balance of £97m at 31 December 2007 includes restricted cash of £17.8m. The restricted cash relates to a deposit in an escrow account and funds deposited in interest reserve accounts to repay borrowing commitments as they become due.

17. CAPITAL AND RESERVES

Reconciliation of movement in Group capital and reserves

Group	Share Premium Account £'000	Translation Reserve £'000	Revaluation Reserve £'000	Share Options Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 5 December 2006	–	–	–	–	–	–
Profit for the period	–	–	–	–	41,099	41,099
Revaluation of properties under development						
– Group	–	–	23,914	–	–	23,914
– Group deferred tax	–	–	(5,781)	–	–	(5,781)
– Joint venture	–	–	4,924	–	–	4,924
Exchange differences	–	10,888	–	–	–	10,888
Issue of new shares	264,583	–	–	–	–	264,583
Purchase of own shares	(15,255)	–	–	–	–	(15,255)
Share options granted	–	–	–	6,767	–	6,767
Share options exercised	1,530	–	–	(1,360)	–	170
Balance at 31 December 2007	250,858	10,888	23,057	5,407	41,099	331,309

Share capital and share premium reserve

The authorised share capital of the Company is unlimited. The issued share capital of the Company is 50,676,185 ordinary shares of no par value.

Ordinary share capital in thousands of shares	2007
On issue before Initial Public Offer	18,400
Issued for non-cash consideration	2,133
Issued through public offering	32,095
Options exercised	200
Share buyback	(2,152)
On issue at 31 December – fully paid	50,676

On 7 December 2006, two ordinary shares were issued by the Company as subscriber shares at €1.25 each (the "Subscriber Shares") to Ogier Nominees (Jersey) Limited and Reigo Nominees (Jersey) Limited. Immediately after subscription both shareholders transferred the Subscriber Share which they each held to CREO SA. Since the incorporation of the Company there have been the following changes in the issued and fully paid share capital of the Company:

(a) By a special resolution passed on 19 January 2007 the Company resolved to convert the subscriber shares into 2 nil par value shares;

(b) On 19 January 2007, CREO SA subscribed for and was allotted 18,399,998 ordinary shares at nil par value for an aggregate price of £13m;

(c) On 20 June 2007, the liquidator of CREO SA made an initial distribution of the 18,400,000 ordinary shares held by CREO SA to its own shareholders on a one for one basis;

17. CAPITAL AND RESERVES (CONTINUED)

(d) On 5 July 2007 in connection with the Company's Admission to the London Alternative Investment Market 32,094,866 ordinary shares were issued pursuant to the Placing. The shares were issued to the market on 11 July 2007. The shares were issued at a flotation price of £7.56. A further 2,132,941 new ordinary shares were also issued to REO as consideration for the purchase of the Grand Eastern Limited Group;

(e) On 4 September 2007, the Company bought for cancellation 1,001,622 ordinary shares in the market at £7.09 per share. On 7 September 2007, the Company bought for cancellation 1,150,000 ordinary shares in the market at £7.09 per ordinary share;

(f) In November 2007 the Company announced that it received notice of exercise in respect of options over 200,000 new ordinary shares held by Robert Tincknell, a director of the Company. The board of the Company resolved to allow Mr Tincknell to exercise these options in advance of their stated first exercise date of 1 February 2008. Following the exercise of these options, Robert Tincknell's total holding in the Company is 521,171 ordinary shares.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation Reserve

The revaluation reserve relates to properties under development and an investment in a joint venture.

Share option reserve

See Note 18 for details of the share option reserve.

Dividends

Dividends have not been provided for and there are no income tax consequences.

Reconciliation of the movement in Company capital and reserves

Company	Share Premium Account £'000	Share Options Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 5 December 2006	–	–	–	–
Profit for the period	–	–	167,879	167,879
Issue of new shares	264,583	–	–	264,583
Purchase of own shares	(15,255)	–	–	(15,255)
Share options granted	–	6,767	–	6,767
Share options exercised	1,530	(1,360)	–	170
Balance at 31 December 2007	250,858	5,407	167,879	424,144

Capital management

The Group's objectives when managing capital are:

1. to safeguard the entity's ability to continue as a going concern;
2. to grow the assets of the Group and create value for investors;
3. maintain significant financial resources to mitigate against financial risk and ensure any liquidity risk is minimised.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group's capital which it manages is made up of share capital, share premium and reserves as set out above along with the movements in the period. There are no externally imposed capital requirements for the Group. The liquidity risk to the Group is set out in Note 25(b).

18. SHARE OPTIONS

Options in respect of 1,100,000 ordinary shares have been granted to certain directors and Treasury Holdings China Limited (THCL) management pursuant to the terms of the Share Option Scheme at an exercise price of 85p on 25 April 2007. These options are exercisable from 1 February 2008. Following the approval of the Board 200,000 of these options were exercised on 12 November 2007. Accordingly, 900,000 of these options remain unexercised at 31 December 2007.

On 11 July 2007, options in respect of 985,000 ordinary shares were granted at an exercise price equal to the Placing Price of £7.56. These options are exercisable two years following the date of grant. During the period 38,000 of these options lapsed.

The fair value of the options were calculated using the Binominal option pricing model. The inputs into the model were as follows:

Options granted by strike price	£0.85	£7.56
Number of Options	1,100,000	985,000
Expected volatility	22.02%	22.21%
Expected life (years)	4.5	4.5
Risk free rate	5.16%	5.50%

The share option reserve represents the directors' best estimate of the fair value of the share options conditionally granted at 31 December 2007.

The total share options outstanding at 31 December 2007 are summarised as follows:

	No. of Options	Exercise Price £
Granted		
– 25 April 2007	1,100,000	0.85
– 11 July 2007	985,000	7.56
Exercised		
– 11 November 2007	(200,000)	0.85
Lapsed during 2007	(38,000)	7.56
Outstanding at 31 December 2007	1,847,000	0.85 – 7.56

During the period to 31 December 2007 the Company recognised compensation expense of £6.7m relating to the equity settled share based awards. The fair value of share based payment awards is expensed over the requisite service period, together with a corresponding increase in equity.

The estimated grant date fair value of the two tranches of options granted during the period was as follows:

	Number of Options Granted	Estimated Grant Date Fair Value £'000	Expensed in the Period £'000
Options granted 25 April 2007	1,100,000	7,480	6,256
Options granted 11 July 2007	985,000	2,160	511
	2,085,000	9,640	6,767

In January 2008 a further 30,000 options were granted at an exercise price of £8.065.

18. SHARE OPTIONS (CONTINUED)

Details of the share option scheme

The following is a summary of the rules of the share option scheme (the "Plan"):

(i) Eligibility

Any employee (including a non-executive director) of, or contractor employed, appointed or contracted by, the Company or any participating member of the Group or who is otherwise so designated by the board and includes any trustee for the same is eligible to participate in the Plan. The board may in its absolute discretion grant options to eligible employees to acquire ordinary shares.

(ii) Timing of and consideration for grant of options

Options may be granted at any time at which the board determines that there are circumstances which justify the grant of an option. No option may be granted at any time at which dealing would not be permitted under the Company's Dealing Code for Securities Transactions by Directors or at any other time when dealing would not be permitted under any other applicable code or statutory measure. Nor may an option be granted later than ten years after the approval of the Plan by the board. No payment is required for the grant of an option unless the board so decides.

(iii) Conditions on exercise

The board may grant an option subject to such objective condition or conditions as it in its discretion sees fit. A condition attached to an option shall not be capable of variation or waiver unless events happen which cause the board to consider that such a condition shall have ceased to be appropriate whereupon the board may vary or waive such condition so that any new condition imposed or any variation is in its opinion fair and reasonable.

(iv) Exercise price

The exercise price of an option shall be determined by the board not later than the date when the option is granted and may be such sum as the board may in its discretion think fit.

(v) Plan limits

On any date, no option may be granted under the Plan if, as a result, the aggregate number of ordinary shares issued or committed to be issued pursuant to grants made under the Plan and during the previous ten years under all other employee share schemes established by the Company would exceed ten percent of the issued ordinary shares on that date. Ordinary shares which have been the subject of options or rights granted under any share plan which have lapsed shall not be taken into account for the purposes of these limits. Treasury shares transferred or committed to be transferred will count as new issue shares for the purposes of these limits.

(vi) Exercise and lapse of options

In normal circumstances, an option is capable of exercise at any time between the second and tenth anniversaries of its date of grant provided that any condition(s) to which it is subject have been fulfilled or waived. An option lapses on the expiry of ten years from its date of grant. An option will become exercisable immediately (notwithstanding that any condition(s) have not been met) on the death of a participant or on his ceasing to hold office or employment with the Group by reason of injury, disability or redundancy. Where a participant ceases to hold office or employment with the Group by reason of retirement, or for any other reason at the discretion of the board, an option will also become exercisable subject to the fulfilment or waiver of any condition(s) imposed on exercise.

On cessation of employment for one of the reasons set out in the preceding paragraph an option is exercisable for a period of twelve months commencing on the date of ceasing employment. An option will lapse on the expiry of the exercise period. Options may be satisfied by the issue of new ordinary shares or by the transfer of existing ordinary shares, either from treasury or otherwise.

18. SHARE OPTIONS (CONTINUED)

(vii) Alterations of share capital

In the event of any variation in the share capital of the Company, adjustments to the number of ordinary shares subject to options and the exercise price may be made by the board in such manner and with effect from such date as the board may determine to be appropriate.

(viii) Takeovers and liquidations

Rights to exercise options early for a limited period also arise if another company acquires control of the Company as a result of a takeover or a scheme of arrangement. An option may be exchanged for an option over shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If the Company passes a resolution for a voluntary winding-up, any subsisting option must be exercised within six months of the passing of that resolution or it lapses.

(ix) Voting, dividend and other rights

Until options are exercised, option holders have no voting or other rights in respect of the ordinary shares subject to their options. Ordinary shares issued or transferred pursuant to the Plan shall rank pari passu in all respects with the ordinary shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option. Options are not assignable or transferable.

(x) Administration and amendment

The Plan is administered by the board which may amend the Plan by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the Plan relating to eligibility, the limitations on the number of ordinary shares subject to the Plan, a participant's maximum entitlement or the basis for determining a participant's entitlement under the Plan and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the Plan and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group (b) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the Plan without the prior approval of the majority of the affected participants.

(xi) Termination

The Plan may be terminated at any time by resolution of the board or of the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the Plan is approved by the board. Termination will not affect the outstanding rights of participants.

19. NET ASSET VALUE PER SHARE

The net asset value ("NAV") per share, the net asset values attributable to each class of share at the year end and movements during the year were as follows:

Company	£'000
Net assets attributable to shareholders at 31 December 2007	424,144
Dilution effect on NAV of exercise of share options	7,924
Adjusted net assets	432,068

Number of shares in issue:	2007
Ordinary shares – basic	50,676,185
Ordinary shares – diluted	52,523,185

The dilution effect above and the number of ordinary shares following dilution assumes 900,000 options at the strike price of £0.85 and 947,000 options at a strike price of £7.56 are exercised.

Net asset value per share:	
Ordinary shares	
– basic	£8.37
– diluted	£8.23

Group	£'000
Net assets attributable to shareholders at 31 December 2007	331,309
Dilution effect on NAV of exercise of share options	7,924
Adjusted net assets	339,233

Number of shares in issue:	2007
Ordinary shares – basic	50,676,185
Ordinary shares – diluted	52,523,185

The dilution effect above and the number of ordinary shares following dilution assumes 900,000 options at the strike price of £0.85 and 947,000 options at a strike price of £7.56 are exercised.

Net asset value per share:	
Ordinary shares	
– basic	£6.54
– diluted	£6.46

The directors of the Company have elected to account for investments in subsidiary undertakings at fair value under IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is based on market value, being the estimated amount for which the subsidiaries could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, see Note 25.

	2007
Group	£'000
Bank borrowings – secured (Note 25b)	(248,574)
Less: Loan issue costs	1,939
	(246,635)

Long-term loans	
Principal	
Balance as at 5 December 2006	–
Arising on acquisition (Note 11(b))	(27,280)
Gross borrowings drawn down	(221,294)
Balance at 31 December 2007	(248,574)
Issue costs	
Balance as at 5 December 2006	–
Additions	2,308
Amortisation (Note 5)	(369)
Balance at 31 December 2007	1,939

The secured bank loans as at 31 December 2007 were secured by the Group's investment properties with carrying amount of £497m.

21. TAX PAYABLE

	2007	
	Group	Company
	£'000	£'000
Land appreciation tax payable	(9,192)	–
Income tax payable	(308)	–
	(9,500)	–

PRC land appreciation tax (LAT) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use right costs, borrowing costs and all property development expenditures. The LAT payable balance includes a pre-acquisition liability acquired of £8.9m (Note 11(b)).

Shanghai Hua Tian Property Development Company Limited, a 100% subsidiary of the Group, engages in property development in the PRC and is therefore subject to land appreciation taxes. However, the Group has not finalised its land appreciation tax returns with the PRC tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provisions of land appreciation taxes in the period in which such determination is made.

22. TRADE AND OTHER PAYABLES

	2007	
	Group	Company
Due within one year	£'000	£'000
Payables due to related parties	(3)	–
Trade payables	(8,096)	(70)
Advance from customers	(266)	–
Other taxes payable	(1,855)	–
Non-trade payables	(12,492)	–
Accrued expenses	(8,720)	(6,571)
Derivative financial instruments	(6,132)	–
Due from subsidiary	–	(10,200)
	(37,564)	(16,841)

The derivative financial instruments relates to the fair value of floating to fixed rate swaps on onshore and offshore floating rate debts. The fair value represents the net present value of the difference between the cash flows at the contracted rates and the interest rates prevailing at the reporting date as at 31 December 2007.

23. OPERATING LEASES – LEASES AS LESSOR

The Group leases out its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2007	
	Group	Company
	£'000	£'000
Less than one year	12,762	–
Between one and five years	11,933	–
More than five years	1,506	–
	26,201	–

24. CAPITAL COMMITMENTS

	2007	
	Group	Company
	£'000	£'000
Contracted but not provided	1,688	–
Authorised but not contracted	53,526	–
	55,214	–

The capital commitments consist of development costs for City Centre Phase 3 where construction is due to start in 2008. Other material capital commitments include the payment for Tangdao Bay plot B and C.

Deferred consideration for City Centre Phase 3

As part of the June 2007 share purchase agreement for the City Centre property acquired by Shanghai Hua Tian Property Development Company Limited, an amount of £14m less certain related costs incurred, is payable to the vendor upon the execution of certain conditions and events. The liability becomes payable upon the granting of various regulatory approvals required for the substantial expansion of the floor area of one phase of the property acquired. This anticipated expansion of the floor area of the property has been valued by CB Richard Ellis at 31 December 2007 at £18 million. The Director's believe that it is probable necessary approval will be granted and the deferred consideration will become payable (Note 11 (b)).

25. FINANCIAL INSTRUMENTS

25(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer, or counterparty to a financial instrument, fails to meet its contractual obligations. This arises principally from the Group's invested cash and liquid resources. The Group limits its exposure to credit risk on its investments by only investing surplus funds with approved financial institutions with credit ratings of "A" or equivalent. No more than 15% of cash and liquid resources is invested with any one counterparty bank.

At 31 December 2007 no guarantees were outstanding.

The majority of the Group's financial assets consists primarily of its cash and cash equivalents and trade and other receivables as follows:

	2007 £'000
Cash and cash equivalents	79,210
Restricted cash	17,786
Short term receivables	11,337
Total financial assets	108,333

In respect of the above financial assets no impairment losses were recognised in the period ended 31 December 2007.

25(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure as far as possible that it will always have sufficient liquidity (cash and liquid resources) to meet its liabilities. The Group maintained cash balances of approximately £97 million at the period end which were mainly held on short-term deposits and which earned interest at the prevailing variable market rates.

The liquidity risk is minimised as a majority of the Group's liabilities comprise bank debts maturing after 2009. Short term flexibility is achieved from cash balances.

Maturity profile of liabilities

	£'000
In one year or less, or on demand	–
In more than one but not more than two years	–
In more than two but not more than five years	248,574
In more than five years	–
	248,574

Debt repayment schedule as at 31 December 2007

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	>5 Years £'000	Total £'000
CNY loans effectively fixed at 7.5%	–	–	6,631	–	–	–	6,631
USD bank loans effectively fixed at between 5.9% to 7.6%	–	–	117,831	53,315	–	–	171,146
Euro loans with interest rate fixed swap at 6.6%	–	–	13,677	–	–	–	13,677
CNY denominated bank borrowings	–	–	57,120	–	–	–	57,120
	–	–	195,259	53,315	–	–	248,574

The interest rate derivatives associated with the Group's variable rate long term debts outstanding at 31 December 2007 were:

Interest rate swaps

	2008	2009	2010	2011	2012	>5 Years	Total
Variable to fixed average interest rate	–	–	7.5%	6.6%	–	–	7.2%

25. FINANCIAL INSTRUMENTS (CONTINUED)

25(c) Currency risk

Currency translation exposure results when a Group translates a foreign currency subsidiary financial data to its home currency for consolidated financial reporting.

The Group has seven significant overseas subsidiaries and joint venture undertakings in the PRC and four holding companies in Hong Kong (Note 27). The assets, liabilities, revenues and expenses of the PRC subsidiaries are denominated in Chinese yuan renminbi (CNY) and the Hong Kong subsidiaries in Hong Kong Dollars. The investments in the PRC subsidiaries are financed, predominantly in US dollars (USD) and Euro as the CNY is a controlled currency. The Group's balance sheet can be significantly affected by movements in the CNY/US dollar exchange rate on the net assets of the PRC subsidiaries.

The CNY is not an openly traded currency so much of the Group's cash exposure is to the USD. The Group have therefore entered into a USD call option/CNY put option to hedge against a potential strengthening of the USD against the CNY.

The Group is also exposed to movements in the CNY denominated foreign currency subsidiary balances against the Pound Sterling (STG £).

The below table sets out the group financial assets and liabilities denominated in their respective currencies:

Currency analysis	Euro	STG £	CNY	USD	Total
31 December 2007	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Trade and other receivables	–	3,100	8,237	–	11,337
Restricted cash	1,127	–	1,258	15,401	17,786
Cash and cash equivalents	654	29,239	17,578	31,739	79,210
Liabilities					
Borrowings	(13,677)	–	(63,751)	(171,146)	(248,574)
Net Exposure	(11,896)	32,339	(36,678)	(124,006)	(140,241)

The following significant exchange rates applied during the year:

	Average rate 2007	Reporting date mid spot 2007
CNY	14.89	14.66
HKD	15.64	15.65
USD	2.02	2.01

Sensitivity analysis

A 10% strengthening of the STG against the USD at 31 December 2007 would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes other variables, in particular interest rates, remain constant.

	£'000
10% strengthening	17,115
10% weakening	(17,115)

25. FINANCIAL INSTRUMENTS (CONTINUED)

25(d) Interest risk

The Group finances its operations through a mixture of retained earnings, interest bearing loans and borrowings and share capital. The Group borrows in the desired currencies at both fixed and floating rates and uses interest rate instruments to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations. At the year end 77% of the Group's financial liabilities were at effective fixed rates and the remainder were at floating rates of interest. The Group's cash balances are primarily at floating rates based on the appropriate Euro Interbank offered rates (EURIBOR) or London Interbank Offered rates (LIBOR).

	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
Interest rate profile as at 31 December 2007				
Assets				
Cash and liquid assets	79,210	–	–	79,210
Restricted cash	17,786	–	–	17,786
Short term receivables	–	–	11,337	11,337
	96,996	–	11,337	108,333
Liabilities				
CNY denominated bank borrowings	(57,120)	–	–	(57,120)
CNY loans effectively fixed at 7.5%	–	(6,631)	–	(6,631)
USD bank loans effectively fixed at between 5.9% to 7.6%	–	(171,146)	–	(171,146)
Euro loans with interest rate fixed swap at 6.6%	–	(13,677)	–	(13,677)
	(57,120)	(191,454)	–	(248,574)
Net assets/(liabilities)	39,876	(191,454)	11,337	(140,241)
Weighted average interest rate of the fixed rate financial liabilities				7.2%
Weighted average period for which interest rates on the fixed financial liabilities are fixed (years)				3

25(e) Fair value of financial instruments

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities:

	2007 Carrying amount £'000	2007 Fair value £'000
Primary financial instruments held or issued to finance the Group's operation		
Fixed rate debts	(6,631)	(6,631)
Variable rate debts	(57,120)	(57,120)
Variable rate debts fixed with interest rate swaps	(171,146)	(177,073)
Cash and cash equivalents	79,210	79,210
Short term receivables	11,337	11,337
Financial instruments held to manage interest rate profile		
Interest rate derivative contracts	(5,927)	(5,927)
	(150,277)	(156,204)

Cash and liquid resources and other financial assets have fair values that approximate to their carrying amounts because of their short term nature. The fair values of bank and other loans are based on the net present value of the anticipated future cash flows associated with these instruments.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25(e) Fair value of financial instruments (continued)

Fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying values approximate to their fair values because of the short maturities of these instruments.

(ii) Interest-bearing loans
The carrying amount of bank loans approximate to their fair value based on the borrowing rate currently available for bank loans with similar terms and maturity.

(iii) Financial derivatives
The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet date, to determine the fair value of those financial derivatives.

26. RELATED PARTIES

From the date of incorporation to 31 December 2007, the Company has entered into the following related party transactions, details of which are set out in Note 11(b) to these financial statements:

(a) a sale and purchase agreement in respect of the Treasury Building with REO dated 6 July 2007 (Note 11(b) 3.1).

(b) a sale and purchase agreement in respect of Beijing Logistics Park with Treasury Holdings dated 6 July 2007 (Note 11(b) 4.1).

In addition, the Company has entered into the following related party transactions:

During the period, the Company received a loan of US$35 million from REO. On 18 July 2007 the Company repaid this loan. Interest was payable on the loan at LIBOR plus 2%.

During the period, the Company granted a loan of £2,243,000 to Dream Land Properties Limited whilst it was a subsidiary of Treasury Holdings.

The Company and THCL entered into an investment advisory agreement dated 25 June 2007 pursuant to which THCL is responsible for the provision of investment advisory services for the Company's property assets and, at the discretion of the Company, development management and project management services. The agreement is for an initial period of three years from admission to AIM and will continue thereafter until terminated by the Company on 12 months' written notice provided that the agreement may be terminated by either party on shorter notice in the event of, inter alia, breach of contract or insolvency. Under the agreement, THCL is entitled to receive:

(i) an advisory fee equal to one percent per annum of the value of the Group's property portfolio (which shall include assets where the Group has entered into forward purchase agreements but not completed the acquisition where THCL is overseeing the development of such asset save to the extent it is being paid a development management fee for so doing) less the fee payable under the Property Management Agreement (or any replacement agreement);

(ii) if the Company elects to use THCL's development management services, a development management fee of 1.5% based on the completed value of the relevant development;

(iii) if the Company elects to use THCL's project management services, a project management fee of 1.5% of the increase in value of the relevant property (or relevant part thereof) in respect of which THCL provides project management services; and

26. RELATED PARTIES (CONTINUED)

(iv) a performance fee payable if, in the relevant calculation period, the net asset value per ordinary share (in each case calculated by the Company's auditors) increases by more than 8% per annum. The performance fee will be:

an amount equal to the weighted average number of ordinary shares for the period in question multiplied by 20% of such increase in net asset value between 8% per annum and 20% annum; plus

an amount equal to the weighted average number of ordinary shares for the period in question multiplied by 25% of such increase in net asset value over 20% per annum. A performance fee will be payable only if and to the extent that the net asset value per ordinary share (in each case calculated by the Company's auditors) exceeds both the net asset value per ordinary share at the commencement of the relevant calculation period and the highest net asset value per ordinary share by reference to which a performance fee has previously been paid.

The performance fee will be paid either in cash or by the issue of ordinary shares at an issue price equivalent to the net asset value per share at the end of the last business day of the relevant calculation period. Half of the performance fee (or such greater proportion as THCL may elect) will be payable by the issue of ordinary shares provided that ordinary shares will not be issued (and the balance of the performance fee shall be payable in cash) to the extent that the issue of ordinary shares would oblige THCL (either alone or with its concert parties) to make a mandatory offer for the Company. THCL has the right to require the performance fee to be satisfied by the issue of ordinary shares notwithstanding that any such issue of ordinary shares may require such a mandatory offer to be made.

Although THCL may perform similar services to one or more third parties, it is obliged to give the Company a right of first refusal in respect of all real estate investment opportunities that meet the Company's investment objectives and strategy.

Pursuant to the agreements the fee for investment management services and development services was £2.39m and £1.03m respectively for the period. The performance fee accrued for the period was £3.59m.

Property management agreement

The Company has entered into a property management agreement with Treasury (Shanghai) Real Estate Consulting Co. Limited ("TSREC") dated 25 June 2007 pursuant to which TSREC has been appointed to be responsible for the provision of property management services for the Company's property assets. The agreement is for an initial period of three years and automatically renewable for periods of 12 months unless the Company terminates on six months' notice. Each party may terminate earlier in the event of, inter alia, breach of contract or insolvency. TSREC is entitled to receive a property management fee equal to 110% per annum of the expenses it incurs in providing the property management services during each period of 12 months in respect of which the fee is paid including in particular but without limitation:

(a) staff costs;

(b) rents and other property costs for its offices;

(c) payments to third party suppliers;

(d) payments for supply of goods and services;
subject to the fee not exceeding one percent per annum of the value of the Group's property portfolio including assets which the Group has contracted to acquire where TSREC is overseeing the development of such assets prior to completion. TSREC may also recover reasonable fees and expenses payable to professional advisers and other third parties including sub-contractors provided that there is no double counting. An indemnity is also given by the Company in favour of TSREC in respect of costs incurred in relation to any legal action conducted on behalf of the Company.

26. RELATED PARTIES (CONTINUED)

Accounting services agreement

The Company, THCL and Treasury Holdings have entered into an accounting services agreement dated 25 June 2007 pursuant to which Treasury Holdings has agreed to provide certain accounting and administrative services to the Group. Under the agreement Treasury Holdings is entitled to receive a fee of £150,000 per annum (plus any value added tax). The agreement is for an indefinite term and will continue unless and until terminated by either of the parties. Treasury Holdings may terminate the agreement by giving not less than six months' notice (such notice not to expire earlier than the first anniversary of the date of the agreement), forthwith upon the insolvency of the Company or by giving not less than 30 days' notice if the Company commits a material breach and (if such breach is capable of remedy) fails to make good such breach within 30 days of receipt of notice requiring it to do so.

The Company may terminate the agreement by giving not less than six months' notice, such notice not to expire earlier than 30 June 2008, upon the insolvency of Treasury Holdings or if Treasury Holdings commits a material breach and (if such breach is capable of remedy) fails to make good such breach within 30 days of receipt of notice requiring it to do so. The Company has agreed to indemnify Treasury Holdings in respect of any loss suffered in connection with the performance of the services and to reimburse Treasury Holdings for the reasonable costs of any professional advisers. The Company has also agreed to reimburse Treasury Holdings and its permitted delegates (which include THCL) for all reasonable out of pocket expenses properly incurred in connection with the performance of the services.

Under the agreement, there was £62,500 accrued in 2007 representing 5 months service provided.

Xidan assignment

The Company entered into an agreement dated 20 June 2007 with CREO SA whereby the rights of CREO SA under the Xidan Transaction Agreements and related obligations were assigned to the Company and pursuant to an agreement dated 20 June 2007 with Treasury (Xidan) Limited, a subsidiary of Treasury Holdings, the rights of the Company under the Xidan Transaction Agreements and related obligations were assigned to Treasury (Xidan) Limited.

Liquidation indemnity

The Company entered into an agreement dated 19 January 2007 with CREO SA whereby the Company agreed to indemnify CREO SA from and against inter alia all losses suffered by CREO SA.

27. GROUP ENTITIES

A listing of all group entities is set out below:

Significant Subsidiaries, Joint Ventures and Associates	Country of incorporation	Ownership Interest 2007 Direct %	Ownership Interest 2007 Indirect %
Grand Eastern Limited	British Virgin Islands	100	
Loyal Ally Investment Limited (BVI)	British Virgin Islands	10	
CREO (Shanghai Central Plaza) Limited	Jersey	100	
CREO (Shanghai City Centre) Limited	Jersey	100	
CREO (Pudong) Limited	Jersey	100	
Dream Land Properties Limited	Jersey	100	
CREO (Qingdao) Warehousing Limited	Jersey	100	
CREO XIDAN (NO.1) Limited	Jersey	100	
Central Land Estate Limited	Hong Kong		100
Brightime Limited	Hong Kong		100
State Properties Limited	Hong Kong		100
Oakman Dean Limited	Hong Kong		100
Shanghai Vision Honest Real Estate Development Company Limited	People's Republic of China		100
Shanghai Central Land Estate Company Limited	People's Republic of China		100
Shanghai Hua Tian Property Development Company Limited	People's Republic of China		100
Qingdao CREO Logistics Park Company Limited	People's Republic of China		100
Qingdao Shangshi CREO Real Estate Company Limited	People's Republic of China		50
Beijing Dream Land Industrial Development Company Limited	People's Republic of China		100
Beijing Treasury Industrial Development Company Limited	People's Republic of China		100
Shanghold Investment limited	People's Republic of China		5
LuxChina Property Development Company Limited	People's Republic of China		9.75

28. ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting judgements in applying the Company's accounting policies are described below:

Property valuations

Management have had to make certain assumptions and estimates in relation to rental yields applicable to valuations for office and rental properties in China based on their experience of the Chinese property market over many years (Notes 1(a), 8 and 9).

Share based payments

As the Company was admitted to trading on AIM in July 2007, it was not possible to ascertain the volatility of the Company shares in order to fair value the share based payments granted to employees. Management therefore used a basket of peer companies with a similar asset and investor base in order to estimate the volatility of the CREO share price for use in the binomial option pricing model (Note 18).

Subsidiary valuations

Management have made certain assumptions and estimates in assessing the fair value of the subsidiary undertakings. Fair value is based on market value, being the estimated amount for which the subsidiaries could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsions. Having just acquired the majority of these subsidiaries in July, management are well positioned to make such assumptions.

29. POST BALANCE SHEET EVENTS

In January 2008, the Company acquired a 50% interest in two sites in Tangdao Bay, Qingdao adjoining the Company's existing development site, acquired as part of the initial development portfolio.

In January 2008, the Company awarded options over 30,000 shares in the Company to Richard David, Managing Director of Treasury Holdings China Limited.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the directors on 25 March 2008.

notice of AGM

23 May 2008

Notice is hereby given that the Annual General Meeting of China Real Estate Opportunities Limited will be held at Whiteley Chambers, Don Street, St. Helier, Jersey on 23rd May 2008 at 2.00pm for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions. THAT:

1 the Directors' Report and Audited Financial Statements for the period ended 31 December 2007 be received and adopted.
2 Mr Horney, a Director retiring by rotation, be re-elected as a Director.
3 Mr Barrett, a Director retiring by rotation, be re-elected as a Director.
4 Mr Williams, a Director retiring by rotation, be re-elected as a Director.
5 Mr Tincknell, a Director retiring by rotation, be re-elected as a Director.
6 Mr Leckie, a Director retiring by rotation, be re-elected as a Director.
7 Mr Pirouet, a Director retiring by rotation, be re-elected as a Director.
8 Mr Ling, a Director retiring by rotation, be re-elected as a Director.
9 the Auditors, KPMG, Certified Public Accountants, Hong Kong be reappointed and the Directors be authorised to determine their remuneration.
10 that the number of ordinary shares that may be issued under the terms of the Investment Advisory Agreement in respect of the calculation period ended 31 December 2007 be capped at 10% of the issued share capital at the time of issue of the ordinary shares.
11 that the number of ordinary shares that may be issued under the terms of the Investment Advisory Agreement in respect of the calculation period ended 31 December 2008 be capped at 10% of the issued share capital at the time of issue of the ordinary shares.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following special resolutions. THAT:

12 the Company be generally and unconditionally authorised to purchase (in accordance with Article 57 of the Companies (Jersey) Law 1991 (as amended) ordinary shares of no par value ("Ordinary Shares") of the Company provided that:
   (i) the maximum number of ordinary shares hereby authorised to be acquired is 7,596,360, being 14.99% of the total number of ordinary shares in issue as at 25 March 2008;
   (ii) the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
   (iii) the authority hereby conferred shall expire on 23 November 2009 being a date not later than 18 months after the passing of this resolution;
   (iv) the Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract;
   (v) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors); and
   (vi) the directors provide a statement of solvency in accordance with Articles 55 and 57 of the Companies (Jersey) Law 1991 (as amended).

   Such shares to be acquired either for cancellation or to be held as Treasury shares in accordance with Article 58A of the Companies (Jersey) Law 1991 (as amended), as inserted by the Companies (Amendment No.2) (Jersey) Regulations 2008.

By order of the Board

Ogier Fund Administration (Jersey) Limited

Secretary

25 March 2008

Whiteley Chambers, Don Street, St. Helier, Jersey JE4 9WG

Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on, a poll vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. To be valid, the instrument appointing a proxy, together with any power or authority under which it is executed (or a notarially certified copy of such power or authority) must be deposited with Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time specified in this notice for holding the meeting. Changes to entries in the registrar after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting.
3. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 and Article 40 of the Companies (Uncertified Securities) (Jersey) Order 1999, specifies that only those members registered in the register of members as at 6pm on 21 May 2008 (or in the event that the Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the Meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after 6:00pm on 21 May 2008 (or in the event that the Meeting is adjourned, on the register of members less that 48 hours before the time of any adjourned Meeting) shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
4. The lodging of a completed form of proxy does not preclude a member from attending the meeting and voting in person.
5. No Director has a service contract with the Company.

corporate summary

INVESTMENT OBJECTIVES

The Company's principle investment objective is to achieve capital growth from a portfolio of properties in China.

CAPITAL STRUCTURE

The Company has a capital comprising ordinary shares of no par value shares. The Group also has gearing in the form of bank borrowings, which totalled £248 million at 31 December 2007.

Paid up capital as at 31 December 2007 amounts to £249,847,000.

RISK

The market price of the Company's shares will vary to reflect supply and demand in the market which will, at least in part, be influenced by the net asset value of the Company. Investments in the Company will be subject to the general and specific risks connected with investment in real estate and carrying on business in the Peoples Republic of China ("China"). Additionally, as the Company's assets are located in China, where the currency is the CNY, there will be a currency risk as the CNY's value in relation to Sterling is not pegged and is therefore subject to prevailing forces in the foreign exchange markets.

The use of gearing is likely to increase volatility in the Company's net asset value in that a relatively small movement in the value of the Company's investments will result in a greater relative movement (upwards or downwards) in net asset value per ordinary share.

MANAGEMENT SUPPORT

The investment advisor for the Property Portfolio is Treasury Holdings China Limited.

designed & produced by to the point, london +44 (0)20 7378 6999 www.tothepoint.co.uk ref: 7917

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