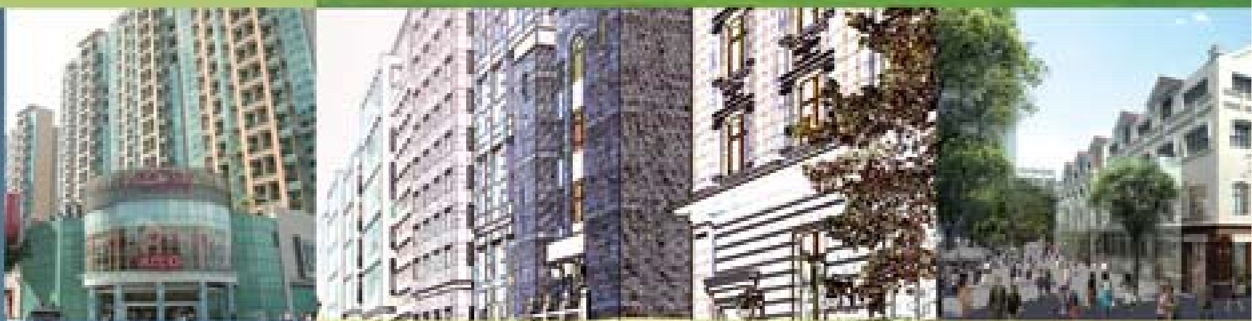
百仕達控股有限公司

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1168)



ANNUAL REPORT 2007

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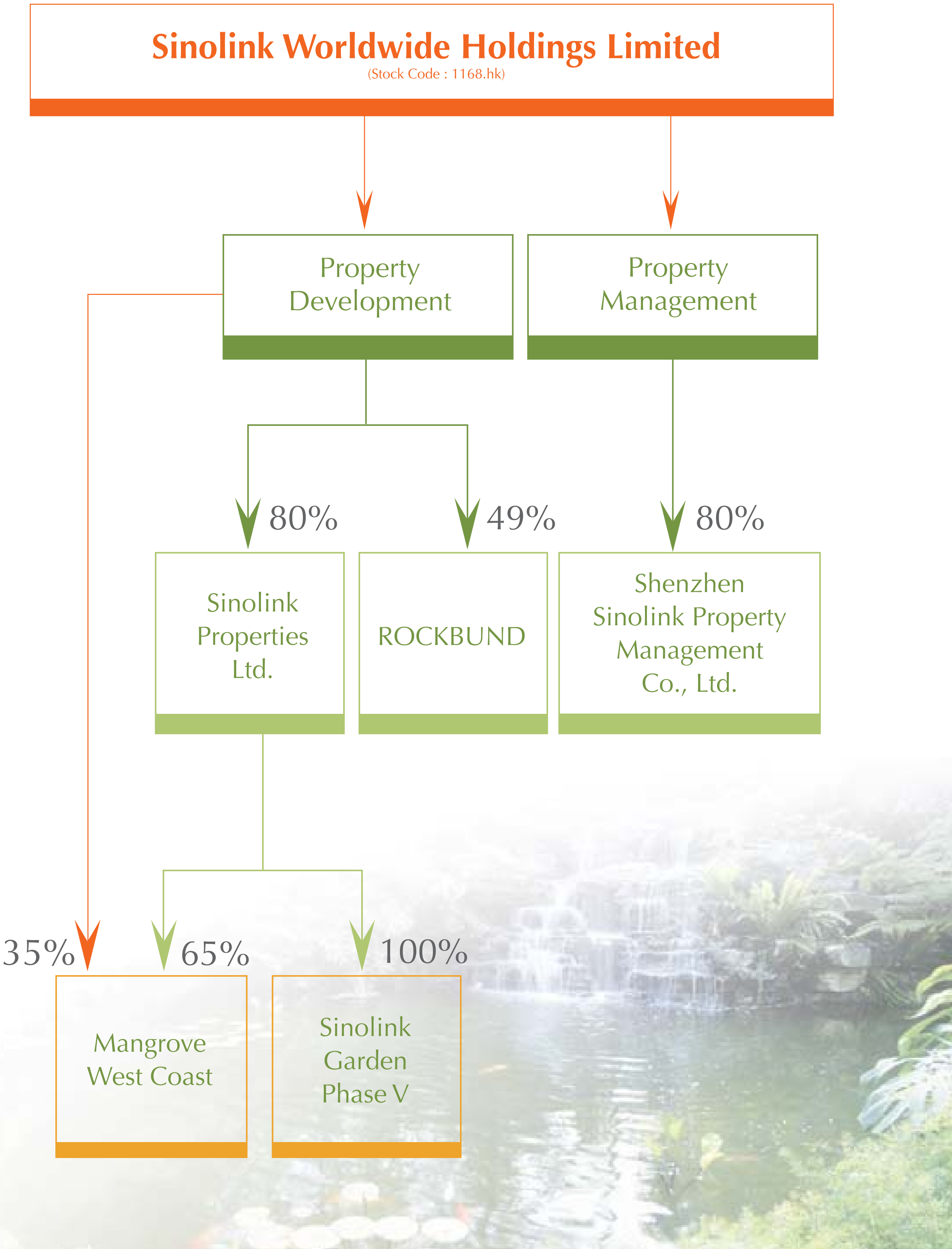
CORPORATE INFORMATION

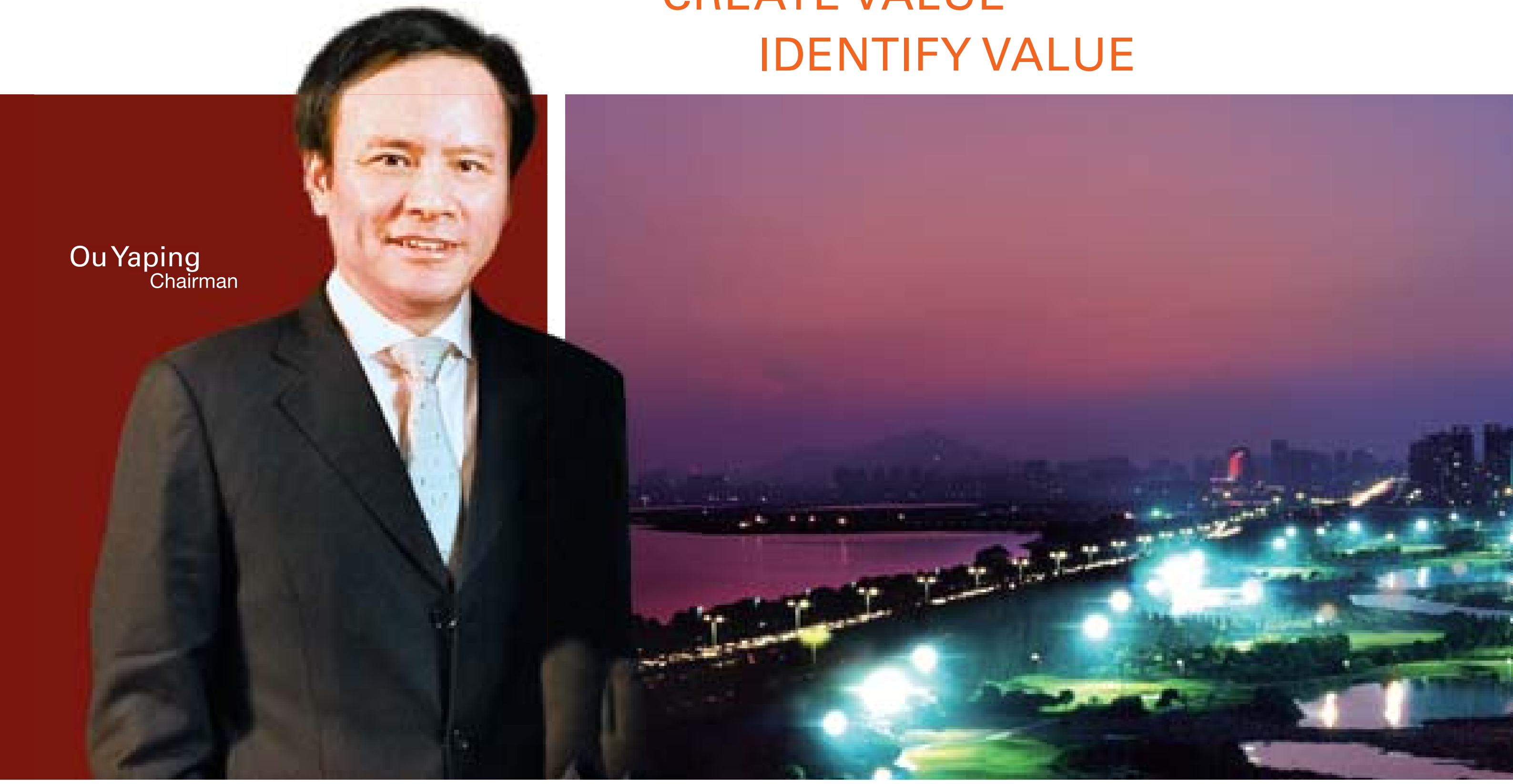
Board of Directors	
Executive Directors	Ou Yaping *(Chairman)* Tang Yui Man Francis *(Chief Executive Officer)* Chen Wei Li Ningjun
Non-Executive Director	Law Sze Lai
Independent Non-executive Directors	Davin A. Mackenzie Tian Jin Xin Luo Lin
Authorised Representatives	Ou Yaping Tang Yui Man Francis
Qualified Accountant	Tiong Check Hiong, Jacqueline
Company Secretary	Lo Tai On
Audit Committee	Davin A. Mackenzie Tian Jin Xin Luo Lin *(Chairman)*
Remuneration Committee	Davin A. Mackenzie Ou Yaping Xin Luo Lin *(Chairman)*
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Registered Office	Clarendon House 2 Church Street, Hamilton HM 11 Bermuda
Head Office and Principal Place of Business	28th Floor, Vicwood Plaza 199 Des Voeux Road Central, Hong Kong
Telephone	(852) 2851 8811
Facsimile	(852) 2851 0970
Stock Code	1168
Website	http://www.sinolinkhk.com http://www.irasia.com/listco/hk/sinolink
Principal Share Registrar and Transfer Office	Butterfield Fund Services (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road Pembroke, HM 08 Bermuda
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Hong Kong Branch Share Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Legal Advisors	
As to Hong Kong Law	Norton Rose Tsang, Chan & Wong Woo, Kwan, Lee & Lo
As to Bermuda Law	Conyers Dill & Pearman
As to the PRC Law	Haiwen & Partners
Principal Bankers	Bank of China (Hong Kong) Limited Bank of China (Shenzhen) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Ltd. Industrial and Commercial Bank of China, Shenzhen Branch China Construction Bank, Shenzhen Branch

GROUP STRUCTURE



CHAIRMAN'S STATEMENT

ENHANCE VALUE
CREATE VALUE
IDENTIFY VALUE



On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am delighted to report that the Company and its subsidiaries (collectively referred as the "Group") recorded satisfactory results for the year ended 31 December 2007.

Business Review

For the year ended 31 December 2007, the Group's core businesses remained property development, investment and management. Turnover from continuing operations increased by 25.6% to HK$2,921.6 million and profit attributable to equity holders of the Group increased by 21.3% to HK$1,167.1 million. Basic earnings per share (the "Share") increased by 19.0% to HK35.95 cents. The Board has recommended a final dividend of HK3.5 cents per Share in respect of the year ended 31 December 2007.

Property Business

2007 saw both opportunities and threats to the property development industry in China. Underpinned by robust demand for high quality housing and rapid urbanization, property prices in most provinces and cities increased significantly in 2007. However, the central government's determination to curb speculation and asset bubbles led to adjustments in various degrees and magnitudes, which resulted in a dramatic turnaround in the last quarter of 2007 as evidenced by an overall market slowdown.

The central government signaled a tougher stance against overheating in the economy by shifting the long-held monetary policy stance from "prudent" to "tight". The People's Bank of China (PBOC) raised interest rates six times during the year, and increased the deposit reserve ratios for banks to 14.5 per cent representing a cumulative rise of 5.5 percentage points in the whole year.

As a property developer in China with more than 15 years of experience, the Group has been paying heed to the government's determination in curbing property speculation and an overheating market. Hence, the Group always pursues a "prudent" and "sensible" approach in our business strategy.

In 2007, the Group continued the sale of the Mangrove West Coast in Shenzhen. The results were very encouraging in terms of both transaction volume and price, albeit the cooling measures had slowed down transactions in the last quarter. This project alone has fetched a record breaking amount of approximately HK$2.8 billion in the whole year, while the average selling price per square metre soared 59.3% as compared with 2006.

Apart from its excellent location and advanced functionality in each residence, the success of *The Mangrove West Coast* is largely attributable to the crossover between arts and property development. With its vision of building a well-crafted living, the Mangrove West Coast introduced arts and culture, such as Celebrity Space Plan by inviting 4 celebrities from the arts and cultural arena, including film director Mr. Jia Zhangke and designer Mr. Craig Au Yeung, to express their visions through their designed showflats. The market response is positive and well-recognized.

In the pipeline is another project in Shenzhen, namely *Sinolink Garden Phase Five* or "*Oasis Plaza*". Construction of the retail podium and residential portion of this property has been completed with the residential apartments scheduled for presale in the middle of 2008. With regards to the retail space, agreements or letter of intents have been signed with both domestic and international well known enterprises. Construction of a hotel and offices tower is underway.

Our first project in Shanghai, "*ROCKBUND*", a joint venture project with the Rockefeller Group, is also progressing well. The master plan has been principally approved by the Shanghai Government and is in the project design stage. We have also commenced liaising and negotiations with some 30 top global brands and many are expected to become the first batch of anchor tenants in the retail premises of *ROCKBUND*.

Other Strategic Investments

In 2007, the Group continued its reorganization plan to redirect its focus in the property development, investment and management businesses. On 16 October 2007, the Group announced a special interim dividend to be satisfied by way of a distribution in specie of Enerchina Holdings Limited ("Enerchina") shares ("Enerchina Shares") held by the Group in the proportion of 13 Enerchina shares for every 20 Shares held by qualifying shareholders. Following this distribution, Enerchina has ceased to be an associated company of the Group.

This transformation further affirms our determination of becoming a specialized property development company, while redirecting our entire focus of resources and management attention to the real estate business. It also allows our shareholders the benefit of owning and exercising the Enerchina Shares at their own discretion more directly.

Going forward, the Group believes that the distribution can further clarify the respective business strategies and structure of Sinolink and Enerchina. The Group also expects the capital markets to better value the distinct business of the Group and fully reflect its underlying value.

Prospects

Looking forward, the Group remains cautiously optimistic about the property market in China. Despite the challenges ahead, with China's sustained economic growth, high savings, possible Renminbi ("RMB") appreciation and fast pace of urbanization, the property market is well supported by strong underlying demand from end users and investors.

Being confident in China's long term economic development and its property market, we believe the current market conditions offer good opportunities for us to add new development and investment projects to our portfolio. We plan to capitalize on our strong balance sheets, cash-rich position and the opportunities that may arise in 2008 to replenish our land bank to a reasonable level in first tier cities such as Shanghai, Beijing and Shenzhen.

The Group will continue the sale of *The Mangrove West Coast* through innovative marketing strategies. A batch of furniture designed and manufactured in Milan, Italy is fitted in a large number of unsold units. The Group is confident the project can fetch higher selling price and generate overwhelming market response during the launch.

Sinolink Garden Phase Five or "*Oasis Plaza*" is expected to launch in the middle of 2008. In view of the limited supply of large-sized luxury residential property in Shenzhen, the Group expects this project to generate good market response. *ROCKBUND* in Shanghai is entering into project design stage. Restoration works for historic buildings have already commenced, and further progress is being made in other construction works. Completion of the project is expected to coincide with the 2010 Shanghai World Expo.

The Group will continue to focus on high-end developments in first tier cities. By focusing on high quality residential developments or "Jing Pin", we are able to maximize profit per square metre in our developments. To ensure sustainable income going forward, the Group is also boosting its investment portfolio by increasing exposures to retail and commercial properties.

Appreciation

The Group's excellent results were attributed to the concerted efforts of the management and all staff whose dedications and hard work rendered us another fruitful year. On behalf of the shareholders and my fellow board members, I would like to express my gratitude to them all.

Ou Yaping
Chairman

Hong Kong, 3 April 2008

CHIEF EXECUTIVE OFFICER'S REPORT

Business Review

"It was the best of times, it was the worst of times." The famous phrase by Charles Dickens could best describe what had happened in China's property market in 2007.

For the year ended 31 December 2007, the Group achieved remarkable results with turnover amounting to HK$2,921.6 million, an increase of 25.6% compared to last year. Gross profit increased to HK$1,936.8 million, or 59.4% higher than a year ago. Profit attributable to equity holders of the Company increased by 21.3% to HK$1,167.1 million. Basic earnings per share were HK35.95 cents, representing an increase of 19.0% over last year's.

The outstanding performance is attributable to strong contribution from the Group's sale of *The Mangrove West Coast* in Shenzhen.

Property Sales

For the year ended 31 December 2007, the Group recorded a turnover of HK$2,820.8 million from property sales, an increase of 26.0% compared to last year. The Group sold a total of approximately 71,836 square metres in gross floor area during the year, a decrease of 26.4% compared to 97,559 square metres last year. Property sales for the year were derived from the sale of *The Mangrove West Coast*, a project in Shenzhen comprising 1,302 units with a total gross floor area of approximately 249,591 square metres.

Gross profit increased by 62.5% to HK$1,887.8 million compared to HK$1,161.7 million last year as a result of the significantly higher average selling price of *The Mangrove West Coast,* which increased from RMB25,315 per square metre in 2006 to RMB40,321 per square metre in 2007, representing an increase of approximately 59.3% or RMB15,006 per square metre.

Property Rental

For the year ended 31 December 2007, turnover of the Group's property rental business was HK$17.1 million, an increase of 11.8% over last year. The Group's investment properties consist of mainly retail space in Sinolink Garden with a total gross floor area of 23,337 square metres and approximately 3,280 parking spaces.

Properties Under Development

As at 31 December 2007, the Group has the following properties under development:

(1) Sinolink Garden Phase Five, *Oasis Plaza,* is a development project with a total site area of 40,786 square metres and a total gross floor area of 226,231 square metres. The Group is currently developing this project into four residential blocks with 940 units, and a commercial complex. Structural work of the project has been completed with presale is expected to start in the middle of 2008.

(2) Shanghai Bund de Rockefeller Group or *ROCKBUND,* is a joint development project with the Rockefeller Group International Inc. The project has a total site area of 18,000 square metres and a total gross floor area of 94,080 square metres. The Group intends to redevelop this historical site into an upscale mixed-use neighborhood, with residential, commercial, retail, offices and hotel facilities. This development project is currently at planning and design stage. The entire project will be completed in 2010 coinciding with the Shanghai World Expo to be held that year.

Other Businesses

Other businesses within the Group include property, facility and project managements provided by the Group's property management division. For the year ended 31 December 2007, the Group recorded a revenue of HK$83.7 million from other businesses, an increase of 16.6% compared to last year.

Special Interim Dividend

On 16 October 2007, the Board of the Company declared a special interim dividend by way of a distribution in specie of Enerchina Holdings Limited (Stock Code: 622, "Enerchina") shares held by the Company. The distribution in specie was in the proportion of 13 Enerchina shares for every 20 shares held by the shareholders of the Company on 7 November 2007. After the distribution of this special dividend, the Group's shareholding in Enerchina was reduced from 45.81% to 1.25%. As such, the Group ceased to account for its investment in Enerchina under the equity method of accounting and recorded a loss on deemed disposal of HK$288.6 million.

For the period from 1 January 2007 to 16 October 2007, Enerchina contributed HK$15.1 million profit to the Group.

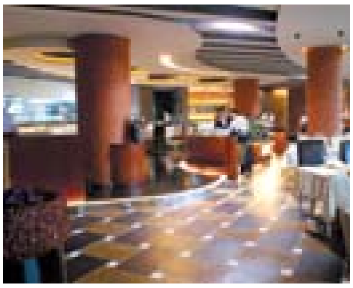
Prospects

With its rapid economic expansion, China remained as one of the fastest growing economies in the world in 2007. In order to curb rocketing property prices, the Chinese government has been introducing various austerity measures since 2006. The situation becomes more challenging due to increasing inflation pressure in China and global economic uncertainty at the outset of 2008. The macro-tightening measures are likely to remain in place throughout the year. Whilst these measures aiming at curbing speculation and stabilizing property prices might exert pressure on the property market in the short run, the Group believes that it will be conducive to a healthier growth in the medium and long term.

CHIEF EXECUTIVE OFFICER'S REPORT

Concert

Art Gallery



Club House Restaurant

Swimming Pool

The Mangrove West Coast's sales consultants made donations to the Orbis

Joined the Hong Kong – Shenzhen Western Corridor Walk for Millions

The Group will adhere to its focused approach of business expansion by concentrating on the first tier cities of the PRC and by maximizing profit margins from the sale of development projects through providing innovative designs and layouts, comprehensive clubhouse facilities and premium customer service that enhance value. We see the rippling effects of the austerity measures as an opportunity to accelerate our growth through capitalizing on the "Sinolink" brand name and our business model. Currently, we are actively pursuing new development and investment projects that match our strategy with good potential.

In 2008, the Group will continue the sale of *The Mangrove West Coast* in Shenzhen and will adhere to the strategy of releasing the remaining units to maximize the profit margins. Prices for luxury property will continue to outperform the mass market as homebuyers' needs and preferences for high-end properties act as key drives. We expect demand and average selling prices to further improve in 2008.

Meanwhile in Shanghai, progress has been made on our *ROCKBUND* project with the planning, design, conservation and marketing works being underway. This historical site will be redeveloped into one of the most cosmopolitan and fashionable quarters comprising comprehensive business, leisure, cultural and entertainment venues. Preliminary marketing work of the retail space has received highly encouraging response and many international retailers and renowned restaurants have expressed interests in opening flagship outlets there.

The *Oasis Plaza* in Shenzhen is progressing smoothly. The residential and commercial portion of the project will be completed in the last quarter of 2008 and the whole project by 2010. Pre-sales of its 940 residential units is expected to start in the middle of 2008. Market interest in the shopping mall is positive which will boost the Group's rental income in the medium turn.

Financial Review

The Group's financial position remains strong with a low debt leverage and strong interest cover. The Group's total borrowings increased from HK$492.5 million as at 31 December 2006 to HK$630.3 million as at 31 December 2007. The net increase is mainly due to the net drawdown of bank loans of HK$137.8 million for the development of property projects. Gearing ratio as at 31 December 2007, calculated on the basis of bank borrowings over shareholders' equity was 15.5%. The Group is in a net cash position and bank borrowings are mainly arranged at floating interest rates.

Total assets pledged in securing these loans have a net book value of HK$691.9 million as at 31 December 2007. The borrowings of the Group are denominated in RMB. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments were used for hedging purpose; however, the Board is evaluating and closely monitoring the potential impact of RMB appreciation and interest rates movement on the Group.

The Group's cash and cash equivalents amounted to HK$1,858.9 million (including pledged deposits) as at 31 December 2007 and are mostly denominated in RMB, Hong Kong dollars and United States dollars.

Capital Commitments

As at 31 December 2007, the Group has capital commitments in respect of properties under development amounted to HK$427.9 million and in respect of committed funding to an associate's property redevelopment projects amounted to HK$236.8 million.

Contingent Liabilities

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to HK$106.2 million.

Final Dividend and Closure of Register of Members

The Board has recommended the payment of a final dividend for the year ended 31 December 2007 of HK$0.035 per share (2006: HK$0.035 and a bonus issue of one new share for every eight shares held) of HK$0.10 each in the capital of the Company amounting to not less than HK$115,009,000 to shareholders whose names appear on the register of members of the Company on Tuesday, 20 May 2008. Upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Tuesday, 20 May 2008, the final dividend will be paid on or before Friday, 30 May 2008.

The register of members of the Company will be closed from Thursday, 15 May 2008 to Tuesday, 20 May 2008, both days inclusive, during which period no share transfer will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 14 May 2008.

CHIEF EXECUTIVE OFFICER'S REPORT

Employees and Remuneration Policies

As at 31 December 2007, the Group employed approximately 919 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

Purchases, Sale or Redemption of Listed Shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2007.

Corporate Governance

During the year, the Company complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2007, all Directors have complied with the required standard set out in the Model Code.

Audit Committee

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2007 had been audited by the Company's auditors, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

Appreciation

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

Tang Yui Man Francis
Chief Executive Officer

Hong Kong, 3 April 2008

DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS

Mr. Ou Yaping, aged 46, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is a member of remuneration committee of the Company, the founder and the indirect substantial shareholder of the Group. He is also the chairman and an executive director of Enerchina Holdings Limited ("Enerchina") and an executive director of Towngas China Company Limited ("Towngas China") (formerly known as Panva Gas Holdings Limited). He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board and a part-time professor of that institute. Mr. Ou was previously employed by a number of trading companies and investment companies in the PRC and Hong Kong. Mr. Ou has over 22 years of experience in investing, trading and corporate management. He is responsible for the overall business development, management and strategic development of the Group. He is also a director of Asia Pacific Promotion Limited ("Asia Pacific"), a substantial shareholder of the Company, whose interest in shares of the Company is disclosed in the section of "Substantial Shareholder".

Mr. Tang Yui Man Francis, aged 45, was appointed as an executive director of the Company in September 2001 and the chief executive officer in 2002. He is also an executive director of Enerchina and an alternate director to Mr. Ou Yaping of Towngas China. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. Mr. Tang is responsible for corporate planning, strategic development and financial planning and management of the Group.

Mr. Chen Wei, aged 46, was appointed as an executive director of the Company in December 1997. He is also an executive director and the chief executive officer of Enerchina and an executive director of Towngas China. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. Mr. Chen was previously employed by a number of large organisations and has over 22 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the overall business development, management and strategic planning of the Group.

Mr. Li Ningjun, aged, 43, has been appointed as executive director of the Company in September 2007. He is also a director of Sinolink Properties Limited and the chief executive officer of Shanghai Bund de Rockefeller Group Master Development Co. Ltd. Mr. Li holds a Master Degree of Civil Engineering and Construction in Changsha Railway University (now known as Central South University) and a Master Degree of Business Administration from China Europe International Business School. He joined the Group in 1995 as a director of sales and marketing, a director of planning and development, and deputy general manger of Sinolink Properties Limited. Mr. Li has over 16 years of experience in the field of property design and development, construction management, cost management, sales and marketing, business and strategic planning.

NON-EXECUTIVE DIRECTOR

Mr. Law Sze Lai, aged 65, was appointed as an executive director of the Company in December 1997 and redesignated as a non-executive director in September 2007. He is also the chairman of supervisory committee of Sinolink Properties Limited. Mr. Law was employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 20 years of experience in property development. Mr. Law joined the Group in 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Davin A. Mackenzie, aged 48, was appointed as an independent non-executive director of the Company in August 2004. He is also a member of audit committee and remuneration committee of the Company. Mr. Mackenzie has a bachelor degree of arts from Dartmouth College, the US, a master degree of business administration from Wharton School, the US and a master degree of arts in international studies from the University of Pennsylvania, the US. Mr. Mackenzie also attended the World Bank Executive Development Program at Harvard Business School, the US in 1999. He is a managing director and the Beijing representative of Peak Capital L.L.C. ("Peak Capital"), a private equity and advisory firm. Prior to joining Peak Capital, Mr. Mackenzie was with the International Finance Corporation ("IFC") for 7 years from 1993 to 2000. During the last 4 years with the IFC, he was its resident representative in the PRC. Prior to the IFC, he worked for Mercer Management Consulting in Washington, the US and the Bank of Boston Taipei Branch, Taiwan. He is on the Strategic Planning and Development Committee and is the former Chair of the Board of Governors of the Western Academy of Beijing and is on the management committee and the former chairman of Sports Beijing. He is also an independent non-executive director of Enerchina, AsiaInfo Holdings, Inc. and The 9 Limited.

Mr. Tian Jin, aged 50, was appointed as an independent non-executive director of the Company in May 2005. He is also a chairman of audit committee of the Company. Mr. Tian holds a Bachelor of Arts from Hunan University, Master of Arts from Wuhan University and Doctorate in Administration and Management from Auburn University. He is the COO of Asia Operations, Morningstar Inc., CEO of Morningstar Asia Ltd, and Chairman of Morningstar China. Before joining Morningstar Inc., he was the Lecturer of Hunan University, Visiting Professor of Auburn University, Director of Academic Technology Development of DePaul University, Director of Institutional Planning and Research of DePaul University.

Mr. Xin Luo Lin, aged 59, was appointed as an independent non-executive director of the Company in June 2002. He is also the chairman of audit committee and remuneration committee of the Company. Mr. Xin postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin holds directorships in a number of companies in Hong Kong. He is also an independent non-executive director of Enerchina.

CHIEF FINANCIAL OFFICER

Mr. Li Fujun, aged 45, He holds a Bachelor of Engineering degree from Tsinghua University and a Master of Economics degree from the University of International Business and Economics. Mr. Li is a CFA Charter holder. He has 16 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li joined the Sinolink Group in May 1994. He was appointed as Chief Financial Officer of Sinolink Worldwide Holdings Limited in Oct 2007.

QUALIFIED ACCOUNTANT

The qualified accountant of the Company is **Ms. Tiong Check Hiong, Jacqueline**, Certified Public Accountant.

REPORT OF THE DIRECTORS

The directors present the annual report and the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 46 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 37 of the annual report.

An interim dividend of HK$0.03 (2006: HK$0.03) per share of HK$0.10 each in the Capital of the Company ("Share"), amounting to HK$97,635,000 was paid to the shareholders during the year.

On 16 October 2007, the Board declared a special interim dividend by way of a distribution in respect of Enerchina shares held by the Company in proportion of 13 Enerchina Shares for every 20 Shares held by the shareholders of the Company. A total of 2,135,606,149 Enerchina Shares with the aggregate market value worths HK$961,023,000 were distributed to shareholders of the Company on 9 November 2007.

A final dividend of HK$0.035 per Share (2006: HK$0.035 per Share and a bonus issue of a new Share for every eight existing Shares), has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company ("AGM").

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 40 to 41.

The Company's reserves available for distribution to shareholders at 31 December 2007, amounted to HK$758,864,000 (2006: HK$1,857,864,000).

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2007 is set out on page 107.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:
Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Li Ningjun *(appointed on 13 September 2007)*

Non-executive Director:
Law Sze Lai *(Re-designated from Executive Director to Non-executive Director on 13 September 2007)*

Independent non-executive Directors:
Davin A. Mackenzie
Tian Jin
Xin Luo Lin

In accordance with Bye-law 86(2) of the bye-laws of the Company ("Bye-laws"), Mr. Li Ningjun retires at the forthcoming AGM and, being eligible, offers himself for re-election.

In accordance with Bye-laws 87(1) and (2) of the Bye-laws, Messrs Chen Wei, Law Sze Lai and Tian Jin retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND SHARES OPTIONS

At 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Share"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares

		Interest in Shares						Approximate percentage of issued share capital of the Company at 31.12.2007
Name of Directors	Capacity	Personal interest	Corporate interest	Family interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	
Chen Wei	Beneficial owner	13,500,000	–	–	13,500,000	11,250,000	24,750,000	0.75%
Law Sze Lai	Beneficial owner	6,637,500	–	–	6,637,500	9,675,000	16,312,500	0.50%
Li Ningjun	Beneficial Owner	4,000,000	–	–	4,000,000	8,375,000	12,375,000	0.38%
Davin A. Mackenzie	Beneficial owner	1,099,900	–	–	1,099,900	3,493,100	4,593,000	0.14%
Ou Yaping	Joint interest and interest of controlled corporation	–	1,560,845,250 *(Note)*	7,285,410	1,568,130,660	–	1,568,130,660	47.73%
Tang Yui Man Francis	Beneficial owner	21,375,000	–	–	21,375,000	22,500,000	43,875,000	1.34%
Tian Jin	Beneficial owner	–	–	–	–	5,175,000	5,175,000	0.16%
Xin Luo Lin	Beneficial owner	–	–	–	–	5,175,000	5,175,000	0.16%

Note:

These 1,560,845,250 Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company.

Details of the directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".

DIRECTORS' RIGHTS TO ACQUIRE SHARES

(b) Interest in options to subscribe for Shares

Pursuant to the Company's share option schemes, the Company has granted to certain Directors of the Company options to subscribe the Share, details of which as at 31 December 2007 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of Shares subject to outstanding options at 1.1.2007	Granted during the year	Adjusted exercise price after bonus issue of shares HK$	Adjusted after bonus issue of shares	Number of Shares subject to outstanding options at 13.9.2007	Exercised during the year	Number of Shares subject to outstanding options at 31.12.2007	Approximate percentage of issued share capital of the Company at 31.12.2007
Chen Wei	13.01.2005	30.06.2006–24.05.2012	1.126	3,600,000	–	1.001	4,050,000	N/A	(4,050,000)	–	0.00%
	13.01.2005	31.12.2006–24.05.2012	1.126	4,800,000	–	1.001	5,400,000	N/A	(5,400,000)	–	0.00%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	3,000,000	1.778	3,375,000	N/A	–	3,375,000	0.10%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	3,000,000	1.778	3,375,000	N/A	–	3,375,000	0.10%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	2,000,000	1.778	2,250,000	N/A	–	2,250,000	0.07%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	2,000,000	1.778	2,250,000	N/A	–	2,250,000	0.07%
Law Sze Lai	13.01.2005	30.06.2006–24.05.2012	1.126	2,400,000	–	1.001	2,700,000	N/A	–	2,700,000	0.08%
	13.01.2005	31.12.2006–24.05.2012	1.126	3,200,000	–	1.001	3,600,000	N/A	–	3,600,000	0.11%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	900,000	1.778	1,012,500	N/A	–	1,012,500	0.03%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	900,000	1.778	1,012,500	N/A	–	1,012,500	0.03%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	600,000	1.778	675,000	N/A	–	675,000	0.02%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	600,000	1.778	675,000	N/A	–	675,000	0.02%
Li Ningjun	13.01.2005	31.12.2005–24.05.2012	1.126	500,000	–	1.001	562,500	562,500	(562,500)	–	0.00%
	13.01.2005	30.06.2006–24.05.2012	1.126	3,500,000	–	1.001	3,937,500	3,937,500	(3,437,500)	500,000	0.02%
	06.02.2007	01.01.2009–23.05.2012	2.000	–	2,100,000	1.778	2,362,500	2,362,500	–	2,362,500	0.07%
	06.02.2007	01.07.2009–23.05.2012	2.000	–	2,100,000	1.778	2,362,500	2,362,500	–	2,362,500	0.07%
	06.02.2007	01.01.2010–23.05.2012	2.000	–	1,400,000	1.778	1,575,000	1,575,000	–	1,575,000	0.05%
	06.02.2007	01.07.2010–23.05.2012	2.000	–	1,400,000	1.778	1,575,000	1,575,000	–	1,575,000	0.05%
Davin A. Mackenzie	13.01.2005	31.12.2005–24.05.2012	1.126	600,000	–	1.001	675,000	N/A	(675,000)	–	0.00%
	13.01.2005	30.06.2006–24.05.2012	1.126	600,000	–	1.001	675,000	N/A	(675,000)	–	0.00%
	13.01.2005	31.12.2006–24.05.2012	1.126	800,000	–	1.001	900,000	N/A	(331,900)	568,100	0.02%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of Shares subject to outstanding options at 1.1.2007	Granted during the year	Adjusted exercise price after bonus issue of shares HK$	Adjusted after bonus issue of shares	Number of Shares subject to outstanding options at 13.9.2007	Exercised during the year	Number of Shares subject to outstanding options at 31.12.2007	Approximate percentage of issued share capital of the Company at 31.12.2007
Tang Yui Man Francis	13.01.2005	30.06.2006–24.05.2012	1.126	5,700,000	–	1.001	6,412,500	N/A	(6,412,500)	–	0.00%
	13.01.2005	31.12.2006–24.05.2012	1.126	7,600,000	–	1.001	8,550,000	N/A	(8,550,000)	–	0.00%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	6,000,000	1.778	6,750,000	N/A	–	6,750,000	0.21%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	6,000,000	1.778	6,750,000	N/A	–	6,750,000	0.21%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	4,000,000	1.778	4,500,000	N/A	–	4,500,000	0.14%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	4,000,000	1.778	4,500,000	N/A	–	4,500,000	0.14%
Tian Jin	22.01.2006	31.12.2006–24.05.2012	2.370	600,000	–	2.107	675,000	N/A	–	675,000	0.02%
	22.01.2006	30.06.2007–24.05.2012	2.370	600,000	–	2.107	675,000	N/A	–	675,000	0.02%
	22.01.2006	31.12.2007–24.05.2012	2.370	800,000	–	2.107	900,000	N/A	–	900,000	0.03%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%
Xin Luo Lin	13.01.2005	31.12.2005–24.05.2012	1.126	600,000	–	1.001	675,000	N/A	–	675,000	0.02%
	13.01.2005	30.06.2006–24.05.2012	1.126	600,000	–	1.001	675,000	N/A	–	675,000	0.02%
	13.01.2005	31.12.2006–24.05.2012	1.126	800,000	–	1.001	900,000	N/A	–	900,000	0.03%
	12.02.2007	01.01.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.07.2009–23.05.2012	2.000	–	780,000	1.778	877,500	N/A	–	877,500	0.03%
	12.02.2007	01.01.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%
	12.02.2007	01.07.2010–23.05.2012	2.000	–	520,000	1.778	585,000	N/A	–	585,000	0.02%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. These options represent personal interest held by the Directors as beneficial owners.

3. During the year, 40,800,000 options were granted to the Directors and 30,094,400 options were exercised by Directors and no options held by the Directors were lapsed or cancelled under the share option scheme.

4. Mr. Li Ningjun was appointed as an executive director of the Company with effect from 13 September 2007.

5. The number of share options and the exercise prices were adjusted to reflect the effect of bonus issue of shares on 31 May 2007.

SHARE OPTION SCHEME OF THE COMPANY

2002 Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "Existing Scheme"); share options were granted to Directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2007, a total of 151,618,100 Shares (representing approximately 4.614% of the existing issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and yet to be exercised under the Existing Scheme.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the date of grant.

The total number of Shares in respect of which options may be granted under the Existing Scheme are not permitted to exceed 10% of the Shares in issue at the date of approval of the Existing Scheme ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares in respect of which options may be granted under the Existing Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Company's shareholders. In addition, the number of shares in respect of which options may be granted to any participant (who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12 month period is not permitted to exceed 0.1% of the total number of shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the shares at the date of each grant, without prior approval from the Company's shareholder.

Consideration of HK$1 is payable on the grant of an option.

Additional information in relation to the Company's share option schemes are set out in note 40 to the consolidated financial statements.

Details of specific categories of share options are as follows:

Option types	**Date of grant**	**Exercise period**	**Exercise price before adjustment** *HK$*	**Exercise price after adjustment** *HK$*
2004 Options	01.01.2004	01.06.2004 – 31.05.2008	0.760	0.676
	01.01.2004	01.01.2005 – 31.05.2008	0.760	0.676
	01.01.2004	01.06.2005 – 31.05.2008	0.760	0.676
	01.01.2004	01.01.2006 – 31.05.2008	0.760	0.676
2005 Options	13.01.2005	31.12.2005 – 24.05.2012	1.126	1.001
	13.01.2005	30.06.2006 – 24.05.2012	1.126	1.001
	13.01.2005	31.12.2006 – 24.05.2012	1.126	1.001
2006A Options	22.01.2006	31.12.2006 – 24.05.2012	2.370	2.107
	22.01.2006	30.06.2007 – 24.05.2012	2.370	2.107
	22.01.2006	31.12.2007 – 24.05.2012	2.370	2.107
2006B Options	30.06.2006	30.06.2007 – 24.05.2012	1.410	1.253
	30.06.2006	31.12.2007 – 24.05.2012	1.410	1.253
	30.06.2006	30.06.2008 – 24.05.2012	1.410	1.253
2007A Options	06.02.2007	01.01.2009 – 23.05.2012	2.000	1.778
	06.02.2007	01.07.2009 – 23.05.2012	2.000	1.778
	06.02.2007	01.01.2010 – 23.05.2012	2.000	1.778
	06.02.2007	01.07.2010 – 23.05.2012	2.000	1.778
2007B Options	12.02.2007	01.01.2009 – 23.05.2012	2.000	1.778
	12.02.2007	01.07.2009 – 23.05.2012	2.000	1.778
	12.02.2007	01.01.2010 – 23.05.2012	2.000	1.778
	12.02.2007	01.07.2010 – 23.05.2012	2.000	1.778

The following table discloses movements in the Company's share options during the year:

	Option types	Outstanding at 1.1.2007	Granted during the year	Adjusted number of shares after bonus issue of shares	Transfer (to)/ from other category during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Category 1: Directors								
Chen Wei	2005 Options	8,400,000	–	1,050,000	N/A	(9,450,000)	–	–
	2007B Options	–	10,000,000	1,250,000	N/A	–	–	11,250,000
Law Sze Lai	2005 Options	5,600,000	–	700,000	N/A	–	–	6,300,000
	2007B Options	–	3,000,000	375,000	N/A	–	–	3,375,000
Li Ningjun	2005 Options	N/A	N/A	N/A	4,500,000	(4,000,000)	–	500,000
	2007A Options	N/A	N/A	N/A	7,875,000	–	–	7,875,000
Davin A. Mackenzie	2005 Options	2,000,000	–	250,000	N/A	(1,681,900)	–	568,100
	2007B Options	–	2,600,000	325,000	N/A	–	–	2,925,000
Tang Yui Man Francis	2005 Options	13,300,000	–	1,662,500	N/A	(14,962,500)	–	–
	2007B Options	–	20,000,000	2,500,000	N/A	–	–	22,500,000
Tian Jin	2006A Options	2,000,000	–	250,000	N/A	–	–	2,250,000
	2007B Options	–	2,600,000	325,000	N/A	–	–	2,925,000
Xin Luo Lin	2005 Options	2,000,000	–	250,000	N/A	–	–	2,250,000
	2007B Options	–	2,600,000	325,000	N/A	–	–	2,925,000
Total for directors		33,300,000	40,800,000	9,262,500	12,375,000	(30,094,400)	–	65,643,100
Category 2: Employees								
	2004 Options	2,680,000	–	300,000	N/A	(2,980,000)	–	–
	2005 Options	39,110,000	–	3,482,500	(4,500,000)	(28,280,000)	(2,250,000)	7,562,500
	2006B Options	3,000,000	–	375,000	N/A	(1,012,500)	(2,362,500)	–
	2007A Options	–	81,800,000	10,062,500	(7,875,000)	–	(5,575,000)	78,412,500
Total for employees		44,790,000	81,800,000	14,220,000	(12,375,000)	(32,272,500)	(10,187,500)	85,975,000
Total for all categories		78,090,000	122,600,000	23,482,500	–	(62,366,900)	(10,187,500)	151,618,100

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

2. The closing price of the Company shares immediately before the date of grant of the 2007 options, i.e. 5 February 2007 and 9 February 2007, were HK$1.627 and HK$1.653 respectively, of which the closing price had been adjusted for the effect of bonus issue.

3. The weighted average closing share price immediately before the date of exercise of share options was HK$2.242, of which the closing price had been adjusted for the effect of bonus issue.

4. During the year, 122,600,000 options were granted and 62,366,900 options were exercised under the share option scheme of the Company.

5. During the year, 10,187,500 options were lapsed under the share option scheme. No options were cancelled under the share option scheme.

6. Mr. Li Ningjun was appointed as an executive director of the Company with effect from 13 September 2007. The options granted to Mr. Li were re-classified from the category of "Employees" to the category of "Directors" during the year.

7. The fair value of the options granted under the share option scheme during the year measured at the date of grant (6 February 2007 and 12 February 2007) totalled approximately HK$63,062,000 (2006: HK$4,387,000). The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Share price:	HK$1.689 and HK$1.653 (adjusted for the effect of bonus issue)
Exercise price:	HK$1.778 (adjusted for the effect of bonus issue)
Expected volatility:	47% based on historical volatility
Expected dividend yield:	3.97% and 3.99% based on historical dividends
Expected life:	3.58 – 4.35 years from grant date
Risk free interest rate:	4.05% p.a. being the approximate yield of 5-year exchange fund note on the grant date

The Black-Scholes options pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate in the Directors opinion the model does not necessarily provide a reliable single measure of the fair value of the share options.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

Based on the closing price of Shares on the date of grant and the above assumptions the computed fair value under the options granted during the year was at a range of approximately HK$0.46 to HK$0.52 per option share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed herein, at no time the period was the Company, its holdings company, or any or its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDER

At 31 December 2007, the register of substantial shareholders (other than the Directors or chief executives of the Company disclosed above) maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions and short positions in Shares and underlying Shares

Name of shareholder	Capacity	Interest in Shares	Approximate percentage of the Company's issued share capital at 31.12.2007
Asia Pacific	Beneficial owner	1,560,845,250 *(Note)*	47.51%

Note: The 1,560,845,250 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, the Chairman of the Company.

Save as disclosed above, as at 31 December 2007, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following connected transaction of the Company requires disclosure in the annual report of the Company:

As disclosed in the announcement dated 26 June 2007, a Sale and Purchase Agreement entered into between the Company as the purchaser, Newchamp Technology Limited as the vendor ("Vendor"), Mr. Ou Yaping as the first guarantor and Mr. Xiang Ya Bo as the second guarantor in relation to the sale and purchase of the entire issued share capital of Timeway Holdings Limited ("Timeway") and the loan in the principal amount of HK$8,410,442 owing by Timeway to the Vendor on terms it is non-interest bearing and repayable on demand for a total consideration amounted to HK$31,605,800, in which the Sale Shares and the Sale Loan at a consideration of HK$8,410,442 and HK$23,195,358 respectively ("the Acquisition").

Mr. Ou, the Chairman of the Board, a Director and a substantial shareholder of the Company and also a controller of the Company pursuant to Chapter 14A of the Listing Rules, is ultimately beneficially interested in 29.51% of the issued share capital of the Vendor. Mr. Xiang, an associate of Mr. Ou by virtue of being the brother of Mr. Ou, is a substantial shareholder of the Vendor being ultimately beneficially interested in 70.49% of the issued share capital of the Vendor. As such, the Acquisition constitutes a connected transaction for the Company under Rule 14A.13(1)(b) of the Listing Rules. As each of the Percentage Ratios of the Total Consideration (other than the profits ratio and the equity capital ratio which do not apply to the Acquisition) does not exceed 2.5%, the Acquisition is only subject to reporting and announcement requirements set out in Chapter 14A of the Listing Rules and is exempted from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Independent non-executive Directors confirm that the transaction has been entered into by the Company in the ordinary and usual course of its business and in accordance with the terms of the agreement governing such transaction.

The related party transactions (with the exception of remuneration paid to key management personnel and note 39(a) to the consolidated financial statements) set out in note 39 to the consolidated financial statements constitute connected transactions under Rule 14A of the Listing Rules and are exempt from reporting, announcement and independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

During the year, the abovementioned connected transactions are in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2007, the aggregate amount of financial assistance to associated companies by the Group in aggregate exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

An proforma consolidated balance sheet of the associated companies as at 31 December 2007 is presented as follows:

	HK$'000
Non-current assets	1,000,414
Current assets	523,376
Current liabilities	(171,270)
Non-current liabilities	(1,681,728)
Net liabilities	(329,208)

The Group's attributable interest in the associated companies as at 31 December 2007 comprised net liabilities of HK$167,727,000. According to the investment agreement dated 30 November 2005, the Group is committed to finance all the funding of the associated companies and share its net liabilities.

DONATIONS

During the year the Group made charitable and other donations amounting to HK$2,678,000.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 4% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 14% of the Group's total purchases.

During the year, the Group's largest customer accounted for approximately 1% of the Group's total sales and the Group's largest five customers accounted for 4% of the Group's total sales.

None of the Directors, their associates or any shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers and customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY' S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2007.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes is set out in note 40 to the consolidated financial statements and under the heading "Directors' right to acquire Shares".

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The annual results of the Group for the year ended 31 December 2007 had been audited by the Company's auditors, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

AUDITORS

The financial statements of the Company for the year ended 31 December 2007 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ou Yaping
Chairman

Hong Kong, 3 April 2008

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

Having established a good, credible and dynamic foundation for corporate governance practices in the Company since 2005, the Company continues to ensure the transparency and protection of shareholders' interest, as well as the stakeholders' interests.

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules as its own code on corporate governance practices since 2005.

The Company understood the importance on sound corporate governance practices and recognized the changing regulatory environment. Therefore, the theme of the corporate governance practices in the Company has gone through an evolving process, from implementing the existing Code, evaluating the effectiveness of the Code, and responding to the rapid changes and continuous development in our corporate governance practices, if necessary.

STATEMENT OF COMPLIANCE

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2007

BOARD OF DIRECTORS

Composition

As the date of this report, the board of directors of the Company (the "Board") comprises 8 members (each member of the Board, a "Director "). Mr. Ou Yaping acts as Chairman of the Board, whereas Mr. Tang Yui Man Francis acts as Chief Executive Officer of the Company. Other executive Directors are Messrs. Chen Wei and Li Ningjun. Non-executive Director is Mr. Law Sze Lai. The Company has three independent non-executive Directors, Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin, and all independent non-executive Directors possess appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 14 to 16 of this Annual Report.

Each of the independent non-executive Director has confirmed, in accordance with Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that they are independent.

There is no relationship (including financial, business, family or other material relationship) between any members of the Board and in particular, between the Chairman and the Chief Executive Officer.

Pursuant to the Bye-laws of the Company (the "Bye-laws"), the Directors shall hold office subject to retirement by rotation at the annual general meeting of the Company at least once every three years.

The term of office of each independent non-executive Director is for a period of 1 year from 1 January 2008 to 31 December 2008 subject to retirement by rotation and re-election in accordance with the Bye-laws, except for Mr. Tian Jin, whose term of office is for a period of 1 year 7 months and 14 days from 18 May 2007 to 31 December 2008.

Functions

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, the Bye-laws and the rules governing the meetings of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct regular meetings with the senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal controls system and risk management function are essential and that the Board plays an important role in implementing and monitoring internal financial control and risk management.

Matters specifically decided by the Board and those reserved for the management are reviewed by the Board on a periodic basis.

There are established procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Bye-laws states the responsibilities and operational procedures of the Board. The Board meets at least four times a year at regular intervals to consider operational reports of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year 2007, the Board held 4 regular Board meetings (within the meanings of the Code) at approximately quarterly intervals and 26 board meetings convened as necessary. Due notice and Board papers were given to all Directors prior to each meeting in accordance with the Bye-laws and the Code. Details of individual attendance of Directors are set out below:

Executive Directors	**No. of meetings attended**
Ou Yaping *(Chairman)*	29
Tang Yui Man Francis *(Chief Executive Officer)*	30
Chen Wei	13
Li Ningjun *	2
Non-executive Director	
Law Sze Lai**	16
Independent Non-executive Directors	
Davin A. Mackenzie	5
Tian Jin	5
Xin Luo Lin	5

*   *Mr. Li Ningjun was appointed as Executive Director on 13 September 2007.*

**   *Mr. Law Sze Lai was re-designated from Executive Director to Non-executive Director on 13 September 2007.*

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Ou Yaping, remains separate from that of the Chief Executive Officer, Mr. Tang Yui Man Francis. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development.

The Chief Executive Officer, assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective boards of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

A number of committees of the Board, including the Audit Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

During the year 2007 and as at the date of this Annual Report, the Remuneration Committee comprises of one executive Director, being Mr. Ou Yaping and two independent non-executive Directors, being Messrs. Davin A. Mackenzie and Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee has complied with the Code.

The Remuneration Committee's responsibilities include the reviewing and considering of the Company's remuneration policy for Directors and senior management, the determining of remuneration packages for executive Directors and senior management including benefits in kind, pension rights and making compensation payments, and recommendations relating to remuneration of non-executive Directors.

During the year 2007, the Remuneration Committee:

- reviewed the remuneration policy for 2007/2008;
- reviewed the remuneration of the executive Directors and the independent non-executive Directors; and
- reviewed the annual share option policy.

The Remuneration Committee held 3 meetings during 2007 with individual attendance as follows:

Members of Remuneration Committee	**No. of meetings attended**
Xin Luo Lin *(Chairman of the Remuneration Committee)*	3
Ou Yaping	3
Davin A. Mackenzie	3

The Group recognises the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

Audit Committee

During the year 2007 and as at the date of this Annual Report, the Audit Committee comprises three independent non-executive Directors, namely Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls in order to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditors to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During the year 2007, the Audit Committee:

- reviewed the financial statements for the year ended 31 December 2006 and for the six months ended 30 June 2007;
- reviewed the effectiveness of the internal control system;
- reviewed the external auditors' findings;
- reviewed and recommended the re-appointment of external auditors; and
- reviewed and approved remuneration of auditors for 2007.

The Audit Committee held 3 meetings during the year 2007 with individual attendance as follows:

Members of Audit Committee	**No. of meetings attended**
Xin Luo Lin *(Chairman of the committee)*	3
Davin A. Mackenzie	3
Tian Jin	3

Nomination of Directors

The Board has not established a nomination committee. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new Directors, the Board will take into account the nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination will be made by members of the Board based on the need of the Company and the expertise and the experience of individual candidate.

During the year 2007, a Board meeting was held with the present of Messrs. Ou Yaping, Tang Yui Man Francis, Chen Wei, Xin Luo Lin, Davin A. Mackenzie, Tian Jin and Law Sze Lai to consider and approve the re-designation of Mr. Law Sze Lai as a non-executive Director and the appointment of Mr. Li Ningjun as an executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2007, all Directors have complied with the required standard set out in the Model Code.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to price-sensitive information in relation to the securities of the Company.

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2007. Deloitte also reviewed the 2007 unaudited interim financial report of the Company prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2007 amounted to HK$1,680,000. Non-audit services fees charged by Deloitte are as follows:

	Fee
	HK$'000
Description of services performed	
Review of the interim financial report of the Company for the six months ended 30 June 2007	355
Other services	875
Total	1,230

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. Based on the results of the review, the Group would take steps to further enhance the effectiveness of the internal control system.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

SHAREHOLDERS COMMUNICATION

Shareholders are provided with detailed information about the Company so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives. Procedures for demanding a poll are included in all circulars with notices convening the general meetings of the Company and are also read out by the chairman at such general meetings of the Company.

At the 2007 Annual General Meeting, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of Directors. The Chairman of the Board and certain members of all committees attended the 2007 Annual General Meeting and answered questions from shareholders.

RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the Auditors regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on page 36.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 103, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
3 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Turnover	5	**2,921,556**	2,326,663
Cost of sales		**(984,797)**	(1,111,500)
Gross profit		**1,936,759**	1,215,163
Other income	6	**253,011**	188,105
Selling expenses		**(73,460)**	(92,251)
Administrative expenses		**(114,300)**	(91,200)
Other expenses	7	**(12,610)**	(1,013)
Increase in fair value of investment properties		**60,577**	67,096
Loss on disposal of an associate	8	**(288,576)**	–
Share of results of associates		**(103,247)**	(135,204)
Gain arising on deemed disposal by an associate	9	**357,003**	–
Finance costs	10	**(723)**	–
Profit before taxation	11	**2,014,434**	1,150,696
Taxation	14	**(699,530)**	(416,480)
Profit for the year from continuing operations		**1,314,904**	734,216
Discontinued operations			
Profit for the year from discontinued operations	15	**–**	271,036
Profit for the year		**1,314,904**	1,005,252
Attributable to:			
Equity holders of the Company		**1,167,067**	962,431
Minority interests		**147,837**	42,821
		1,314,904	1,005,252
Dividends	16	**1,159,293**	1,138,365
		HK cents	HK cents
Earnings per share	17		
From continuing and discontinued operations			
Basic		**35.95**	30.21
Diluted		**35.64**	29.82
From continuing operations			
Basic		**35.95**	20.23
Diluted		**35.64**	19.97

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	18	**46,180**	43,668
Prepaid lease payments	19	**5,146**	4,876
Investment properties	20	**877,298**	761,243
Interests in associates	22	**–**	963,412
Available-for-sale investments	23	**1,011**	3,001
Loan receivable	24	**1,514,001**	1,328,081
		2,443,636	3,104,281
Current assets			
Stock of properties	25	**2,141,555**	1,919,175
Trade and other receivables	26	**148,409**	40,938
Prepaid lease payments	19	**89**	83
Amounts due from associates	27	**62,650**	4,929
Investments held for trading	28	**94,096**	–
Pledged bank deposits		**5,992**	20,607
Bank balances and cash	29	**1,852,956**	495,245
		4,305,747	2,480,977
Current liabilities			
Trade and other payables	30	**681,671**	561,062
Taxation payable		**139,557**	96,910
Borrowings – amount due within one year	31	**170,940**	154,229
		992,168	812,201
Net current assets		**3,313,579**	1,668,776
Total assets less current liabilities		**5,757,215**	4,773,057
Non-current liabilities			
Borrowings – amount due after one year	31	**459,402**	338,308
Deferred taxation	32	**755,721**	287,993
		1,215,123	626,301
		4,542,092	4,146,756

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	33	**328,555**	286,377
Reserves	34	**3,735,524**	3,543,050
Equity attributable to equity holders of the Company		**4,064,079**	3,829,427
Minority interests		**478,013**	317,329
		4,542,092	4,146,756

The consolidated financial statements on pages 37 to 103 were approved and authorised for issue by the Board of Directors on 3 April 2008 and are signed on its behalf by:

Ou Yaping
CHAIRMAN

Tang Yui Man Francis
CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (note 34)	General reserves HK$'000 (note 34)	Contributed surplus HK$'000 (note 34)	Retained earnings HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Equity component of share option reserve of listed subsidiaries HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	263,491	871,855	40,578	23,694	546	69,053	367,782	1,804,969	3,441,968	48,350	20,717	1,846,104	5,357,139
Exchange differences arising on translation	–	–	34,501	–	–	–	–	–	34,501	–	–	9,862	44,363
Share of exchange reserves of associates	–	–	57,601	–	–	–	–	–	57,601	–	–	–	57,601
Total income recognised directly in equity	–	–	92,102	–	–	–	–	–	92,102	–	–	9,862	101,964
Realised on deemed disposal of interest in a subsidiary	–	–	(79)	–	–	–	–	–	(79)	–	–	–	(79)
Realised on partial disposal of interests in subsidiaries	–	–	(8,588)	–	–	–	–	–	(8,588)	–	–	–	(8,588)
Profit for the year	–	–	–	–	–	–	–	962,431	962,431	–	–	42,821	1,005,252
Total recognised income for the year	–	–	83,435	–	–	–	–	962,431	1,045,866	–	–	52,683	1,098,549
Issue of shares on the exercise of share options	3,940	49,483	–	(11,387)	–	–	–	–	42,036	–	–	–	42,036
Issue of shares in placing and subscription arrangement	18,946	424,382	–	–	–	–	–	–	443,328	–	–	–	443,328
Expenses incurred in connection with issue of shares	–	(17,520)	–	–	–	–	–	–	(17,520)	–	–	–	(17,520)
Recognition of equity-settled share based payments	–	–	–	12,114	–	–	–	–	12,114	–	4,846	–	16,960
Released on disposal of subsidiaries	–	–	–	–	(215)	(3,262)	–	3,477	–	(48,350)	(25,563)	(1,606,354)	(1,680,267)
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	62,357	62,357
Reduction in minority interests on acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4,500)	(4,500)
Changes in minority interests on deemed disposal of interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,467	4,467
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	5,758	5,758
Dividends	–	–	–	–	–	–	–	(1,138,365)	(1,138,365)	–	–	–	(1,138,365)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(43,186)	(43,186)
At 31 December 2006	286,377	1,328,200	124,013	24,421	331	65,791	367,782	1,632,512	3,829,427	–	–	317,329	4,146,756

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (note 34)	General reserves HK$'000 (note 34)	Contributed surplus HK$'000 (note 34)	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	286,377	1,328,200	124,013	24,421	331	65,791	367,782	1,632,512	3,829,427	317,329	4,146,756
Exchange differences arising on translation	–	–	166,206	–	–	–	–	–	166,206	27,324	193,530
Share of exchange reserves of associates	–	–	30,734	–	–	–	–	–	30,734	–	30,734
Total income recognised directly in equity	–	–	196,940	–	–	–	–	–	196,940	27,324	224,264
Released on disposal of an associate	–	–	(55,661)	–	–	–	–	–	(55,661)	–	(55,661)
Profit for the year	–	–	–	–	–	–	–	1,167,067	1,167,067	147,837	1,314,904
Total recognised income for the year	–	–	141,279	–	–	–	–	1,167,067	1,308,346	175,161	1,483,507
Issue of shares on the exercise of share options	6,237	76,517	–	(19,608)	–	–	–	–	63,146	–	63,146
Bonus issue of shares	35,941	(35,941)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	22,453	–	–	–	–	22,453	–	22,453
Released on disposal of an associate	–	–	–	–	(331)	(8,479)	–	8,810	–	–	–
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	6,078	6,078
Dividends	–	–	–	–	–	–	–	(1,159,293)	(1,159,293)	–	(1,159,293)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(20,555)	(20,555)
At 31 December 2007	328,555	1,368,776	265,292	27,266	–	57,312	367,782	1,649,096	4,064,079	478,013	4,542,092

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**2,014,434**	1,424,772
Adjustments for:			
Share of results of associates		**103,247**	135,380
Depreciation and amortisation of property, plant and equipment		**6,015**	55,376
Release of prepaid lease payments		**85**	1,589
Share-based payment expenses		**22,453**	16,960
Interest income		**(239,208)**	(195,309)
Interest expenses		**723**	72,636
Increase in fair value of investment properties		**(60,577)**	(67,096)
Gain arising on deemed disposal by an associate		**(357,003)**	–
Loss on disposal of an associate		**288,576**	–
Loss (gain) on disposal of property, plant and equipment		**136**	(886)
Loss on disposal of available-for-sale investments		**66**	–
Impairment of goodwill arising on acquisition of subsidiaries	37(a)	**9,408**	–
Amortisation of intangible assets		**–**	661
Dividend income from unlisted available-for-sale investments		**–**	(503)
Changes in fair value of derivative financial instruments		**–**	113,761
Gain on disposal of subsidiaries		**–**	(277,143)
Loss on deemed disposal of subsidiaries		**–**	2,105
Discount on acquisitions of subsidiaries/ additional interest in subsidiaries		**–**	(23,920)
Operating cash flows before movements in working capital		**1,788,355**	1,258,383
(Increase) decrease in stock of properties		**(42,990)**	333,063
(Increase) decrease in trade and other receivables		**(81,050)**	192,799
Increase in investments held for trading		**(54,534)**	(17,476)
Increase (decrease) in trade and other payables		**102,362**	(944,609)
Increase in inventories		**–**	(3,558)
Cash generated from operations		**1,712,143**	818,602
Taxation paid		**(230,721)**	(119,622)
NET CASH FROM OPERATING ACTIVITIES		**1,481,422**	698,980

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Advance to associates		**(116,199)**	(912,245)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	37	**(23,623)**	(172,600)
Purchase of property, plant and equipment		**(6,500)**	(80,144)
Decrease (increase) in pledged bank deposits		**15,525**	(17,785)
Interest received		**17,605**	24,545
Proceeds from disposal of property, plant and equipment		**1,286**	18,698
Proceeds from disposal of available-for-sale investments		**1,924**	–
Dividend income from unlisted available-for-sale investments		**–**	503
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	38	**–**	(1,232,408)
Prepaid lease payments		**–**	(7,393)
Purchase of available-for-sale investments		**–**	(1,990)
Dividend received from associates		**–**	26,220
NET CASH USED IN INVESTING ACTIVITIES		**(109,982)**	(2,354,599)
FINANCING ACTIVITIES			
New bank and other loans raised		**106,838**	557,383
Proceeds from issue of shares		**63,146**	485,364
Repayment of bank and other loans		**(5,342)**	(668,915)
Interest paid		**(38,636)**	(146,629)
Dividends paid		**(198,270)**	(185,481)
Dividends paid to minority shareholders of subsidiaries		**(20,555)**	(43,186)
Issue share expenses		**–**	(17,520)
Capital contribution from minority shareholders of subsidiaries		**–**	5,758
Proceeds from exercise of share options of a listed subsidiary		**–**	2,362
Repayment to minority shareholders		**–**	(2,254)
NET CASH USED IN FINANCING ACTIVITIES		**(92,819)**	(13,118)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,278,621**	(1,668,737)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**495,245**	2,152,484
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**79,090**	11,498
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**1,852,956**	495,245

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi. The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company with the shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The principal activities of the Group are property development and property investment. In prior year, the Group was also engaged in sale and distribution of liquefied petroleum gas and natural gas ("Gas Fuel"), and construction of gas pipelines and supply of electricity. These operations were discontinued in April 2006 (see note 15).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKAS"s), interpretations ("INT"s) and amendments (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[3]
HK(IFRIC) – INT 12	Service concession arrangements[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

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

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2002

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2002 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity prior to 1 January 2002, the Group has discounted amortisation from 1 January 2002 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2002

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2002 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Goodwill arising on acquisition of additional interests in a business

Goodwill arising on acquisition of additional interests in a subsidiary represents the excess of the cost of acquisition of the additional interests over the book value of the net assets of the business attributable to the additional interests acquired.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a business represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Discount on acquisitions arising on acquisition of additional interests in a business

Discount on acquisitions arising on acquisition of additional interests in a business represents the excess of the book value of the net assets of the business attributable to the additional interest acquired over the cost of acquisition of the additional interests.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

Distribution in specie

Distribution in specie is measured at the fair value of the subsidiary's or associate's shares distributed. The difference between the carrying amount of the Group's share of the subsidiary's or associate's net assets and the fair value is recognised in the profit or loss.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from the sale of properties is recognised in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and other sales related taxes and is after deduction of any trade discounts. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as receipts in advance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition of revenue *(Continued)*

Sales of goods

Sales of goods are recognised when goods are delivered and title has been passed.

Income from property management services

Income from property management services is recognised on provision of services.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments (including financial assets at fair value through profit or loss) is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Stock of property is transferred to investment property when it is evidenced by the commencement of an operating lease to another party. The difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Stock of properties

Stock of properties includes properties under development and properties held for sale.

The carrying value of properties under development comprises the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs. The properties under development are stated at the lower of cost and net realisable value.

Properties held for sale are classified under current assets and are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development cost attributable to the unsold properties. Net realisable value is the estimated price at which a property can be realised in the ordinary course of business less related selling expenses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are mainly classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are mainly those classified as investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated equity investments held for an identified long term purpose as available-for-sale investments. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities, including trade and other payables and borrowings, are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Share options granted before 7 November 2002

The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to defined contribution retirement benefit schemes, state-managed retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered service entitling them to contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Loan and receivables

Note 3 describes that loan and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Loan receivable (see note 24) represents shareholder's loan advanced to the Group's associate for financing a property development project in Shanghai and amounts due from associates (see note 27) represent advances to associates which will be recoverable within 12 months. Their recoverability depends on the cashflow generated from the property development property. Where the actual future cash flows are less than expected, a material impairment loss may arise.

In making the estimates, management considered detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to loan receivable and amounts due from associates. In determining whether an allowance for loan receivable and amounts due from associates is required, the management will take into consideration for the recoverable amount of the underlying assets regarding the loan receivable and amounts due from associates and the likelihood of collection. Specific allowance is only made for the amount that is unlikely to be collected from the loan receivable and amounts due from associates. In this regard, the directors of the Company are satisfied that the loan receivable and amounts due from associates at 31 December 2007 can be fully recoverable and no specific allowances is considered necessary.

5. TURNOVER AND SEGMENT INFORMATION

(A) Turnover

Turnover primarily represents revenue arising on sales of properties, rental income, project management fee income and property management income, excluding business tax and other sales related taxes and is after deduction of any trade discounts for the year. An analysis of the Group's revenue for the year is as follow:

	2007 HK$'000	2006 HK$'000
Sales of properties	2,820,796	2,239,596
Property rental income	17,059	15,282
Others	83,701	71,785
	2,921,556	2,326,663

(B) Business segments

For management purposes, the Group is currently organised into two operating divisions – property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was also involved in gas fuel business and electricity supplies. These operations were discontinued on 13 April 2006 (see note 15).

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For the year ended 31 December 2007

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Business segments *(Continued)*

Segment information about these business is presented below.

For the year ended 31 December 2007

Continuing operations

	Property development HK$'000	Property investment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER					
External sales	2,820,796	17,059	83,701	–	2,921,556
Inter-segment sales	–	–	1,850	(1,850)	–
	2,820,796	17,059	85,551	(1,850)	2,921,556
RESULT					
Segment result	1,741,611	75,486	34,106	–	1,851,203
Other income					253,011
Unallocated corporate expenses					(54,237)
Loss on disposal of an associate					(288,576)
Share of results of associates					(103,247)
Gain arising on deemed disposal by an associate					357,003
Finance costs					(723)
Profit before taxation					2,014,434
Taxation					(699,530)
Profit for the year					1,314,904

Inter-segment sales are charged at prevailing market prices.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Business segments *(Continued)*

At 31 December 2007

	Property development HK$'000	Property investment HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	2,294,973	877,298	4,850	3,177,121
Loan receivable	1,514,001	–	–	1,514,001
Unallocated corporate assets				2,058,261
Consolidated total assets				6,749,383
LIABILITIES				
Segment liabilities	659,414	–	15,796	675,210
Borrowings	630,342	–	–	630,342
Unallocated corporate liabilities				901,739
Consolidated total liabilities				2,207,291

Other information

	Property development HK$'000	Property investment HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	6,498	–	59	6,557
Depreciation and amortisation	5,535	–	480	6,015
Release of prepaid lease payments	85	–	–	85
Impairment of goodwill arising on acquisition of subsidiaries *(note 37(a))*	–	–	9,408	9,408

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For the year ended 31 December 2007

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Business segments *(Continued)*

For the year ended 31 December 2006

	Continuing operations					Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Others HK$'000	Eliminations HK$'000	Sub-total HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Sub-total HK$'000	Consolidated HK$'000
TURNOVER									
External sales	2,239,596	15,282	71,785	–	2,326,663	657,071	345,318	1,002,389	3,329,052
Inter-segment sales	–	–	1,756	(1,756)	–	–	–	–	–
	2,239,596	15,282	73,541	(1,756)	2,326,663	657,071	345,318	1,002,389	3,329,052
RESULT									
Segment result	1,019,838	80,927	37,969	–	1,138,734	48,514	86,928	135,442	1,274,176
Other income					188,105			37,042	225,147
Discount on acquisitions of subsidiaries/additional interest in a subsidiary	–	–	–	–	–	23,920	–	23,920	23,920
Unallocated corporate expenses					(40,939)			(10,793)	(51,732)
Share of results of associates					(135,204)			(176)	(135,380)
Gain on disposal of subsidiaries					–			277,143	277,143
Loss on deemed disposal of subsidiaries	–	–	–	–	–	(2,105)	–	(2,105)	(2,105)
Changes in fair value of derivative financial instruments					–			(113,761)	(113,761)
Finance costs					–			(72,636)	(72,636)
Profit before taxation					1,150,696			274,076	1,424,772
Taxation					(416,480)			(3,040)	(419,520)
Profit for the year					734,216			271,036	1,005,252

Inter-segment sales are charged at prevailing market prices.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Business segments *(Continued)*

At 31 December 2006

	Property development HK$'000	Property investment HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	1,998,970	761,243	5,934	2,766,147
Interests in associates				963,412
Loan receivable	1,328,081	–	–	1,328,081
Unallocated corporate assets				527,618
Consolidated total assets				5,585,258
LIABILITIES				
Segment liabilities	542,495	–	12,130	554,625
Borrowings	492,537	–	–	492,537
Unallocated corporate liabilities				391,340
Consolidated total liabilities				1,438,502

Other information

	Continuing operations				Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Others HK$'000	Sub-total HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Sub-total HK$'000	Consolidated HK$'000
Capital additions	571	–	82	653	451,570	1,929	453,499	454,152
Goodwill additions	–	–	–	–	11,333	–	11,333	11,333
Intangible assets additions	–	–	–	–	102,324	–	102,324	102,324
Depreciation and amortisation	6,818	–	546	7,364	22,788	25,885	48,673	56,037
Release of prepaid lease payments	81	–	–	81	1,263	245	1,508	1,589

(C) Geographical segments

As over 90% of the consolidated turnover and trading results for both years is derived from, and over 90% of assets are located in, the People's Republic of China (the "PRC"), an analysis of the consolidated turnover, trading results and assets by geographical location is not presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. OTHER INCOME

Other income mainly comprises:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income on:						
– bank deposits	**17,605**	14,342	**–**	10,203	**17,605**	24,545
– loan receivable	**220,794**	170,764	**–**	–	**220,794**	170,764
– amount due from an associate	**809**	–	**–**	–	**809**	–
Dividend income from unlisted available-for-sale investments	**–**	–	**–**	503	**–**	503
Gain on disposal of property, plant and equipment, net	**–**	13	**–**	873	**–**	886
Gain on fair value changes of investments held for trading	**12,317**	–	**–**	17,476	**12,317**	17,476

7. OTHER EXPENSES

Other expenses mainly comprise:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Donations	**2,678**	–	**–**	2,012	**2,678**	2,012
Impairment of goodwill arising on acquisition of subsidiaries	**9,408**	–	**–**	–	**9,408**	–
Loss on disposal of property, plant and equipment, net	**136**	–	**–**	–	**136**	–
Loss on disposal of available-for-sale investments	**66**	–	**–**	–	**66**	–

8. LOSS ON DISPOSAL OF AN ASSOCIATE

On 16 October 2007, the Board of the Company declared a special interim dividend which was satisfied by way of a distribution in specie of Enerchina Holdings Limited ("Enerchina") shares held by the Company in the proportion of 13 Enerchina shares for every 20 shares of the Company. A total of 2,135,606,149 Enerchina shares with aggregate market value worth HK$961,023,000 were distributed to the shareholders of the Company. Upon the completion of the distribution, the Group's shareholding in Enerchina was reduced from 45.81% to 1.25% and a loss of HK$288,576,000 which represented the difference between the carrying amount of Enerchina's net assets attributable to the Group distributed through the above distribution in specie of HK$1,305,260,000 and the market value of Enerchina shares being distributed of HK$961,023,000, (see note 16(a)), and the release of translation reserve of HK$55,661,000 on disposal of Enerchina, has been recognised in the consolidated income statement for the year.

9. GAIN ARISING ON DEEMED DISPOSAL BY AN ASSOCIATE

During the current year, the shareholding of Enerchina, an associate of the Group, in Towngas China Company Limited ("Towngas China") (formerly known as Panva Gas Holdings Limited ("Panva")) was diluted as a result of a very substantial acquisition and a very substantial disposal of Enerchina, details of which are included in a circular of Enerchina dated 30 January 2007. Accordingly, the Group's unrealised gain arising from the disposal of the Group's interest in Panva (now known as Towngas China) to Enerchina in 2005, to the extent of Enerchina's reduction in shareholding in Towngas China as a result of the above mentioned deemed disposal, was recognised during the year.

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
– bank and other borrowings wholly repayable within five years	**32,158**	30,749	**–**	18,949	**32,158**	49,698
– bank and other borrowings not wholly repayable within five years	**6,478**	886	**–**	–	**6,478**	886
– convertible bonds	**–**	–	**–**	4,195	**–**	4,195
– senior notes	**–**	–	**–**	32,702	**–**	32,702
	38,636	31,635	**–**	55,846	**38,636**	87,481
Net interest payable on interest rate swaps	**–**	–	**–**	16,790	**–**	16,790
	38,636	31,635	**–**	72,636	**38,636**	104,271
Less: Amount capitalised to properties under development for sale	**(37,913)**	(31,635)	**–**	–	**(37,913)**	(31,635)
	723	–	**–**	72,636	**723**	72,636

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10. FINANCE COSTS *(Continued)*

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.8% (2006: 5.8%) to expenditure on qualifying assets in continuing operations.

11. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:						
Staff costs including directors' remuneration	**62,184**	50,220	**–**	36,320	**62,184**	86,540
Share based payments	**22,453**	12,114	**–**	4,847	**22,453**	16,961
Total staff cost	**84,637**	62,334	**–**	41,167	**84,637**	103,501
Amortisation of intangible assets (included under administrative expenses)	**–**	–	**–**	661	**–**	661
Auditors' remuneration	**1,800**	1,485	**–**	514	**1,800**	1,999
Depreciation of property, plant and equipment	**6,015**	7,364	**–**	48,012	**6,015**	55,376
Release of prepaid lease payments	**85**	81	**–**	1,508	**85**	1,589
Loss on disposal of property, plant and equipment	**136**	–	**–**	–	**136**	–
Operating lease rentals in respect of land and buildings	**4,117**	6,808	**–**	2,516	**4,117**	9,324
Share of tax of associates (included in share of results of associates)	**212**	5,736	**–**	514	**212**	6,250
and after crediting:						
Rental income, net of outgoings of approximately HK$2,150,000 (2006: HK$1,451,000)	**14,909**	13,831	**–**	–	**14,909**	13,831

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2006: 7) directors were as follows:

	Year ended 31 December 2007								
	Mr. Ou Yaping	Mr. Tang Yui Man Francis	Mr. Chen Wei	Mr. Law Sze Lai	Mr. Li Ningjun	Mr. Xin Luo Lin	Mr. Davin A. Mackenzie	Mr. Tian Jin	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	250	250	250	750
Other emoluments									
Salaries and other benefits	5,296	2,498	–	1,500	252	–	–	–	9,546
Retirement benefits scheme contributions	42	12	–	29	–	–	–	–	83
Share-based payments	–	3,869	1,935	581	1,389	503	503	918	9,698
Total emoluments	5,338	6,379	1,935	2,110	1,641	753	753	1,168	20,077

	Year ended 31 December 2006							
	Mr. Ou Yaping	Mr. Tang Yui Man Francis	Mr. Chen Wei	Mr. Law Sze Lai	Mr. Xin Luo Lin	Mr. Davin A. Mackenzie	Mr. Tian Jin	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	313	313	250	876
Other emoluments								
Salaries and other benefits	5,786	2,940	1,160	1,400	–	–	–	11,286
Retirement benefits scheme contributions	48	18	11	29	–	–	–	106
Share-based payments	–	2,585	2,075	584	146	146	187	5,723
Total emoluments	5,834	5,543	3,246	2,013	459	459	437	17,991

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2007.

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13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2006: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other emoluments benefits	**2,185**	1,297
Retirement benefits scheme contributions	**7**	12
	2,192	1,309

During the year, no remunerations was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. TAXATION

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
Hong Kong Profits Tax	**2,985**	–	**–**	–	**2,985**	–
PRC Enterprise Income Tax						
– current year	**250,684**	157,670	**–**	3,040	**250,684**	160,710
– underprovision in respect of in prior years	**–**	48	**–**	–	**–**	48
PRC land appreciation tax paid	**14,596**	6,886	**–**	–	**14,596**	6,886
	268,265	164,604	**–**	3,040	**268,265**	167,644
Deferred taxation *(note 32)*						
– current year	**400,478**	251,876	**–**	–	**400,478**	251,876
– attributable to a change in tax rate	**30,787**	–	**–**	–	**30,787**	–
	699,530	416,480	**–**	3,040	**699,530**	419,520

Hong Kong Profits Tax is calculated at 17.5% for the year. No provision for Hong Kong Profits Tax was made in previous year as the Group has no assessable profit derived from Hong Kong for that year.

The tax rate applicable to the PRC subsidiaries, located in Shenzhen, is 15%.

14. TAXATION *(Continued)*

In 2006, the tax rates applicable to the PRC subsidiaries ranged from 12% to 33%. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries under the Group's discontinued operations, were entitled to exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries would be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate would for the relief period ranged from 12% to 16.5%. PRC Enterprise Income Tax had been provided for after taking these tax incentives into account.

PRC land appreciation tax ("LAT") is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures. According to local rules issued by the Shenzhen Government, LAT administration and collection shall be implemented absolutely and among others the sales where contracts were signed on or after 1 November 2005, LAT shall be included in tax filings and assessment. The management of the Group considers that according to Shefubanhan [2005] No. 93, Shendishuifa [2005] and other relevant tax regulations in Shenzhen, LAT is levied on the profits arising from property development projects and transfer of real estate with effective from 1 November 2005. In the opinion of the directors, as the Group's property development projects are located in Shenzhen, the LAT for the Group has been accrued accordingly.

On 16 March 2007, PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% for PRC principal subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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14. TAXATION *(Continued)*

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation		
Continuing operations	**2,014,434**	1,150,696
Discontinued operations	**–**	274,076
	2,014,434	1,424,772
Tax at the applicable tax rate of 15% (2006: 15%) *(Note)*	**302,165**	213,716
Tax effect of expenses that are not deductible for tax purposes	**48,886**	33,601
Tax effect of incomes that are not taxable for tax purpose	**(106,638)**	(70,868)
Tax effect of income that is exempted from PRC Enterprise Income Tax in determining taxable profit	**–**	(30,858)
Tax effect of share of results of associates	**15,487**	20,307
Tax effect of utilisation of tax losses not previously recognised	**(2,761)**	(239)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**428**	–
Tax effect of tax losses not recognised	**5,187**	9,521
Tax effect of change in tax rate from 15% to 25% on opening deferred tax liabilities of investment properties	**30,787**	–
Tax effect of change in tax rate from 15% to 25% on deferred tax liabilities of current year revaluation of investment properties	**6,058**	–
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC Enterprise Income Tax rates	**–**	(4,406)
Underprovision of taxation in previous years	**–**	48
Land appreciation tax	**399,931**	248,698
Taxation for the year	**699,530**	419,520

Note: The tax rate of 15% for the year ended 31 December 2007 (2006: 15%) represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC.

15. DISCONTINUED OPERATIONS

On 22 March 2006, the Board of the Company declared a special interim dividend to be satisfied by way of a distribution in specie of Enerchina shares held by the Company in the proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. Following the distribution in specie on 13 April 2006, whereby bringing the shareholding of the Company in Enerchina from 74.79% to 45.39%, Enerchina became an associate of the Company after the distribution. Accordingly, certain comparative figures were re-presented so as to reflect the results for the discontinued operations.

	HK$'000
Profit for the period from discontinued operations from 1 January 2006 to 13 April 2006 was analysed as follows:	
Loss of gas fuel business and electricity supplies operations for the period	(4,002)
Gain on disposal of subsidiaries	277,143
Loss on deemed disposal of subsidiaries	(2,105)
	271,036

The results of the gas fuel business and electricity supplies operations for the period from 1 January 2006 to 13 April 2006, which have been included in the consolidated income statement were as follows:

	Notes	*HK$'000*
Turnover	5	1,002,389
Cost of sales		(792,270)
Gross profit		210,119
Other income	6	37,042
Discount on acquisition of subsidiaries/additional interest of a subsidiary		23,920
Distribution costs		(20,867)
Administrative expenses		(60,063)
Other expenses	7	(4,540)
Share of results of associates		(176)
Changes in fair value of derivative financial instruments		(113,761)
Finance costs	10	(72,636)
Loss before taxation	11	(962)
Taxation	14	(3,040)
Loss for the period		(4,002)
Gain on disposal of subsidiaries	38	277,143
Loss on deemed disposal of subsidiaries		(2,105)
		271,036
Attributable to:		
Equity holders of the Company		317,905
Minority interests		(46,869)
		271,036

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15. DISCONTINUED OPERATIONS *(Continued)*

For the period from 1 January 2006 to 13 April 2006, Enerchina contributed HK$495 million to the Group's net operating cash flows, paid HK$493 million in respect of investing activities and paid HK$106 million in respect of financing activities.

The carrying amounts of the assets and liabilities of Enerchina at the date of disposal are disclosed in note 38.

16. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2007 interim of HK$0.030 (2006: HK$0.030) per share	**97,635**	85,713
2006 final HK$0.035 (2006: 2005 final of HK$0.035) per share	**100,635**	99,768
Special dividend, by way of a distribution in species of Enerchina shares *(notes a & b)*	**961,023**	952,884
	1,159,293	1,138,365

Notes:

a. On 16 October 2007, the Board of the Company declared a special interim dividend to be satisfied by way of a distribution in specie of Enerchina shares held by the Company in proportion of 13 Enerchina shares for every 20 shares of the Company. A total of 2,135,606,149 Enerchina shares with the aggregate market value worth of HK$961,023,000 were distributed to shareholders of the Company on 9 November 2007.

b. On 22 March 2006, the Board of the Company declared a special interim dividend by way of a distribution in respect of Enerchina shares held by the Company in proportion of 5 Enerchina shares for every 10 shares of the Company. A total of 1,422,214,344 Enerchina shares with the aggregate market value worth of HK$952,884,000 were distributed to shareholders of the Company on 13 April 2006.

c. The final dividend of HK$0.035 per share totalling not less than HK$115,009,000 has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	**1,167,067**	962,431
Effect of dilutive potential shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	–	(127)
Earnings for the purposes of diluted earnings per share	**1,167,067**	962,304

	Number of shares	
	2007	2006
From continuing and discontinued operations		
Weighted average number of shares for the purposes of basic earnings per share	**3,246,742,459**	3,185,492,913
Effect of dilutive potential shares:		
Share options	**28,056,814**	41,872,194
Weighted average number of shares for the purposes of diluted earnings per share	**3,274,799,273**	3,227,365,107

The weighted average number of shares for the purpose of basic and diluted earnings per share has been adjusted for the bonus issue on 23 May 2007.

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17. EARNINGS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**1,167,067**	962,431
Less: Profit for the year attributable to equity holders of the Company from discontinued operations *(note 15)*	**–**	(317,905)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**1,167,067**	644,526

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations was HK9.98 cents per share and diluted earnings per share for the discontinued operations was HK9.85 cents per share, based on the profit for that period attributable to equity holders of the Company from the discontinued operations for basic and diluted earnings per share of HK$317,905,000 and HK$317,778,000 respectively. The denominators used were the same as those detailed above for both basic and diluted earnings per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Furniture, fixtures and equipment	Gas pipelines	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2006	256,579	65,577	55,785	1,406,868	51,182	1,585,016	3,421,007
Currency realignment	2,179	–	1,280	–	348	–	3,807
Additions	7,482	1,915	826	53,074	3,054	13,793	80,144
Acquired on acquisition of subsidiaries	87,557	203	3,082	229,981	6,470	46,715	374,008
Disposals	(9,768)	–	(1,206)	(6,955)	(2,624)	(724)	(21,277)
Disposed of on disposal of subsidiaries	(288,928)	(67,695)	(20,572)	(1,682,968)	(46,923)	(1,644,800)	(3,751,886)
Transfer from stock of properties	3,048	–	–	–	–	–	3,048
At 31 December 2006	58,149	–	39,195	–	11,507	–	108,851
Currency realignment	4,287	–	2,677	–	698	–	7,662
Additions	1,845	–	651	–	4,004	–	6,500
Acquired on acquisition of subsidiaries	–	–	57	–	–	–	57
Disposals	–	–	(6,972)	–	(4,195)	–	(11,167)
At 31 December 2007	64,281	–	35,608	–	12,014	–	111,903
DEPRECIATION AND AMORTISATION							
At 1 January 2006	38,999	–	35,136	77,548	22,110	152,329	326,122
Currency realignment	628	–	1,047	–	160	–	1,835
Provided for the year	4,835	–	4,842	13,713	3,193	28,793	55,376
Eliminated on disposals	(1,302)	–	(153)	–	(1,996)	(14)	(3,465)
Eliminated on disposal of subsidiaries	(17,400)	–	(8,255)	(91,261)	(16,661)	(181,108)	(314,685)
At 31 December 2006	25,760	–	32,617	–	6,806	–	65,183
Currency realignment	1,805	–	2,161	–	304	–	4,270
Provided for the year	2,156	–	2,621	–	1,238	–	6,015
Eliminated on disposals	–	–	(6,697)	–	(3,048)	–	(9,745)
At 31 December 2007	29,721	–	30,702	–	5,300	–	65,723
CARRYING VALUES							
At 31 December 2007	34,560	–	4,906	–	6,714	–	46,180
At 31 December 2006	32,389	–	6,578	–	4,701	–	43,668

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18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amount of the Group's leasehold land buildings comprises properties situated in the PRC held under:

	2007	2006
	HK$'000	*HK$'000*
Long leases	**34,560**	32,289

The above item of property, plant and equipment are depreciated on a straight line basis after taking into account of their estimated residual value, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease and 50 years
Furniture, fixtures and equipment	18% to 40%
Gas pipelines	3%
Motor vehicles	6% to 30%
Plant and machinery	6% to 30%

19. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long leases	**5,235**	4,959
Analysed for reporting purposes:		
Non-current assets	**5,146**	4,876
Current assets	**89**	83
	5,235	4,959

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2006	481,756
Exchange realignment	17,736
Transfer from stock of properties	194,655
Increase in fair value of investment properties	67,096
At 31 December 2006	761,243
Exchange realignment	55,478
Increase in fair value of investment properties	60,577
At 31 December 2007	877,298

All of the Group's property interests in leasehold land and buildings to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2007 and 2006 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by capitalising income to be derived from the leased properties and by reference to market evidence of transaction prices for similar properties.

The investment properties are held under long leases and are situated in the PRC.

At 31 December 2007, the Group's investment properties with a carrying value of HK$400,641,000 (2006: HK$338,806,000) were pledged to secure general banking facilities granted to the Group.

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21. GOODWILL

	HK$'000
COST	
At 1 January 2006	403,482
Arising on acquisition of subsidiaries *(note 37(b))*	11,333
Eliminated on deemed disposal of interest in subsidiaries	(169)
Eliminated on disposal of interest in subsidiaries	(414,646)
At 31 December 2006 and 31 December 2007	–
IMPAIRMENT	
At 1 January 2006	6,405
Eliminated on disposal of subsidiaries	(6,405)
At 31 December 2006 and 31 December 2007	–
CARRYING VALUES	
At 31 December 2007 and 31 December 2006	–

22. INTERESTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed in Hong Kong	**–**	989,401
Unlisted	**4**	4
Share of post-acquisition results and reserves	**(4)**	(25,993)
	–	963,412
Fair value of listed investments	**N/A**	1,340,750

The listed shares in Hong Kong represented the Group's 45.8% equity interest in Enerchina as at 31 December 2006.

22. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates as at 31 December 2007 and 2006 are as follows:

Name of associate	Place of establishment and form of business structure	Principal place of operation	Percentage of equity interest attributable to the Group		Principal activities
			2007	2006	
Enerchina *(note a)*	Bermuda – limited liability company	PRC	–	45.39%	Supply of electricity, sale and distribution of gas fuel and construction of gas pipelines
Rockefeller Group Asia Pacific, Inc.	BVI – limited liability company	Hong Kong	49%	49%	Investment holding
Shanghai Bund de Rockefeller Group Master Development Co., Ltd.	PRC – equity interest venture	PRC	44.57%	44.57%	Property development

Notes:

(a) Upon the completion of the distribution in specie of Enerchina shares (note 8), the Group's interest in Enerchina decreased to 1.25%. Accordingly, the Group's remaining interest in the Enerchina shares was classified as investments held for trading as the Group intends to sell it in the near future

(b) In 2006, included in the cost of investment of associates was goodwill of HK$37,254,000 (2007: nil) arising on acquisitions of associates. Details of movements of goodwill are as follows:

	HK$'000
COST	
At 1 January 2006	84,917
Eliminated on disposal	(84,917)
Transfer upon the change of status from subsidiaries to associates	37,254
At 31 December 2006	37,254
Eliminated on disposal by way of distribution on specie	(36,235)
Transfer upon the change of status from associates to investments held for trading	(1,019)
At 31 December 2007	–

During the year, the share of results of Enerchina prior to its deemed disposal has been included in the determination of the Group's share of loss of associates.

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22. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	**1,523,790**	10,120,416
Total liabilities	**(1,852,998)**	(6,584,458)
Net (liabilities) assets	**(329,208)**	3,535,958
Group's share of net (liabilities) assets of associates	**(167,727)**	1,571,047
Loss allocated in excess of cost of investment *(note 24)*	**167,727**	73,566
Elimination of unrealised profit *(note)*	**–**	(681,201)
	–	963,412
Revenue	**1,439,091**	2,801,779
Loss for the year	**(201,388)**	(311,713)
Group's share of loss of associates for the year	**(103,247)**	(135,380)

Note: Amount represented elimination of unrealised profit arising on disposal of a non-wholly owned subsidiary, Panva, to Enerchina which subsequently became an associate of the Group in 2006 (note 15).

23. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Unlisted shares in Hong Kong, at cost	**75,000**	75,000
Unlisted shares in the PRC, at cost	**–**	1,990
Club debentures, at cost	**1,011**	1,011
	76,011	78,001
Less: Impairment loss recognised	**(75,000)**	(75,000)
	1,011	3,001

As at the balance sheet date, investments in unlisted equity securities issued by private entities incorporated in both Hong Kong and the PRC are measured at cost less impairment because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. LOAN RECEIVABLE

	2007	2006
	HK$'000	*HK$'000*
Shareholder's loan receivable		
Principal *(note)*	**1,290,171**	1,230,884
Interest receivable	**391,557**	170,763
	1,681,728	1,401,647
Less: Loss allocated in excess of cost of investment	**(167,727)**	(73,566)
	1,514,001	1,328,081

Note:

The amount represents shareholder's loan receivable from the Group's associate, Rockefeller Group Asia Pacific, Inc. ("RGAP"), for financing a property development project in Shanghai, which carries a return at 20% per annum on the total agreed financing amount of US$169 million (equivalent to approximately HK$1,310 million) and forms part of the net investment of the Group in RGAP. The amount is unsecured and not repayable in the foreseeable future.

The fair value of the Group's loan receivable as at the balance sheet, determined based on the present value of the estimated future cash flows discounted using the prevailing rate at the balance sheet date approximates to the amount of the receivable of HK$1,681,728,000 (2006: HK$1,401,647,000).

25. STOCK OF PROPERTIES

	2007	2006
	HK$'000	*HK$'000*
Properties under development	**862,998**	413,933
Stock of properties held for sale	**1,278,557**	1,505,242
	2,141,555	1,919,175

Stock of properties were stated at cost. Included in the stock of properties is interest capitalised of HK$123,155,000 (2006: HK$152,590,000).

The stock of properties were located in the PRC under long lease. In last year, properties under development of HK$413,933,000 (2007: nil) represent the carrying value of the properties expected to be completed and available for sale after twelve months from the balance sheet date are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

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26. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade debtors	**1,274**	1,216
Other receivables	**147,135**	39,722
	148,409	40,938
Aged:		
0 to 90 days	**819**	653
91 to 180 days	**205**	163
over 181 days	**250**	400
	1,274	1,216

The Group allows an average credit period of 0 day to 60 days to its trade customers. Other receivables are unsecured, interest-free and are expected to recover in 12 months after balance sheet date. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$728,000 (2006: HK$781,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade debtors which are past due but not impaired

	2007	2006
	HK$'000	*HK$'000*
60-90 days	**273**	218
91-180 days	**205**	163
Over 181 days	**250**	400
	728	781

The Group has not provided fully for all receivables over 60 days based on the historical experience of the Group that receivables are past due but not impaired are generally recoverable.

27. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured and will be recoverable within 12 months. Other than an amount of HK$10,684,000 (2006: nil) due from an associate which bears fixed interest at 20% per annum, the remaining amounts are interest-free.

28. INVESTMENTS HELD FOR TRADING

	2007	2006
	HK$'000	*HK$'000*
FAIR VALUE		
Investments held for trading include:		
Listed securities:		
– Equity securities listed in Hong Kong	**21,927**	–
– Equity securities listed elsewhere	**72,169**	–
	94,096	–

The fair value of the above held for trading investments was determined based on the quoted market bid prices of the listed securities available on the relevant exchanges.

29. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.72% to 5.27% (2006: 0.72% to 3.65%) per annum. The fair values of the Group's bank balances and cash at 31 December 2007 approximate to their carrying amounts.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$487,147,000 (2006: HK$386,389,000), the aged analysis of which is as follows:

	2007	2006
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	**444,565**	357,951
91 to 180 days	**15,660**	14,700
181 to 360 days	**4,929**	2,209
over 360 days	**21,993**	11,529
	487,147	386,389

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31. BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans – secured	**630,342**	492,537
Carrying amount repayable:		
On demand or within one year	**170,940**	154,229
More than one year but not exceeding two years	**320,513**	159,204
More than two years but not exceeding five years	**138,889**	149,254
More than five years	**–**	29,850
	630,342	492,537
Less: Amount due within one year shown under current liabilities	**(170,940)**	(154,229)
Amount due after one year	**459,402**	338,308

Note:

The bank loans of the Group are arranged at benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk. The interest rate during the year was ranging from 6.5% to 7.2% (2006: 5.8% to 6.4%) per annum and repriced every one month to one year.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

32. DEFERRED TAXATION

	Revaluation on investment properties HK$'000	Land appreciation tax (note) HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 January 2006	36,117	–	–	36,117
Charge to consolidated income statement	10,064	241,812	–	251,876
Acquisitions of subsidiaries	–	–	34,740	34,740
Disposal of subsidiaries	–	–	(34,740)	(34,740)
At 31 December 2006	46,181	241,812	–	287,993
Currency realignment	3,405	33,058	–	36,463
Charge to consolidated income statement	15,143	385,335	–	400,478
Effect on change in tax rate	30,787	–	–	30,787
At 31 December 2007	95,516	660,205	–	755,721

Note: The land appreciation tax is tax payable on appreciation of land value on income from property development.

At the balance sheet date, the Group has estimated unused tax losses of HK$62,437,000 (2006: HK$46,264,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. In 2006, included in unrecognised tax losses are losses of HK$18,688,000 (2007: nil) that will be expired within five years. The remaining unrecognised tax losses may be carried forward indefinitely.

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33. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Shares of HK$0.10 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	4,800,000,000	480,000
Issued and fully paid:		
At 1 January 2006	2,634,912,240	263,491
Issue of shares on placing and subscription arrangements	189,456,448	18,946
Issue of shares on the exercise of share options	39,400,000	3,940
At 31 December 2006	2,863,768,688	286,377
Issue of shares on the exercise of share options	62,366,900	6,237
Bonus issue of shares	359,412,336	35,941
At 31 December 2007	3,285,547,924	328,555

Changes in the share capital of the Company during the year ended 31 December 2006 are as follows:

(a) Pursuant to a placing and subscription agreement entered by the Company on 25 January 2006, the Company allotted and issued 189,456,448 new shares of HK$0.10 each at subscription price of HK$2.34 per share to independent investors.

(b) The Company allotted and issued a total of 6,360,000 and 33,040,000 shares of HK$0.10 each for cash at the exercise prices of HK$0.76 and HK$1.126 per share respectively as a result of exercise of share options.

Changes in the share capital of the Company during the current year are as follows:

(c) The Company allotted and issued a total of 2,700,000, 280,000, 47,124,400, 11,250,000 and 1,012,500 shares of HK$0.10 each for cash at the exercise prices of HK$0.676, HK$0.760, HK$1.001, HK$1.126 and HK$1.253 per share respectively as a result of exercise of share options.

(d) During the year, bonus issue of one new share of HK$0.10 was credited as fully paid for every eight shares held by the shareholders whose name appeared on the register of members of the Company on 23 May 2007.

All the shares which were issued during the year rank pari passu with the existing shares in all respects.

34. RESERVES

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The general reserves represent the enterprise expansion fund and general reserve fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

The capital reserve represents the deemed contribution arising from waiver of loan from the minority shareholders of the subsidiaries.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
Held for trading	**94,096**	–
Loans and receivables (including cash and cash equivalents)	**3,572,003**	1,889,201
Available-for-sale financial assets	**1,011**	3,001
Financial liabilities		
Amortised cost	**1,154,957**	940,906

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36. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity investments, loan receivable, trade and other receivables, amounts due from associates, investments held for trading, pledged bank deposits, bank balance and cash, borrowings, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The management considers the Group does not expose to significant foreign currency risk as majority of its transactions are denominated in RMB and HK dollars (the functional currency of the Group's major subsidiaries) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the consolidated balance sheet. The 5% increase and decrease in Renminbi against the relevant foreign currencies is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The management determined that there is insignificant effect to the profit or loss and other equity of the Group. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate loan receivables from associates (see note 24) and cash flow interest rate risk in relation to bank balances and pledged bank deposits at prevailing market rates and variable-rate bank borrowings (see note 31). The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the balance sheet date. For variable-rate financial instruments, the analysis is prepared assuming the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

36. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2007 would decrease/increase by HK$6,143,000 (2006: decrease/increase by HK$117,000). This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances, pledge bank deposits and variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly on equity instruments operating in telecommunications and property industry sector quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower, profit before taxation for the year ended 31 December 2007 increase/decrease by HK$9,410,000 (2006: nil) as a result of the changes in fair value of investments held for trading; and

The Group's sensitivity to financial assets at fair value through profit or loss held for trading have increased during the period mainly due to the growth of market price of equity securities listed in the PRC.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities disclosed in note 42.

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36. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of credit risk on loan receivable (note 24) and amounts due from associates (note 27), the Group does not have any other significant concentration of credit risk. The Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of counterparties and customers. In respect of loan receivable and amounts due from associates, the management closely monitors the settlements and recoverability to ensure adequate impairment losses are recognised for irrecoverable debts.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on sale of properties and borrowings as a source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 month to 1 year HK$'000	1 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007							
Trade and other payables	–	49,410	475,205	–	–	524,615	524,615
Borrowings	6.50%	–	182,047	535,761	–	717,808	630,342
		49,410	657,252	535,761	–	1,242,423	1,154,957

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 month to 1 year HK$'000	1 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006							
Trade and other payables	–	3,181	445,188	–	–	448,369	448,369
Borrowings	6.34%	–	164,000	367,937	41,487	573,424	492,537
		3,181	609,188	367,937	41,487	1,021,793	940,906

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37. ACQUISITION OF SUBSIDIARIES

The summary of the acquisition of subsidiaries, the net assets acquired in the transaction and the goodwill or discount arising on acquisition are as follows:

(a) On 22 June 2007, the Company acquired a 100% equity interest in Timeway Holdings Limited ("Timeway") together with a shareholder's loan amounting to HK$23,195,000 owed by Timeway to Newchamp Technology Limited, a company owned by Mr. Xiang Ya Bo, the brother of Mr. Ou Yaping ("Mr. Ou"), and Mr. Ou, for a total consideration of HK$31,606,000. Mr. Ou is a substantial shareholder and director of the Company. Timeway and its subsidiary, Cnhooray Internet Technology Co. Ltd. are engaged in the provision of consultancy services in relation to information, multimedia and communication technologies with particular focus on property development projects.

	HK$'000
Net assets acquired:	
Property, plant and equipment	57
Bank balances and cash	7,983
Other receivables	20,303
Other payables	(67)
Net assets acquired	28,276
Minority interests	(6,078)
Goodwill arising on the acquisition	9,408
	31,606
Total consideration:	
Satisfied by cash	31,606
Net cash outflow arising on acquisition:	
Cash consideration	31,606
Bank balances and cash acquired	(7,983)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	23,623

The acquiree's carrying amount of net assets before acquisition approximates to its fair value. Accordingly, no fair value adjustments are required.

Goodwill arising on the acquisition of Timeway was mainly attributable to the pre-operating establishment costs of Timeway and has been impaired and charged to the consolidated income statement for the year.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) On 1 January 2006, the Enerchina sub-group acquired a 61.67%, 90% and 80% equity interests in Qiqihar Panva Gas Co., Ltd. ("Qiqihar Panva"), Chaoyang Panva Gas Co., Ltd. and Tieling Panva Gas Co., Ltd., respectively, at an aggregated consideration of HK$182,583,000.

	Acquiree's carrying amount before acquisition	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	268,102	–	268,102
Prepaid lease payments	42,951	–	42,951
Intangible assets	–	65,154	65,154
Inventories	18,711	–	18,711
Trade and other receivables	15,534	–	15,534
Amounts due from minority shareholders	7,650	–	7,650
Bank balances and cash	76,252	–	76,252
Trade and other payables	(118,903)	–	(118,903)
Amounts due to minority shareholders	(1,831)	–	(1,831)
Borrowings	(107,510)	–	(107,510)
Deferred taxation	(973)	(21,501)	(22,474)
Net assets acquired	199,983	43,653	243,636
Minority interests			(56,708)
Goodwill			11,333
Discount on acquisition			(15,678)
			182,583
Satisfied by:			
Cash			163,923
Transfer from available-for-sale investments			18,660
			182,583
Net cash outflow arising on acquisition:			
Cash consideration			163,923
Bank balances and cash acquired			(76,252)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			87,671

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) On 1 March 2006, the Enerchina sub-group acquired a 100% equity interest in深圳北科蘭光能源系統技術有限責任公司("Beike Lan Guang Group") at a consideration of HK$85,750,000.

	Acquiree's carrying amount before acquisition	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	105,906	–	105,906
Prepaid lease payments	8,342	–	8,342
Intangible assets	–	37,170	37,170
Inventories	3,510	–	3,510
Trade and other receivables	60,955	–	60,955
Bank balances and cash	821	–	821
Trade and other payables	(105,693)	–	(105,693)
Borrowings	(3,604)	–	(3,604)
Deferred taxation	–	(12,266)	(12,266)
Net assets acquired	70,237	24,904	95,141
Minority interests			(5,649)
Discount on acquisition			(3,742)
			85,750
Satisfied by:			
Cash			85,750
Net cash outflow arising on acquisition:			
Cash consideration			85,750
Bank balances and cash acquired			(821)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			84,929

These transactions have been accounted for using the purchase method of accounting.

The discount on the above acquisitions of HK$19,420,000 is attributable to the acquisitions of a 61.67% equity interest in Qiqihar Panva and a 100% equity interest in Beike Lan Guang Group. The discount on acquisitions of subsidiaries was attributable to the ability of the Group in negotiating the agreed terms of transactions with the vendors.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

The subsidiaries acquired by Enerchina sub-group during the period were under the Group's discontinued operations in gas fuel business which contributed HK$41,020,000 to the Group's turnover and loss of HK$2,924,000 to the Group's profit before taxation in discontinued operations for the period between the date of acquisition and 13 April 2006 (date of discontinuation of the Group's gas fuel business).

If the acquisition had been completed on 1 January 2006, total group revenue from discontinued operations for the period from 1 January 2006 to 13 April 2006 would have been HK$1,010,165,000, and profit for the period from discontinued operations would have been HK$265,642,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group in discontinued operations that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The fair value of the intangible assets acquired, which related to the exclusive operating rights for city pipeline networks, have been determined by reference to professional valuations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

38. DISPOSAL OF SUBSIDIARIES

As referred to in note 15, the Company's shareholding in Enerchina sub-group decreased from 74.79% to 45.39% following the distribution in specie on 13 April 2006. Enerchina became an associate of the Company. The net assets of Enerchina at the date of disposal of shareholding were as follows:

	Notes	13.4.2006 HK$'000
Property, plant and equipment		3,437,201
Prepaid lease payments		177,922
Intangible assets		110,632
Goodwill		346,856
Interests in associates		645,571
Available-for-sale investments		172,630
Pledged bank deposits		282,727
Loan receivables		24,459
Inventories		217,780
Trade and other receivables		1,225,118
Investments held for trading		171,975
Bank balances and cash		1,232,408
Trade and other payables		(863,700)
Amounts due to minority shareholders		(29,920)
Taxation		(81,774)
Deferred taxation		(34,740)
Borrowings		(3,311,120)
Derivatives financial instruments		(431,413)
Net assets disposed of		3,292,612
Equity component of convertible bonds of a listed subsidiary of Enerchina		(48,350)
Equity component of share option reserve of Enerchina and its listed subsidiary		(25,563)
Minority interests		(1,606,354)
Attributable goodwill		61,385
		1,673,730
Transferred to interests in associates	22	(989,401)
		684,329
Translation reserve realised		(8,588)
		675,741
Gain on disposal	15	277,143
Total consideration		952,884
Satisfied by:		
Special interim dividend in specie	16	952,884
Net cash outflow arising on disposal:		
Bank balances and cash disposed of		(1,232,408)

The impact of Enerchina on the Group's results and cash flows in the current and prior periods was disclosed in note 15.

39. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 24 and 27, the Group had the following transactions with related parties during the year.

Name of related party	Nature of transaction	Notes	2007 HK$'000	2006 HK$'000
RGAP	Interest income on shareholder's loan	a	**220,794**	170,764
	Interest income on amount due from an associate	a	**809**	–
Shanghai Bund de Rockefeller Group Master Development Co., Ltd. ("Shanghai Rockefeller")	Project management fee income	a	**26,195**	28,378
Skillful Assets Limited	Rental expenses	b	**996**	996
Enerchina	Office expenses paid	c	**948**	948
Towngas China	Office expenses paid	c	**163**	976
Mr. Chen Wei	Sales of properties	d	**–**	4,587
Powerjoy Limited	Sales of properties	e	**–**	9,321
Ms Law Ling	Sales of properties	f	**–**	4,914
Ms Law Sze	Sales of properties	f	**–**	4,900
Mr. Lu Yungang	Sales of properties	g	**–**	2,779
Plot Holdings Limited	Sales of properties	h	**–**	5,557
Newchamp Technology Ltd.	Acquisition of interests in subsidiaries	i	**31,606**	–

Notes:

(a) RGAP and Shanghai Rockefeller are associates of the Group.

(b) Mr. Ou Yaping, a director and a substantial shareholder of the Company who is also a director and shareholder of Skillful Assets Limited.

(c) Enerchina and Towngas China have become associates of the Group from 13 April 2006 onwards as detailed in note 15 to the consolidated financial statements and ceased to be associates of the Group on 16 October 2007. However, Enerchina remarks as a related party to the Group as Mr. Ou Yaping, a director and a substantial shareholder of the Company is also a director and substantial shareholder of Enerchina.

(d) Mr. Chen is an executive director of the Company.

(e) Powerjoy Limited is a company owned by Mr. Xiang Ya Bo and his spouse Ms. Wu Hang Wa. Mr. Xiang Ya Bo is an executive director of Enerchina.

(f) Ms Law Ling and Ms Law Sze are the daughters of Mr. Law Sze Lai, an executive director of the Company.

(g) Mr. Lu Yungang is an independent non-executive director of Enerchina.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

39. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(h) Plot Holdings Limited, a company owned by Mr. Ou Yafei, the brother of Mr. Ou Yaping, the director of the Company.

(i) Newchamp Technology Limited, a company owned by Mr. Xiang Ya Bo, the brother of Mr. Ou Yaping, and Mr. Ou Yaping.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

40. SHARE OPTIONS

The Company's share option schemes were adopted pursuant to the resolutions passed on 11 May 1998 (the "Sinolink Old Scheme") and on 24 May 2002 (the "Sinolink New Scheme") for providing incentives to directors and eligible employees and unless otherwise cancelled or amended. The Sinolink New Scheme will expire on 23 May 2012. The Sinolink Old Scheme was terminated on 24 May 2002. Under the Sinolink Old Scheme and the Sinolink New Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

Movements of the Company's share options held by employees (including directors) during the year were as follows:

	Number of share options					
	Outstanding at beginning of year	Granted during the year	Adjusted after bonus issue of shares	Exercised during the year	Lapsed during the year	Outstanding at end of year
For the year ended 31 December 2007	78,090,000	122,600,000	23,482,500	(62,366,900)	(10,187,500)	151,618,100
Exercisable at the end of the year						19,430,600
Weighted average exercise price	1.159	1.778	N/A	1.012	1.513	1.695
For the year ended 31 December 2006	112,840,000	7,800,000	–	(39,400,000)	(3,150,000)	78,090,000
Exercisable at the end of the year						74,040,000
Weighted average exercise price	1.097	2.042	N/A	1.067	2.334	1.159

40. SHARE OPTIONS *(Continued)*

Details of share options granted during the year are as follows:

	2007	2006
Exercisable period	**1.1.2009 – 23.5.2012**	31.12.2007 – 24.05.2012
Exercise price	**HK$1.778** (Note)	HK$1.410 – HK$2.485

Details of share options exercised during the year are as follows:

	2007	2006
Exercisable period	**1.6.2004 – 24.5.2012**	01.06.2004 – 24.05.2012
Exercise price	**HK$0.676 – HK$1.253**	HK$0.76 – HK$1.126

The weighted average share price at the date of exercise for share options during the year was HK$1.836. During the year ended 31 December 2006, the weighted average share price of the Company at the dates of exercise of the share options was at a range of HK$1.42 to HK$2.75 per share.

During the year, options were granted on 6 February 2007 and 12 February 2007 and the estimated fair values of the options granted on the date were at a range of approximately HK$0.46 to HK$0.52 per option share. During the year ended 31 December 2006, options were granted on 22 January 2006, 24 February 2006 and 30 June 2006 and the estimated fair values of the options granted on the date were HK$0.67, HK$0.55 and HK$0.50 per option respectively.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2007	2006
Share prices	**HK$1.689 and HK$1.653** (Note)	HK$2.420, HK$2.200 and HK$1.460
Exercise prices	**HK$1.778** (Note)	HK$2.370, HK$2.485 and HK$1.410
Expected volatility	**47%**	39% – 46%
Expected life	**3.58 – 4.35 years**	4.5 years
Risk free rate	**4.05% p.a.**	4.04% – 4.69% p.a.
Expected dividend yield	**3.97% and 3.99% p.a.**	3.43% – 3.92% p.a.

The vesting period of share options is from the date of grant until the commencement of the exercise period.

Note: Adjusted for the effect of bonus issue

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

40. SHARE OPTIONS *(Continued)*

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The Group recognised total expenses of HK$22,453,000 (2006: HK$16,960,000) for the year ended 31 December 2007 in relation to share options granted by the Company and its listed subsidiaries.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

41. RETIREMENT BENEFITS SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 7 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contributes 5% of relevant payroll costs with a maximum of HK$1,000 per employee to the MPF Scheme, which contribution is matched by the employee. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made contributions to the retirement benefits schemes amounted to HK$1,498,000 (2006: HK$6,340,000).

42. CONTINGENT LIABILITIES

	2007 HK$'000	2006 HK$'000
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	**106,152**	165,565

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts were not significant during both years.

43. COMMITMENTS

	2007 HK$'000	2006 HK$'000
Commitments in respect of properties under development:		
– contracted for but not provided in the consolidated financial statements	**295,062**	486,767
– authorised but not contracted for	**132,794**	273,329
Committed funding to an associate in respect of a property redevelopment project	**236,787**	91,869

44. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for future minimum lease receipts in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**14,839**	12,235
In the second to fifth year inclusive	**52,856**	45,859
Over five years	**96,492**	82,332
	164,187	140,426

The properties held have committed tenants for periods up to fifteen years after the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

44. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**13,287**	4,600
In the second to fifth years inclusive	**5,756**	216
	19,043	4,816

Operating lease payments represent rental payable by the Group for certain of its office properties.

Leases are negotiated for terms ranging from one to five years.

45. PLEDGE OF ASSETS

At 31 December 2007, bank deposits of HK$5,992,000 (2006: HK$20,607,000), land held under long leases included in stock of properties under development with carrying amount of HK$285,232,000 (2006: HK$264,716,000) and investment properties with an aggregate carrying amount of HK$400,641,000 (2006: HK$338,806,000) were pledged to banks to secure general banking facilities granted to the Group. The development expenditures incurred for the stock of properties under pledge amounted to HK$552,254,000 (2006: HK$149,217,000). The pledged bank deposits carry at prevailing market interest rate. The fair values of pledged bank deposits at 31 December 2007 approximate to their carrying amounts.

46. LIST OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007 and 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Cnhooray Internet Technology Co. Ltd. *(note)*	PRC – Sino-foreign equity joint venture	RMB40,000,000	–	80%	Consultancy services in relation to information, multimedia and communication technologies
Firstline Investment Limited	BVI	US$1	–	100%	Investment holding
Knatwood Limited	BVI	US$1	–	100%	Investment holding
Leader Faith International Limited	BVI	US$1	100%	–	Investment holding
Link Capital Investments Limited	BVI	US$50,000	–	100%	Investment holding
Mei Long Investments Limited *(note)*	Hong Kong	HK$1	100%	–	Investment holding
Ocean Diamond Limited	BVI	US$50,000	–	100%	Investment holding
Shenzhen Mangrove West Coast Property Development Co. Ltd. 深圳紅樹西岸地產發展有限公司	PRC – Sino-foreign equity joint venture	RMB200,000,000	–	87%	Property development
Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理有限公司	PRC – Foreign equity joint venture	RMB5,000,000	–	80%	Property management
Sinolink Assets Management Limited	BVI	US$2	100%	–	Investment holding
Sinolink LPG Development Limited	BVI	US$1	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

46. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Sinolink Petrochemical Investment Limited	BVI	US$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US$47,207	100%	–	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK$10,000	–	100%	Dormant
Sinolink Properties Limited 百仕達地產有限公司	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development
Sinolink Shanghai Investments Ltd.	BVI	US$1	100%	–	Investment holding
Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司	Hong Kong	HK$10,000,000	–	100%	Investment holding
Smart Orient Investments Limited	BVI	US$1	100%	–	Investment holding
Timeway Holdings Limited *(note)*	Hong Kong	HK$10,000	100%	–	Investment holdings

Note: The company was acquired or incorporated in 2007.

Except for the investment holding companies which have no definite place of operation, all the above subsidiaries operate principally in their respective place of incorporation/establishment.

None of the subsidiaries had issued any debt securities at the end of the year.

Particulars of Major Properties

At 31 December 2007

PROPERTIES HELD FOR DEVELOPMENT/SALE

	Description	Type of use	GFA (M2)	Effective % held	Stage of completion	Anticipated completion
1.	Sinolink Garden Phase V Eastern District Taining Road, Taibai Road, Buxin Road, Luowu District, Shenzhen	Residential/ commercial	226,231	80%	Construction in progress	2008
2.	Mangrove West Coast Shahe Road East North of Binhai Avenue Nanshan District Shenzhen	Residential	155,353	87%	Completed in 2006	N/A

Particulars of Major Properties

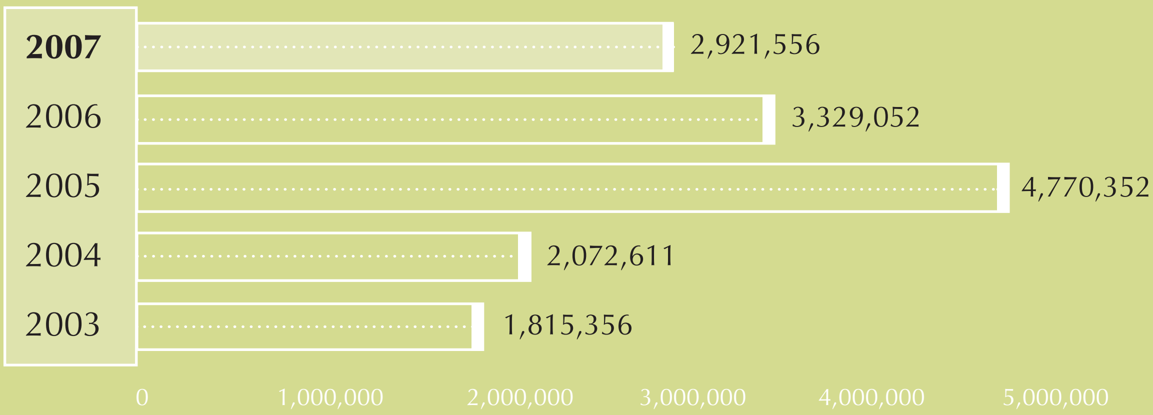
At 31 December 2007

PROPERTIES HELD FOR INVESTMENTS

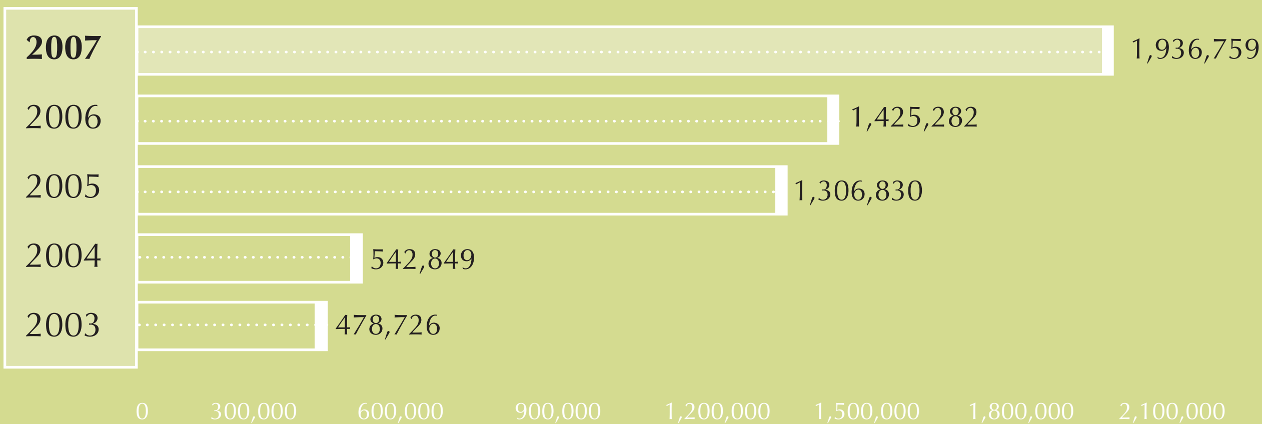
	Property	Type of use	GFA (M2)	Effective % held
1.	518 Car Parking Spaces Residence Club House Phase 1 Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	16,500	80%
2.	2 Shop Units in the Basement Phase 3 Sinolink Garden Taibai Road Luowu District Shenzhen	Shops	729	80%
3.	Shop Unit Nos. 1,2, and 3 on Level 1 and whole floor of Level 2 Sinolink Ancillary Building No. 8 Dongxiao Road Luowu District Shenzhen	Shops	2,376	80%
4.	Unit Nos. 101,102 and 103 Ancillary Building West District, Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Commercial	20,232	80%
5.	4 Lorry Parking Spaces and 1,070 Car Parking Spaces Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	44,000	80%
6.	1,700 Car Parking Spaces Mangrove West Coast Shahe Road East North of Binhai Avenue Nanshan District Shenzhen	Car parks	85,000	87%

Financial Highlights

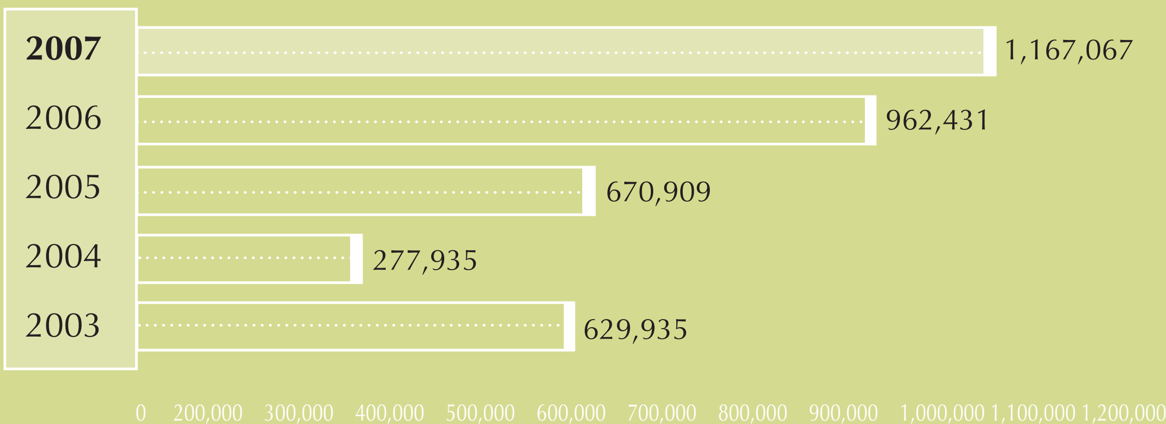
TURNOVER (HK$'000)



GROSS PROFIT (HK$'000)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (HK$'000)



Financial Summary

For the year ended 31 December 2007

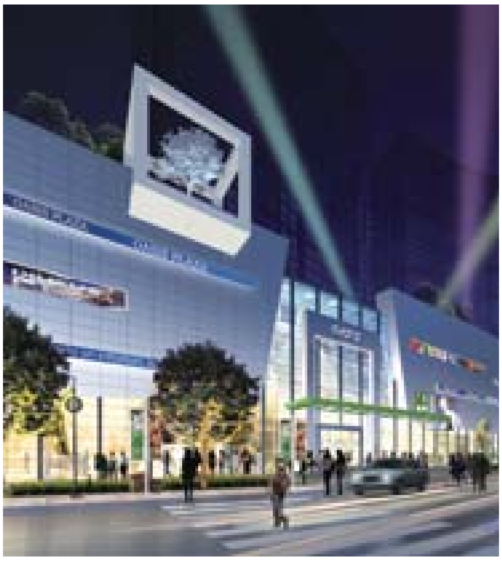
	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	1,815,356	2,072,611	4,770,352	3,329,052	**2,921,556**
Profit before taxation	805,247	442,913	1,121,302	1,424,772	**2,014,434**
Taxation	(48,654)	(23,504)	(134,036)	(419,520)	**(699,530)**
Profit for the year	756,593	419,409	987,266	1,005,252	**1,314,904**
Attributable to:					
Equity holders of the Company	629,935	277,935	670,909	962,431	**1,167,067**
Minority interests	126,658	141,474	316,357	42,821	**147,837**
	756,593	419,409	987,266	1,005,252	**1,314,904**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings per share					
Basic	25.02	10.69	25.26	30.21	**35.95**
Diluted	24.48	10.14	24.96	29.82	**35.64**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	4,691,596	9,824,945	11,804,942	5,585,258	**6,749,383**
Total liabilities	(1,630,302)	(5,436,197)	(6,447,803)	(1,438,502)	**(2,207,291)**
	3,061,294	4,388,748	5,357,139	4,146,756	**4,542,092**
Equity attributable to equity holders of the Company	2,186,738	2,437,505	3,441,968	3,829,427	**4,064,079**
Equity component of convertible bonds of a listed subsidiary	–	48,350	48,350	–	**–**
Equity component of share option reserve of listed subsidiaries	–	3,813	20,717	–	**–**
Minority interests	874,556	1,899,080	1,846,104	317,329	**478,013**
	3,061,294	4,388,748	5,357,139	4,146,756	**4,542,092**

深圳，紅樹西岸

Mangrove West Coast, **Shenzhen**

深圳，百仕達花園5期「東郡廣場」
Sinolink Garden Phase V "Oasis Plaza", **Shenzhen**



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