ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 1064

ZHONG HUA
INTERNATIONAL
HOLDINGS LIMITED

Annual Report

08

* For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director
Ho Kam Hung

Non-Executive Director
Young Kwok Sui

Independent Non-Executive Directors
Lawrence K. Tam
Wong Miu Ting, Ivy
Wong Kui Fai

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Lee Tao Wai, *HKICPA*

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Bermuda

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Central
Hong Kong

PRINCIPAL OFFICE IN CHINA
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Chiaodong Road
Chiaotianmen
Chongqing

AUDITORS
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Certified Public Accountants
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8 Finance Street
Central
Hong Kong

COMPANY WEBSITE
www.zhonghuagroup.com

Legal Advisers
As to Hong Kong Law
Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

As to Bermuda Law
Conyers Dill & Pearman
3408 Two Exchange Square
8 Connaught Place
Central
Hong Kong

PROPERTY VALUERS
Savills Valuation and Professional Services Limited
23rd Floor, Two Exchange Square
Central
Hong Kong

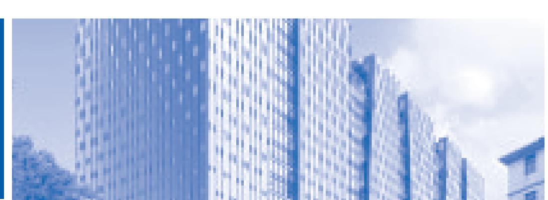
Vigers Appraisal and Consulting Limited
10th Floor, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS
The Wing Hang Bank Limited, *Guangzhou Branch*
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION
Stock Code: 1064



Management Discussion and Analysis

The board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

REVIEW OF RESULTS

The Group recorded a turnover of HK$32,558,000 (2007: HK$14,058,000) for the year ended 31 December 2008, representing an increase of 132% compared with the turnover for 2007. Net loss for the year attributable to ordinary equity holders of the Company was HK$144,763,000 (2007: net profit of HK$12,824,000).

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows, banking facilities and equity financing during the year. The Group obtained a new banking facility in an amount of RMB30,000,000 (approximately HK$32,700,000) in early 2008. In June and December 2008, the Company proceeded two equity financing exercises which will be described in detail in the section headed "Equity financing" below.

Cash and bank balances of the Group as at 31 December 2008 amounted to HK$36,216,000 (2007: HK$100,527,000) and pledged deposits of HK$14,000 (2007: HK$1,676,000).

As at 31 December 2008, the Group had outstanding borrowings of approximately HK$213,594,000 (2007: HK$245,179,000) comprising interest-bearing bank loans amounted to HK$62,244,000 (2007: HK$33,134,000), convertible bond payable amounted to HK$78,149,000 (2007: HK$41,492,000), finance lease payable amounted to HK$1,543,000 (2007: HK$2,094,000) and loan from a director amounted to HK$71,658,000 (2007: HK$68,459,000). Outstanding borrowings for the prior year also included a promissory note payable of HK$100,000,000. Of the Group's interest-bearing bank loans, 23%, 9%, 33% and 35% respectively were repayable within one year or on demand, in the second year, in the third to fifth years, inclusive, and beyond five years. Bank loan amounted to HK$8,960,000 as at 31 December 2008 (2007: HK$8,560,000) was charged at fixed interest rate.

The Group's gearing ratio as at 31 December 2008 was 0.07 (2007: 0.07), calculated based on the Group's interest-bearing bank and other borrowings, of HK$213,594,000 (2007: HK$245,179,000) over total assets of HK$3,013,819,000 (2007: HK$3,290,965,000). The Group's gearing was maintained at a relatively low level during the year.

Currency structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were primarily conducted in Hong Kong dollars or Renminbi and the exchange rates for these two currencies were relatively stable throughout the year.

Pledge of assets

The Group had utilised bank loan facilities amounting to HK$62,244,000 (2007: HK$33,134,000) as at 31 December 2008. The secured bank loans of HK$53,284,000 (2007: HK$24,574,000) were charged by certain of the Group's investment properties and bank deposits as well as corporate guarantee executed by the Company.

Contingent liabilities

As at 31 December 2008, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$139,000 (2007: HK$4,131,000).

Management Discussion and Analysis

Equity financing

On 17 June 2008, the Company entered into a placing agreement with Dao Heng Securities Limited, the placing agent, in respect of placing of 10,000,000 new shares to independent investors at an issue price of HK$2.30 per share. On 8 July 2008, the placing was completed and raised net proceeds of HK$22,700,000, which were used as general working capital purposes.

On 16 December 2008, the Company entered into a subscription agreement with an independent subscriber for issue and subscription of 25,000,000 new shares at a subscription price of HK$0.60 per share. Subsequent to the balance sheet date, on 9 January 2009, the subscription was completed and raised net proceeds of HK$14,800,000, which were used as general working capital purposes.

The above number of shares and share prices have been adjusted to reflect the capital reorganisation becoming effective on 11 December 2008 as further detailed in the section headed "Capital reorganisation" below.

Capital reorganisation

On 31 October 2008, the Company proposed a capital reorganisation (the "Capital Reorganisation") which involved:

(i) Capital Reduction: the par value of each existing ordinary share will be reduced from HK$0.20 to HK$0.01 by the cancellation of HK$0.19 of the paid-up capital on each existing ordinary share;

(ii) Sub-division: each of the authorised but unissued shares in the capital of the Company of par value of HK$0.20 each shall be sub-divided into 20 shares of par value of HK$0.01 each;

(iii) Diminution of Authorised Share Capital: immediately following the Capital Reduction and the Sub-division, the authorised share capital of the Company shall be diminished from HK$2,000,000,000 to HK$100,000,000 divided into 10,000,000,000 shares of par value of HK$0.01 each by the cancellation of 190,000,000,000 shares of par value of HK$0.01 each in the authorised but unissued share capital of the Company; and

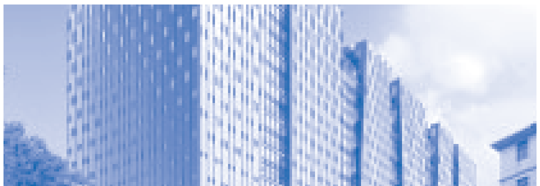
(iv) Share Consolidation: upon completion of the Capital Reduction, the Sub-division and the Diminution of Authorised Share Capital becoming effective, every ten (10) shares of HK$0.01 each in both the issued and unissued share capital of the Company will be consolidated into one (1) consolidated share of HK$0.10 each.

Following the implementation of the Capital Reorganisation set out above, HK$240,168,000 arising from the above Capital Reduction was applied to set-off the accumulated losses of the Company.

The Capital Reorganisation was approved by shareholders at the Company's special general meeting held on 10 December 2008 and became effective on 11 December 2008.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).



CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Friday, 14 August 2009 to Monday, 17 August 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Monday, 17 August 2009 all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 13 August 2009.

REVIEW OF OPERATIONS

The Group is principally engaged in property investment and development in Mainland China and has two property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square (港渝廣場), a 16-storey plus a basement commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing. Chaotianmen (朝天門) is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular clothing and footwear wholesale centre in the region. The Group has 100% interest in 7 floors of and 60% interest in the basement of Guang Yu Square with a total gross floor area of approximately 26,500 sq. m. and all of them are fully let. The Group is contemplating plan for repurchases of two additional floors which were sold to individual occupiers a couple of years ago. Looking ahead, the Group aims to enhance the profile of the Guang Yu Square within the region and to increase its rental yield.

The property interest in Guangzhou is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou with a total site area of approximately 22,800 sq.m.. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities having a total gross floor area of approximately 234,000 sq.m. and with an objective to be the landmark of the Yuexiu District when it is completed in 2013. Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium under the trade name of Metropolitan Shoes City (大都市鞋城) and a car park for loading and offloading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear wholesale centre in Guangzhou and is almost fully let.

The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Road (謝恩里), Yuexiu District and is wholly owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("Guangzhou Zheng Da") which in turn Zheng Da Real Estate Development Co. Ltd. ("Zheng Da") (a Hong Kong incorporated private company controlled by the Company's largest single shareholder and its associates) has 100% interest. The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning from time to time in the past years. The Group acquired a 25% indirect interest in Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2009 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,546,705,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 and the Company's announcement dated 31 March 2009 (primarily refers to the deferment of the long stop date for completion of the acquisition of the remaining 75% interest in Zheng Da from

31 March 2009 to 30 June 2009). The Group is underway to explore revised terms for settlement of the consideration for and completion timetable in relation to the uncompleted transaction. Further announcement in accordance with the Listing Rules' requirements will be made when concrete decision is made by the Company.

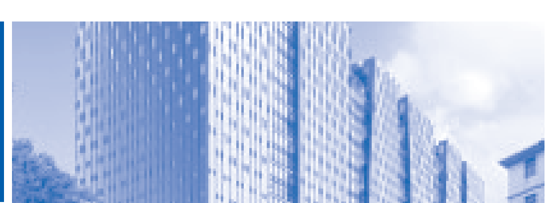
Guangzhou Zheng Da was set up as a Sino-foreign joint venture by Zheng Da as the foreign partner and a third party as the Sino partner in Guangzhou in December 1993. Since its formation the Sino partner has not provided any capital or management support to Guangzhou Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the" Enforcement Rules") executed in 1994, the Sino partner agreed to surrender its entire interest in Guangzhou Zheng Da except those benefits specified in the Enforcement Rules. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of Guangzhou Zheng Da is from 31 December 1993 to 31 December 2008 and can be further extended at the request of either foreign or Sino partner upon maturity. In December 2008, both Guangzhou Zheng Da and its foreign partner, Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 but its Sino partner withheld its consent to such extension. As such, Guangzhou Zheng Da served a writ against its Sino partner at the Yuexiu District People's Court (越秀區人民法院) in late December 2008 demanding for granting consent to an extension of operating period of the subject joint venture and disqualification of the Sino partnership of the subject joint venture. Two hearings have been made and a third hearing is expected to take place in May 2009. Having consulted with its legal counsel in Mainland China, Guangzhou Zheng Da is of the view that its requests are with solid legal ground and therefore is optimistic to obtaining a favourable judgement. In this connection, both Guangzhou Zheng Da and the Group are of the view that the financial position, cashflow and business operations of Guangzhou Zheng Da and of the Group as a whole are unlikely be affected by the legal proceedings to a material adverse extent.

Material acquisition

On 26 October 2007, it was announced that the Group entered into a conditional sale and purchase agreement on 9 October 2007 (as amended on 26 October 2007) (the "Agreement") with the private companies wholly owned by Messrs. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung (collectively the "Vendors"), pursuant to which, amongst other things, the Vendors agreed to sell and an indirectly wholly-owned subsidiary of the Company (the "Purchaser") agreed to acquire 100% equity interest in Zheng Da Real Estate Development Company Limited ("Zheng Da") at a consideration of RMB1,814,800,000 (the "Acquisition"). The principal asset held by Zheng Da is the indirect entire interest in a property interest situated in Guangzhou. Details of the Acquisition had been set out in a circular of the Company dated 26 November 2007 (the "Circular").

As set out in the Circular, completion of the Acquisition will take place in four tranches to be completed in different phases on terms as follows:

Tranches	Equity interests in Zheng Da represented	Consideration for each tranche (RMB)	Original expected completion date
First Tranche	25%	453,700,000	31 December 2007
Second Tranche	26%	471,848,000	31 May 2008
Third Tranche	24%	435,552,000	31 October 2008
Fourth Tranche	25%	453,700,000	31 March 2009
	100%	1,814,800,000	



Pursuant to the terms and conditions of the Agreement, the Purchaser may at its sole discretion elect to defer completion of one or more tranches (except the First Tranche) to a date later than the expected completion date of the relevant tranche as mentioned above. If the Purchaser does not complete any of the tranches on or before the relevant expected completion date, the Purchaser is obliged to pay to the Vendors a deferred interest payment (the "Deferred Interest") calculated at the rate of 4% p.a. on the consideration for such tranche for the period commencing from the relevant original expected completion date and ending on and excluding the day when the relevant consideration is settled by the Purchaser or 31 March 2009, whichever the earlier. In the event that the entire Agreement does not complete by 31 March 2009 (the "Long Stop Date"), the Agreement shall lapse (save for any part of completed tranches) and the Purchaser shall have no liabilities save for the Deferred Interest obligations.

Completion of the First Tranche took place on 17 December 2007. As at 31 March 2009, the Second Tranche, the Third Tranche and the Fourth Tranche had not been completed. As such, the Purchaser was obliged to pay to Vendors the Deferred Interest of the Second Tranche and the Third Tranche, which was RMB22,927,000 (HK$25,908,000) in total. No Deferred Interest was required to be paid by the Purchaser in respect of the Fourth Tranche as the original expected completion date for the Fourth Tranche was on 31 March 2009.

In view of the credit squeeze experienced by the property market in Mainland China since the first half of 2008 and the global financial tsunami which have caused unprecedented and adverse repercussions worldwide since the fourth quarter last year, the Group considered maintaining a healthy financial position and preserving adequate working capital level to be the top priority for the Group in such market situation. In order not to increase the gearing position of the Group, the Company decided to defer completion of the Second, the Third and the Fourth Tranches.

Nevertheless, the Group remained optimistic on the development potential and prospects of the property market in Mainland China in the medium to long term spectrum and intended to capture the opportunity to increase its stake in Zheng Da. For the said reasons, the Company entered into a supplemental agreement with the Vendors on 31 March 2009 (the "Second Supplemental Agreement") to extend the Long Stop Date for completion of the Second, the Third and the Fourth Tranches to 30 June 2009. For the avoidance of doubt, despite the extension of the Long Stop Date, no additional Deferred Interest shall be chargeable for the period from 1 April 2009 to 30 June 2009, both days inclusive. The parties to the Agreement also underway to explore revised terms for the settlement of the consideration for, and completion timetable in relation to the outstanding tranches under, the Agreement. If any such revised terms are agreed upon by the parties on a before 30 June 2009, a revised agreement incorporating those terms will be executed no later than 30 June 2009, but no party shall be liable to any other if revised terms are not agreed by then.

Litigations

(a) On 26 December 2008, a member of the Group (the "Plaintiff") served a writ against a third party at the Yuexiu District People's Court (越秀區人民法院), demanding for (i) granting consent to an extension of operating period of the subject joint venture until completion of the underlying development project; and (ii) disqualification of the Sino partnership of the subject joint venture. The Yuexiu District People's Court acknowledged the writ of summons on 30 December 2008. Two preliminary hearings have been made and a third hearing is expected to take place in May 2009.

Having consulted with its legal counsel in Mainland China, the Plaintiff is of the view that its requests are with solid legal ground and therefore is optimistic to obtaining a favourable

judgement. In this connection, both the Plaintiff and the Group are of the view that the financial position, cashflow and business operations of the Plaintiff and of the Group as a whole are unlikely be affected by the legal proceedings to a material adverse extent.

(b) Two writs of summons were issued in Chongqing in November 2006 by a third party (the "Plaintiff") against a wholly-owned subsidiary of the Group (the "Defendant"). According to the two summons, the Plaintiff claimed certain damages in relation to the unilateral termination of an estate management contract by the Defendant. In the Endorsement of Claims, the Plaintiff demanded for payment of compensation and amounts due to the Plaintiff in an aggregate amount of RMB29.0 million (approximately HK$33 million). The Defendant then filed another writ of summons in the capacity of plaintiff against the Plaintiff in Chongqing in November 2006 for counter-claim of an aggregate amount of RMB68.5 million (approximately HK$77.8 million) plus interest. The Chongqing Municipal High People's Court (重慶市高級人民法院) has given direction to consolidate the proceedings of the three writs of summons. The legal proceedings are in progress but no judgment has been made at this stage.

Having consulted with the Defendant's legal counsel in Mainland China, both the Plaintiff and the Group are of the view that the legal ground of the Plaintiff is thin and therefore no provision for the claims has been made at this stage.

(c) A writ of summons was issued in Hong Kong in August 2005 by a former director of a subsidiary of the Company (the "Plaintiff") against, inter alia, the Company (the "Defendant"), a wholly-owned subsidiary of the Company, and a former director and certain accounting staff of the Company. According to the summons, the Plaintiff claimed certain damages in relation to the acquisition of a subsidiary by the Group from a private company controlled by the Plaintiff in December 2000. In the Indorsement of Claims, the Plaintiff claimed that a receipt for a consideration of HK$33.5 million signed by the private company controlled by the Plaintiff be set aside and demanded for payment of outstanding consideration in the amount of HK$33.5 million. The Defendant, together with other defendants, filed an acknowledgement of service to defend the proceedings in February 2006. No further development took place since then.

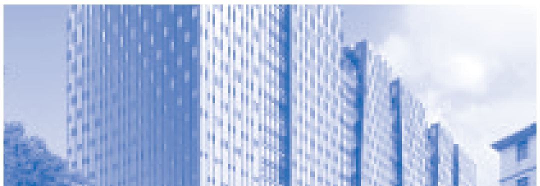
Having consulted with its legal counsel, the Defendant is of the view that the legal ground of the claim is thin and expects the legal proceedings will be pending until further action takes place. In this connection, both the Defendant and the Group are of the view that the legal proceedings are unlikely to have significant adverse impact on the financial position, cashflow and business operations of the Group. No provision for the claim has been made at this stage.

Changes in directorship

Messrs. Ho Tsam Hung and Yang Jia Jian retired from the Company as executive directors at the conclusion of the annual general meeting of the Company held on 28 August 2008. Ms. Lam Kuo, the non executive Chairman, served the early retirement notice to the Company on 26 February 2009 and her retirement was accepted by the Directors on 28 February 2009. The Directors will use their best endeavors to identify suitable persons to fill the casual vacancies.

PROSPECTS

The Group remains optimistic on the development potential and prospects of the property market in Mainland China in the medium to long term spectrum. The Group aims to enhance the profile of its property interest in Chongqing and to increase its rental yield. The Company also intends to capture the opportunity to increase its stake in the property interest in Guangzhou which the Group already has 25% interest.



Directors

Executive director

Mr. Ho Kam Hung, aged 54, was appointed in October 1997 as the Managing Director of the Company. Mr. Ho has over 20 years' experience in property investment and development in Mainland China and Hong Kong. Mr. Ho has participated actively in social and welfare services in Mainland China and is currently the vice presidents of Guangzhou Merchant Association (廣州市招商協會) and Guangzhou Yuexiu Ren Ai Association (廣州市越秀區仁愛會).

Non-executive director

Mr. Young Kwok Sui, aged 51, was appointed in December 2002 as the independent non-executive director of the Company and was re-designated as non-executive director in March 2006. He holds bachelor degrees in laws and commerce. He is also a solicitor and barrister of the High Court of New Zealand. He has over 20 years of professional and commercial experiences in accountancy and management consultancy services.

Independent non-executive directors

Mr. Lawrence K. Tam, aged 64, was appointed in December 2005 as an independent non-executive director of the Company. He is a seasoned banking and finance professional. He is a member of The Institute of Chartered Secretaries and Administrators, the United Kingdom, and holds a Post-Graduate Diploma in Management Studies from the University of Hong Kong and completed the Pacific Rim Bankers Program at the University of Washington, Seattle, the United States.

Ms. Wong Miu Ting Ivy, aged 47, was appointed in December 2005 as an independent non-executive director of the Company. She holds a Bachelor Degree in Accounting and Financial Management from Loughborough University of Technology, England. She is a Certified Public Accountant (Practising) of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Wong has over 20 years of experience in auditing and business advisory. She also has experience in the IPOs of various companies and has been providing financial advisory services to listed companies in relation to accounting, internal control and financial matters.

Mr. Wong Kui Fai, aged 51, was appointed in November 2006 as an independent non-executive director of the Company. He holds a Bachelor Degree in Actuarial Science from University of Kent at Canterbury, England. He has been in the information technology ("IT") field for over 20 years with regional exposure covering the Greater China region and the United States. He had served at senior management levels for a number of multinational e-commerce solutions corporations and IT investment companies with hands-on experience in operations, strategic planning and direct investments. Mr. Wong formerly was the General Manager of Microsoft Hong Kong Limited and is presently actively engaged in mergers and acquisitions of cross border IT investment projects.

Senior management

Mr. Lee Tao Wai Edward, aged 30, is the Qualified Accountant and Company Secretary of the Company. Mr. Lee is graduated from the Chinese University of Hong Kong with a Bachelor Degree in Business Administration in Accounting. He also holds a Master Degree in Investment Management from The Hong Kong University of Science and Technology. He joined the Group in August 2005 and has over 9 years of experience in accounting and corporate field. He is a member of The Hong Kong Institute of Certified Public Accountants.

Mr. Chun Wai Yin Alex, aged 43, is a senior manager looking after the treasury, accounting and administration of the Group. Mr. Chun received a diploma in accounting from the Chinese University of Hong Kong. He joined the Group in 1997 and has over 20 years experience in accounting and treasury field.

Corporate Governance Report

The Company generally complied with the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the annual report, save for the few exceptions mentioned below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Code provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its internal code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the year under review.

BOARD OF DIRECTORS

The Directors are responsible for the leadership and control of the Company and overseeing the Group's operations, affairs and strategic direction. The Directors also acknowledge their responsibility to prepare the financial statements which give a true and fair view.

The Directors during the year ended 31 December 2008 were:

Executive Directors

Mr. Ho Tsam Hung *(Vice Chairman)* *(retired on 28 August 2008)*
Mr. Ho Kam Hung *(Managing Director)*
Mr. Yang Jia Jian *(retired on 28 August 2008)*

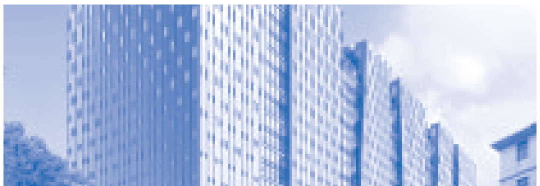
Non-Executive Directors

Ms. Lam Kuo *(Chairman)* *(early retired on 28 February 2009)*
Mr. Young Kwok Sui

Independent Non-Executive Directors

Mr. Lawrence K. Tam
Ms. Wong Miu Ting, Ivy
Mr. Wong Kui Fai

Messrs. Ho Tsam Hung and Ho Kam Hung are brotherhood in relation. Saved for this, the Directors have no financial, business, family or other material/relevant relationship among themselves.



During the year, the Board held 6 board meetings and the attendance of each Director is set out as follows:

Name of Directors	Attended/Eligible to Attend
Executive Directors	
Mr. Ho Tsam Hung *(retired on 28 August 2008)*	2/3
Mr. Ho Kam Hung	6/6
Mr. Yang Jia Jian *(retired on 28 August 2008)*	3/3
Non-Executive Directors	
Ms. Lam Kuo *(early retired on 28 February 2009)*	1/6
Mr. Young Kwok Sui	5/6
Independent Non-Executive Directors	
Mr. Lawrence K. Tam	5/6
Ms. Wong Miu Ting, Ivy	6/6
Mr. Wong Kui Fai	5/6

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In order to comply with this provision by spirit, Ms. Lam Kuo took the chair of the board and Mr. Ho Kam Hung acted as the Managing Director during the year.

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the Company's annual general meeting held on 28 August 2008 due to health reason. The said meeting was chaired by Ms. Wong Miu Ting, Ivy, an Independent Non-Executive Director.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election. All Non-Executive Directors were offered a specific term of one year and were subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of its Independent Non-Executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all Independent Non-Executive Directors are independent.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in December 2005. The members of the Remuneration Committee are comprised of three Independent Non-Executive Directors, Mr. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai, and one Executive Director, Mr. Ho Kam Hung.

The responsibilities of the Remuneration Committee include determining remuneration policy for Directors and senior management and reviewing the remuneration package including performance-based remuneration.

NOMINATION COMMITTEE

The Company did not set up a Nomination Committee during the year. However, the Directors would consider such set up should circumstances necessitate.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Bye-laws of the Company, any director appointed by the Company either to fill a casual vacancy or as an addition to the board shall hold office until the next following annual general meeting and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

However, both the Chairman and the Managing Director voluntarily retired and offered themselves for re-election at the Company's annual general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code's practice.

AUDIT COMMITTEE

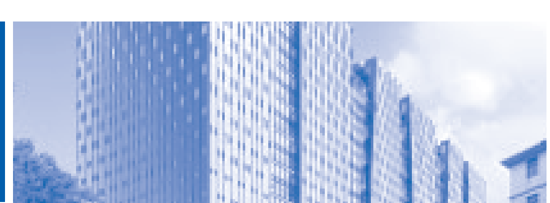
The present members of the Audit Committee are comprised of three Independent Non-executive Directors, Mr. Wong Kui Fai, Mr. Lawrence K. Tam and Ms. Wong Miu Ting, Ivy and one Non-Executive Director, Mr. Young Kwok Sui. During the year, the Audit Committee held two meetings.

The attendance of the members at the audit committee meetings during the year was as follows:

Directors	**Attended/Eligible to Attend**
Mr. Young Kwok Sui	2/2
Ms. Wong Miu Ting, Ivy	2/2
Mr. Lawrence K. Tam	1/2
Mr. Wong Kui Fai	2/2

The responsibilities of the Audit Committee include reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

During the year, the Audit Committee reviewed the Group's audited financial statements for 2007 and the Group's interim financial statements for 2008 and met with the auditors and the management to discuss issues arising from the audit of the financial statements.



INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's internal control system and through the Audit Committee, conduct reviews on the effectiveness of such system at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of such internal control system includes discussion with management on risk areas identified by management. The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system so that the Group's objectives can be achieved.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's auditors, Ernst and Young, for providing audit services amounted to HK$1,298,000.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 96.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008.

FIVE YEAR GROUP FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 97 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and of the Group, and of the investment properties of the Group during the year are set out in notes 13 and 14, respectively, to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BOND

Details of movements in the Company's share capital, share options and convertible bond during the year, together with the reasons therefor, are set out in notes 28, 29 and 25 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

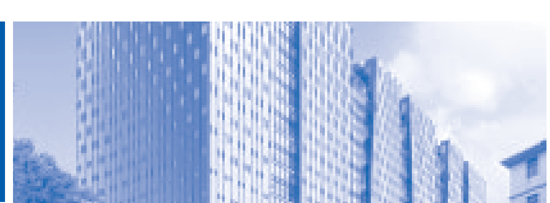
There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity, respectively.



DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's reserves available for cash distribution and distribution in specie were HK$111,331,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$386,226,000, may be distributed in the form of fully paid bonus shares.

FINANCIAL RESOURCES AND LIQUIDITY

The Group generally financed its operations with internally generated cash flows, equity financing and with facilities mainly provided by banks in Mainland China during the year. At the balance sheet date, the Group had cash and bank balances and deposits totalling HK$36,216,000.

At the balance sheet date, the Group had aggregate bank loans of HK$62,244,000, of which HK$14,339,000 would be repayable within one year from the balance sheet date.

During the year, the Company carried out two fund raising exercises as detailed in notes 28(e) and 28(g), one was completed in July 2008 raising net proceeds of HK$22,700,000 and the other was completed in January 2009 raising net proceeds of HK$14,800,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and supplier were as follows:

(i) The aggregate amount of sales attributable to the Group's five largest customers represented 100% of the total sales for the year. The sales attributable to the Group's largest customer represented 39% of the Group's total sales for the year.

(ii) The Group had no major supplier due to the nature of principal activities of the Group.

As far as the Directors are aware, neither the directors, their respective associates nor any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Ho Tsam Hung, *Vice Chairman* *(retired on 28 August 2008)*
Ho Kam Hung, *Managing Director*
Yang Jia Jian *(retired on 28 August 2008)*

Non-Executive Directors:

Lam Kuo, *Chairman*
Young Kwok Sui

Independent Non-Executive Directors:

Lawrence K. Tam
Wong Miu Ting, Ivy
Wong Kui Fai

Subsequent to the balance sheet date, Lam Kuo retired as the Non-Executive Chairman on 28 February 2009.

In accordance with the Company's bye-laws, Lawrence K. Tam and Wong Miu Ting, Ivy will retire by rotation, and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

All non-executive directors and independent non-executive directors are appointed for a term of one year. In accordance with the Company's bye-laws, all of them will retire by rotation, and, being eligible, will offer themselves for re-election at the Company's annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the Company's forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Group's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its directors as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

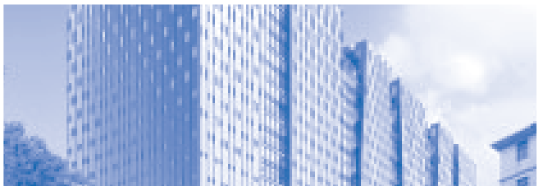
The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share options.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in section headed "Connected Transactions" below and note 39 to the financial statements no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the balance sheet date or at anytime during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.



SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. Further details of the Scheme are disclosed in note 29 to the financial statements.

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

	Number of share options						
Name or category of participant	At 1 January 2008	Granted during the year	Exercised during the year	At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*
Other employees, advisors and consultants							
In aggregate	80,000	–	–	80,000	30 March 2006	30 March 2006 to 29 March 2009	3.2
	800,000	–	–	800,000	6 March 2007	6 March 2007 to 5 March 2010	2.0
	880,000	–	–	880,000			

Notes to the table of share options outstanding during the year:

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

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The above number of share options and exercise prices have been adjusted to reflect the effect of the Company's capital reorganisation becoming effective on 11 December 2008.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interests and short positions of the Directors in the share capital and the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

The Company

Name of director	Capacity and nature of interest	Number of shares Long position	Number of shares Short position	Percentage of the Company's issued share capital
Ho Kam Hung *(Note)*	Through controlled corporation	28,007,142	–	18.45

Note:

Ho Kam Hung is deemed (by virtue of the SFO) to be interested in 28,007,142 shares in the Company. These shares are held in the following capacity:

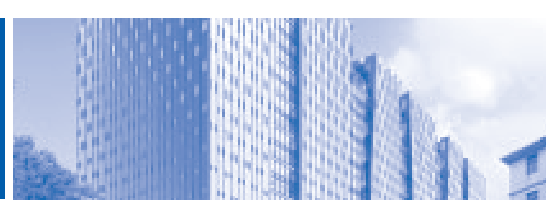
(i) 2,700,000 shares are held by Morcambe Corporation, a company beneficially owned by Ho Kam Hung.

(ii) 22,137,142 shares are held by EC Fair Limited, a company wholly owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung are brothers.

(iii) 3,170,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.

Associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives Long position	Numbers of shares/equity derivatives Short position	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13



The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 16 to the financial statements.

Save as disclosed above, as at 31 December 2008, to the best knowledges of the Directors, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CONNECTED TRANSACTIONS

The Company had the following connected transactions, certain details of which are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

An interest expense of HK$5,604,000 was incurred in respect of a loan from a director during the year. Details of a loan from a director are disclosed in note 26 to the financial statements.

Subsequent to the year end, on 14 April 2009, Ho Kam Hung, a director of the Company, and Ho Pak Hung, a director of a subsidiary and brother of Ho Kam Hung, entered into agreements with the Company to indemnify the Company from any losses arising from certain other receivables totalling RMB9,706,000 (equivalent to HK$10,871,000) and RMB26,950,000 (equivalent to HK$30,184,000) respectively. The full amount of the said other receivables has been included in the Company's consolidated balance sheet as at 31 December 2008. The indemnity covered the period from 1 January 2009 to 31 December 2009.

Subsequent to year end, on 2 April 2009, the Company entered into a second supplemental agreement with the Vendors (as defined in note 16 to the financial statements) to extend the date of completion of the second, the third and the fourth tranches in relation to an acquisition from 31 March 2009 to 30 June 2009, while no deferred interest is required for the period of extension. Further details are disclosed in note 16 to the financial statements.

Subsequent to the balance sheet date, the holder of the convertible bond (which is an associate of a director of the Company) granted consent so that the Company might elect to defer the repayment of then outstanding principal amount of the convertible bond in full to a later date not later than 30 June 2010 as detailed in note 25 to the financial statements.

The above transactions also constitute related parties transactions as detailed in note 39 to the financial statement.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the year was HK$4.0 million. The Group employed 26 full-time staff in Hong Kong and Mainland China as at 31 December 2008. Employees are remunerated according to the nature of their job responsibilities and market trend, with built-in merit components incorporated in the annual increment for rewarding and motivating individual performance. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law provisions. In Hong Kong, staff benefits also include medical scheme, Mandatory Provident Fund Scheme and share option scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ye Jia Li *(Note 1)*	Spouse	28,007,142	18.45
Ho Tsam Hung *(Note 2)*	Through controlled corporation	26,757,142	17.63
Ho Pak Hung *(Note 3)*	Through controlled corporation	25,307,142	16.68
Liang Gui Fen *(Note 3)*	Spouse	25,307,142	16.68
Strong Hero Holdings Limited *(Note 4)*	Directly beneficially owned	25,000,000	16.47
Xie Xiaoxiang *(Note 4)*	Through controlled corporation	25,000,000	16.47
EC Fair Limited *(Note 5)*	Directly beneficially owned	22,137,142	14.59
Henry Mong *(Note 6)*	Through controlled corporation	8,000,000	5.27
Xiong Shu Min *(Note 6)*	Spouse	8,000,000	5.27
Hero Grand Investments Limited *(Note 7)*	Directly beneficially owned	7,700,000	5.07
Leung Po Wa *(Note 7)*	Through controlled corporation	7,700,000	5.07

Notes:

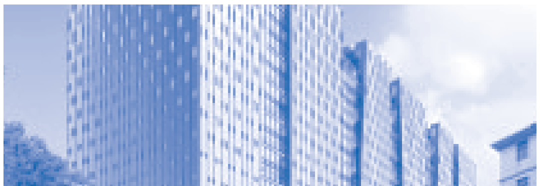
1. As Ye Jia Li is the spouse of Ho Kam Hung, a Director, she is deemed to be interested in 28,007,142 shares in the Company.

2. Ho Tsam Hung is deemed (by virtue of the SFO) to be interested in 26,757,142 shares in the Company. These shares are held in the following capacity:

   (i) 1,450,000 shares are held by Morgan Estate Assets Limited, a company beneficially owned by Ho Tsam Hung.

   (ii) 22,137,142 shares are held by EC Fair Limited, a company wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung.

   (iii) 3,170,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.



3. Ho Pak Hung is deemed (by virtue of the SFO) to be interested in 25,307,142 shares in the Company. These shares are held in the following capacity:

   (i) 22,137,142 shares are held by EC Fair Limited, a company wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung.

   (ii) 3,170,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.

   As Liang Gui Fen is the spouse of Ho Pak Hung, she is deemed to be interested in 25,307,142 shares in the Company.

4. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

5. EC Fair Limited is wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung. 21,780,000 shares are directly held by EC Fair Limited and 357,142 shares are held in the capacity as the holder of the convertible bonds (see below).

   Pursuant to the conditional sale and purchase agreement dated on 9 October 2007 and the supplemental agreement dated on 26 October 2007 entered into between the Company and the private companies wholly-owned by Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung in relation to the issue of convertible bond in a principal amount up to HK$789,320,000 in aggregate, the convertible bond with a principal amount of HK$84,000,000 was issued to EC Fair Limited on 17 December 2007. The maximum number of ordinary shares of HK$0.10 each in the capital of the Company, assuming full conversion of the convertible bond at the initial conversion price of HK$2.80 per share (subject to adjustments from time to time), which may be issued 30,000,000 new shares. As at 31 December 2008, the conversion rights are not exercised.

   For the purpose of SFO, EC Fair Limited is deemed to be interested in 357,142 shares, being the minimum number of shares which may be issued upon the conversion of the convertible bonds.

6. Henry Mong and Xiong Shu Min, the spouse of Henry Mong, are deemed to be interested in 8,000,000 shares in the Company. These shares are held in the following capacity:

   (i) 6,000,000 shares are held by Super Grand Holdings Limited, a company beneficially owned by Henry Mong.

   (ii) 2,000,000 shares are directly held by Xiong Shu Min.

7. Hero Grand Investments Limited is wholly-owned by Leung Po Wa.

Save as disclosed above, as at 31 December 2008, so far as is known to any Director, no person, other than any Director, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company and of the Group are set out in note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at 22 April 2009 (being the latest practicable date prior to the printing of this annual report).

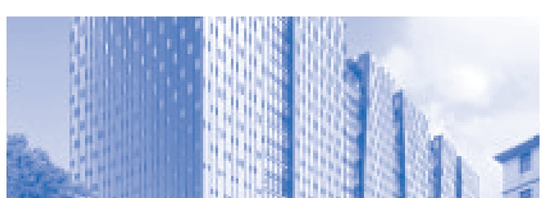
AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ho Kam Hung
Managing Director

Hong Kong
22 April 2009



ERNST & YOUNG
安 永

To the shareholders of **Zhong Hua International Holdings Limited**
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 25 to 96, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated summary 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

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

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

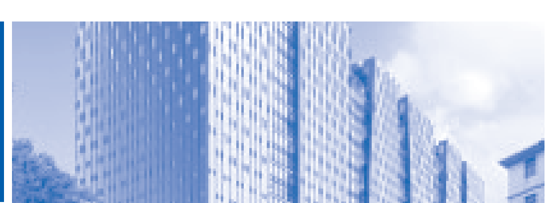
Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss 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.

ERNST & YOUNG
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong
22 April 2009



Consolidated Income Statement

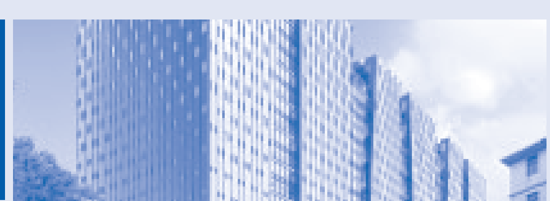
Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	*5*	**32,558**	10,070
Other income		**3,153**	3,098
Changes in fair value of investment properties	*14*	**(409,266)**	–
Changes in fair value of the derivative component of a convertible bond	*25*	**(30,762)**	(1,992)
Gain on disposal of interests in subsidiaries	*24*	**–**	18,057
Administrative expenses		**(16,257)**	(13,376)
Other operating expenses, net		**(2,538)**	(3,128)
Finance costs	*6*	**(33,764)**	(2,918)
PROFIT/(LOSS) BEFORE TAX	*7*	**(456,876)**	9,811
Tax	*9*	**97,249**	10,285
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(359,627)**	20,096
DISCONTINUED OPERATION	*10*		
Loss for the year from a discontinued operation		**–**	(7,272)
PROFIT/(LOSS) FOR THE YEAR		**(359,627)**	12,824
Attributable to:			
Equity holders of the Company	*11, 30*	**(144,763)**	12,824
Minority interests	*30*	**(214,864)**	–
		(359,627)	12,824
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*		
Basic			
– For profit/(loss) for the year		**HK$(1.19)**	HK$0.18
– For profit/(loss) for the year from continuing operations		**HK$(1.19)**	HK$0.28
Diluted			
– For profit/(loss) the year		**N/A**	HK$0.17
– For profit/(loss) for the year from continuing operations		**N/A**	HK$0.27

Consolidated Balance Sheet

31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**9,077**	9,795
Investment properties	*14*	**2,836,156**	3,088,413
Intangible assets	*15*	**–**	–
Interests in jointly-controlled entities	*17*	**–**	–
Pledged deposits	*20*	**14**	1,676
Total non-current assets		**2,845,247**	3,099,884
CURRENT ASSETS			
Properties held for sales		**37,062**	35,407
Trade receivables	*18*	**34,219**	32,434
Prepayments, deposits and other receivables	*19*	**61,075**	22,713
Cash and cash equivalents	*20*	**36,216**	100,527
Total current assets		**168,572**	191,081
CURRENT LIABILITIES			
Trade payables	*21*	**(26,150)**	(25,015)
Tax payable		**(25,009)**	(19,161)
Other payables and accruals	*22*	**(79,168)**	(46,341)
Due to directors	*26*	**–**	(11,403)
Convertible bond	*23, 25*	**(78,149)**	–
Interest-bearing bank and other borrowings	*23*	**(14,926)**	(10,910)
Total current liabilities		**(223,402)**	(112,830)
NET CURRENT ASSETS/(LIABILITIES)		**(54,830)**	78,251
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,790,417**	3,178,135
NON-CURRENT LIABILITIES			
Loan from a director	*26*	**(71,658)**	(68,459)
Due to a director	*26*	**(85,819)**	(63,542)
Long term other payables	*22*	**(105,204)**	(106,956)
Convertible bond	*23, 25*	**–**	(41,492)
Promissory note	*23*	**–**	(100,000)
Interest-bearing bank and other borrowings	*23*	**(48,861)**	(24,318)
Deferred tax liabilities	*27*	**(573,326)**	(646,545)
Total non-current liabilities		**(884,868)**	(1,051,312)
Net assets		**1,905,549**	2,126,823



	Notes	**2008** **HK$'000**	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*28*	**12,640**	232,808
Reserves	*30*	**590,629**	444,650
		603,269	677,458
Minority interests		**1,302,280**	1,449,365
Total equity		**1,905,549**	2,126,823

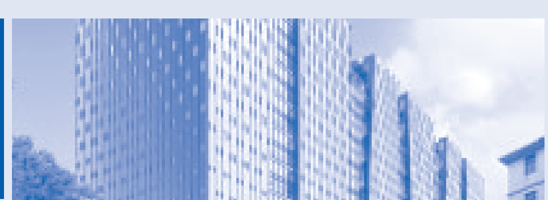
Ho Kam Hung
Director

Young Kwok Sui
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2008

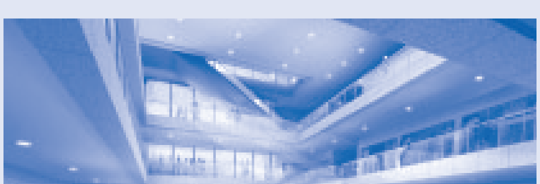
	Notes	2008 HK$'000	2007 HK$'000
Total equity at 1 January		**2,126,823**	452,890
Exchange differences on translation of the financial statements of foreign entities	*30*	**115,353**	24,415
Total income and expense for the year recognised directly in equity		**115,353**	24,415
Profit/(loss) for the year attributable to	*30*		
Equity holders of the Company		**(144,763)**	12,824
Minority interests		**(214,864)**	–
Total income and expense for the year		**(359,627)**	12,824
Issue of shares, including share premium	*28*	**23,000**	133,200
Share option scheme reserve	*29*	**–**	992
Exercise of share options, at par	*28*	**–**	8,400
Minority interest arose on acquisition of non-wholly-owned subsidiaries	*31*	**–**	1,449,365
Equity component of a convertible bond	*30*	**–**	44,737
Total equity at 31 December		**1,905,549**	2,126,823



Consolidated Cash Flow Statement

Year ended 31 December 2008

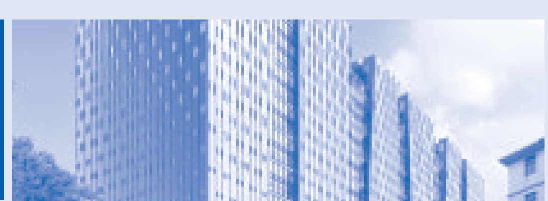
	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**(456,876)**	9,811
From a discontinued operation	*10*	**–**	(7,272)
Adjustments for:			
Finance costs	*6*	**33,764**	2,918
Interest income	*7*	**(1,612)**	(3,602)
Gain on disposal of interests in subsidiaries	*7, 24*	**–**	(18,057)
Depreciation	*7*	**1,060**	3,344
Amortisation of intangible assets	*7*	**–**	4,313
Write off of intangible assets	*7*	**–**	4,312
Write off of items of property, plant and equipment	*7*	**–**	1,954
Loss on disposal of items of property, plant and equipment	*7*	**–**	38
Impairment of trade receivables	*7*	**1,418**	–
Impairment of other receivables	*7*	**1,120**	–
Changes in fair value of investment properties	*7*	**409,266**	–
Change in fair value of the derivative component of a convertible bond	*7*	**30,762**	1,992
Equity-settled share option scheme expenses	*7, 29*	**–**	992
		18,902	743
Increase in trade receivables		**(3,203)**	(6,480)
Decrease/(increase) in prepayments, deposits and other receivables		**(39,482)**	55,811
Increase/(decrease) in trade payables		**1,135**	(625)
Increase in other payables and accruals		**15,897**	7,510
Exchange difference on translation of financial statements of foreign entities		**(10,576)**	(1,306)
Cash generated from/(used in) operations		**(17,327)**	55,653
Interest received		**1,612**	3,602
Interest paid		**(5,215)**	(2,362)
Interest element on finance lease rental payments	*6*	**(120)**	(155)
Net cash inflow/(outflow) from operating activities		**(21,050)**	56,738



Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		–	(367)
Acquisition of subsidiaries	*31*	–	(222,598)
Decrease in time deposits with original maturity of more than three months		58,369	129,308
Decrease/(increase) in deposits pledged to a bank		1,662	(1,272)
Net cash inflow/(outflow) from investing activities		60,031	(94,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		23,000	80,650
New bank loans raised		32,700	50,000
Repayments of bank loans		(3,590)	(48,359)
Repayment of promissory note		(100,000)	–
Capital element of finance lease rental payments		(551)	(516)
Increase/(decrease) in amounts due to directors		5,270	(3,793)
Decrease in long term other payables		(1,752)	–
Net cash inflow/(outflow) from financing activities		(44,923)	77,982
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,942)	39,791
Cash and cash equivalents at beginning of year		42,158	2,202
Effect of foreign exchange rate changes, net		–	165
CASH AND CASH EQUIVALENTS AT END OF YEAR		36,216	42,158
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	36,216	42,158



Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**246**	320
Interests in subsidiaries	*16*	**290,218**	290,218
Total non-current assets		**290,464**	290,538
CURRENT ASSETS			
Due from subsidiaries	*16*	**368,718**	453,041
Prepayments, deposits and other receivables	*19*	**397**	497
Cash and bank balances		**9,420**	3,460
Total current assets		**378,535**	456,998
CURRENT LIABILITIES			
Tax payable		**(3,610)**	(3,610)
Other payables and accruals	*22*	**(32,029)**	(6,877)
Convertible bond	*23, 25*	**(78,149)**	–
Total current liabilities		**(113,788)**	(10,487)
NET CURRENT ASSETS		**264,747**	446,511
TOTAL ASSETS LESS CURRENT LIABILITIES		**555,211**	737,049
NON-CURRENT LIABILITIES			
Convertible bond	*23, 25*	**–**	(41,492)
Promissory note	*23*	**–**	(100,000)
Total non-current liabilities		**–**	(141,492)
Net assets		**555,211**	595,557
EQUITY			
Issued capital	*28*	**12,640**	232,808
Reserves	*30*	**542,571**	362,749
Total equity		**555,211**	595,557

Ho Kam Hung
Director

Young Kwok Sui
Director

1. CORPORATE INFORMATION

Zhong Hua International Holdings Limited (the "Company") was incorporated in Bermuda on 23 September 1997 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The register office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the principal office of the Company in Hong Kong is located at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company has not changed during the year and consists of investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the principal activities of the subsidiaries during the year.

2.1 BASIS OF PREPARATION

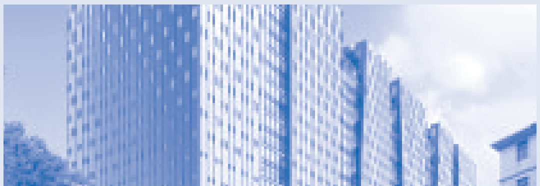
These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and the derivative financial instrument which have been measured at fair value, as further explained below. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.



2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements:

HKAS 39 & HKFRS 7 Amendments	*Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal change in accounting policies are as follows:

(a) Amendments to HKAS 39 Financial Instruments: *Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*

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

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

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

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

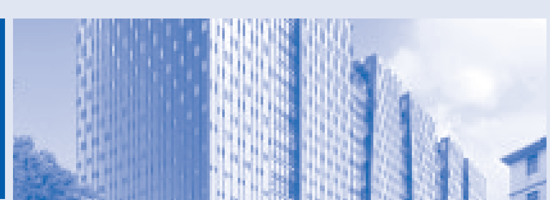
(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

No member of the Group is an operator and, therefore this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.



2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improvement Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [3]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to remove inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and jointly-controlled entities, after reassessment, is recognised immediately in the income statement.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

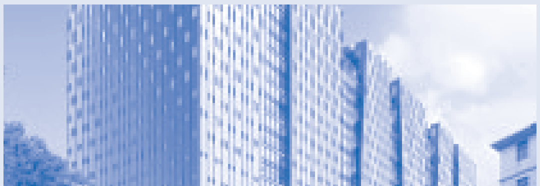
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose as follows:

Land and buildings	Over the lease terms
Leasehold improvements	20%
Equipment	20%
Computer and office equipment, furniture and fixtures	20%
Motor vehicles	20%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

Properties held for sale

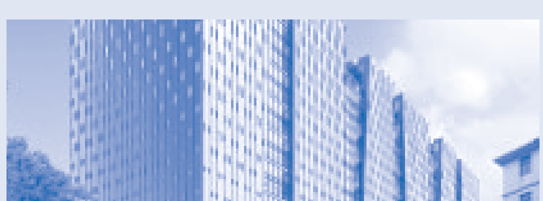
Properties held for sale, consisting of completed properties intended for sale are classified as current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other cost attributable to such properties. Net realisable value is determined by directors with reference to the prevailing market prices on an individual property basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

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

Fair value

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

Impairment of financial assets

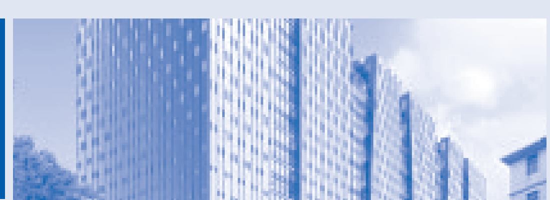
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities, including trade and other payables, loan from/amount due to directors, a promissory note and interest-bearing and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of a convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Financial guarantee contracts

Financial guarantee contracts under the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition of financial liabilities

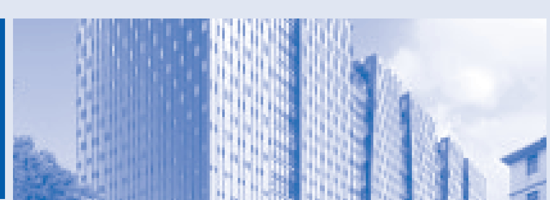
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits which are not restricted as to use.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Revenue recognition

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

(i) from the sale of completed properties held for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(ii) rental income, on a time proportion basis over the lease terms; and

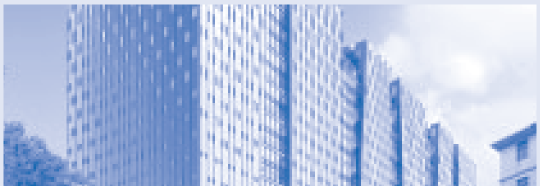
(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance; for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions

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

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a binomial model or an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

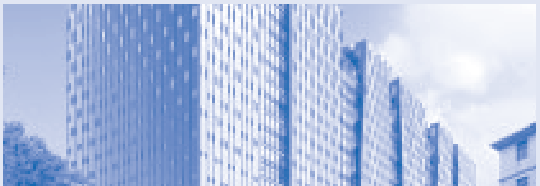
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.



3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

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

Impairment of assets

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the assets using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate.

Estimation uncertainty

The key assumption 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, is discussed below.

Impairment of trade and other receivables

The Group makes allowances for impairment based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment allowances in the year in which such estimate has been changed.

Estimation of fair value of an investment property

As described in note 14 to the financial statements, the investment properties were revalued at the balance sheet date on an open market, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the property investment segment, investment in properties located in Mainland China for rental income potential; and

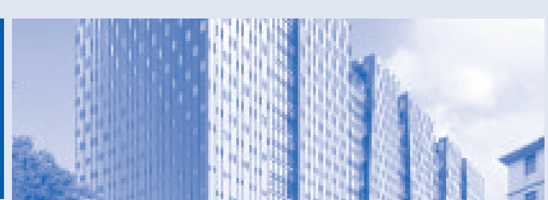
(b) the corporate and others segment, provides management services to group companies.

Discontinued operation

(c) the leasing of equipment segment engages in the leasing of equipment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

	Continuing operations						Discontinued operation			
	Property investment		Corporate and others		Total		Leasing of equipment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**32,558**	10,070	**–**	–	**32,558**	10,070	**–**	3,988	**32,558**	14,058
Other revenue and gains	**–**	–	**–**	18,057	**–**	18,057	**–**	–	**–**	18,057
Total	**32,558**	10,070	**–**	18,057	**32,558**	28,127	**–**	3,988	**32,558**	32,115
Segment results	**(382,201)**	5,146	**(44,064)**	4,485	**(426,265)**	9,631	**–**	(8,937)	**(426,265)**	694
Other income					**3,153**	3,098	**–**	1,665	**3,153**	4,763
Finance costs					**(33,764)**	(2,918)	**–**	–	**(33,764)**	(2,918)
Profit/(loss) before tax					**(456,876)**	9,811	**–**	(7,272)	**(456,876)**	2,539
Tax					**97,249**	10,285	**–**	–	**97,249**	10,285
Profit/(loss) for the year					**(359,627)**	20,096	**–**	(7,272)	**(359,627)**	12,824



4. SEGMENT INFORMATION *(continued)*

	Continuing operations						Discontinued operation			
	Property investment		Corporate and others		Total		Leasing of equipment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,970,666**	3,181,937	**6,937**	3,113	**2,977,603**	3,185,050	**–**	5,847	**2,977,603**	3,190,897
Unallocated assets					**36,216**	100,068	**–**	–	**36,216**	100,068
Total assets					**3,013,819**	3,285,118	**–**	5,847	**3,013,819**	3,290,965
Segment liabilities	**345,133**	311,322	**164,802**	186,983	**509,935**	498,305	**–**	131	**509,935**	498,436
Unallocated liabilities					**598,335**	665,706	**–**	–	**598,335**	665,706
Total liabilities					**1,108,270**	1,164,011	**–**	131	**1,108,270**	1,164,142
Other segment information:										
Capital expenditure	**–**	–	**–**	367	**–**	367	**–**	–	**–**	367
Depreciation and amortisation	**321**	294	**739**	677	**1,060**	971	**–**	6,686	**1,060**	7,657
Impairment of trade receivables	**–**	–	**1,418**	–	**1,418**	–	**–**	–	**1,418**	–
Impairment of other receivables	**–**	–	**1,120**	–	**1,120**	–	**–**	–	**1,120**	–
Write-off of intangible assets	**–**	–	**–**	–	**–**	–	**–**	4,312	**–**	4,312
Write-off of items of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	1,954	**–**	1,954
Loss on disposal of items of property, plant and equipment	**–**	–	**–**	38	**–**	38	**–**	–	**–**	38

5. REVENUE

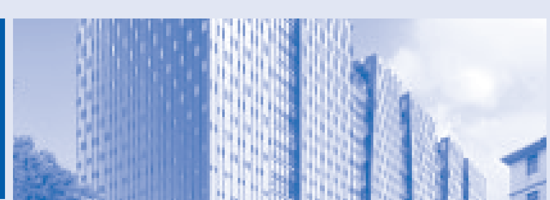
Revenue, which is also the Group's turnover, represents gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

An analysis of revenue is as follows:

	2008 **HK$'000**	2007 HK$'000
Rental income from investment properties	**32,558**	10,070
Attributable to continuing operations reported in the consolidated income statement	**32,558**	10,070
Attributable to a discontinued operation *(note 10)*	**–**	3,988
	32,558	14,058

6. FINANCE COSTS

	Notes	**2008** **HK$'000**	2007 HK$'000
Interest on:			
Bank loans		**5,075**	2,362
Finance lease		**120**	155
Convertible bond	*25*	**5,895**	237
Promissory note		**1,179**	164
Loan from a director		**5,604**	–
Deferred completion of the second and third tranches in relation to the Acquisition (as defined in note 16 below)	*16*	**15,751**	–
Other loan		**140**	–
		33,764	2,918
Attributable to continuing operations		**33,764**	2,918
Attributable to a discontinued operation *(note 10)*		**–**	–
		33,764	2,918



7. PROFIT/(LOSS) BEFORE TAX

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

	2008 **HK$'000**	2007 HK$'000
Cost of services provided*	**–**	4,313
Depreciation	**1,060**	3,344
Amortisation of intangible assets*	**–**	4,313
Write off of intangible assets***	**–**	4,312
Write off of items of property, plant and equipment	**–**	1,954
Loss on disposal of items of property, plant and equipment	**–**	38
Minimum lease payments under operating leases on land and buildings	**1,120**	1,058
Employee benefits expense (including directors' remuneration – note 8):		
Wages and salaries ##	**3,764**	3,191
Pension scheme contributions #	**201**	136
	3,965	3,327
Auditors' remuneration	**1,298**	1,298
Impairment of trade receivables**	**1,418**	–
Impairment of other receivables**	**1,120**	–
Gross and net rental income on investment properties	**(32,558)**	(10,070)
Foreign exchange differences, net	**(1,440)**	(1,582)
Bank interest income	**(1,612)**	(3,602)
Gain on disposal of interests in subsidiaries	**–**	(18,057)
Equity-settled share option scheme expenses	**–**	992
Changes in fair value of investment properties	**409,266**	–
Change in fair value of the derivative component of convertible bond	**30,762**	1,992

The disclosures presented in this note for the year ended 31 December 2007 included those amounts charged/credited in respect of the discontinued operation.

* Last year's cost of services provided of HK$4,313,000 in relation to the discontinued operation, relating to amortisation of intangible assets, was also included in the amortisation of intangible assets disclosed above.

** Included in "Other operating expenses, net" on the face of the consolidated income statement.

*** Included in "Other operating expenses, net" as set out in note 10 "Discontinued operation" below.

\# At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).

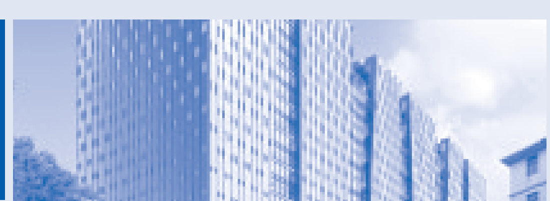
\## Last year's wages and salaries includes amount of HK$159,000 relating to share option scheme expenses which is also included in the "Equity-settled employees share option scheme expenses" as described above.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

2008

	Directors' fees HK$'000	Salaries, allowances and benefit in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Ho Tsam Hung	160	–	16	176
Yang Jia Jian	160	–	–	160
Ho Kam Hung	240	–	24	264
	560	–	40	600
Non-executive Directors				
Lam Kuo	240	–	–	240
Young Kwok Sui	210	–	–	210
	450	–	–	450
Independent Non-executive Directors				
Lawrence K. Tam	150	–	–	150
Wong Miu Ting, Ivy	150	–	–	150
Wong Kui Fai	150	–	–	150
	450	–	–	450
	1,460	–	40	1,500



8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

2007

	Directors' fees HK$'000	Salaries, allowances and benefit in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Ho Tsam Hung	240	–	24	264
Yang Jia Jian	240	–	–	240
Ho Kam Hung	240	–	24	264
	720	–	48	768
Non-executive directors				
Lam Kuo	240	–	–	240
Young Kwok Sui	210	–	–	210
	450	–	–	450
Independent Non-executive Directors				
Lawrence K. Tam	150	–	–	150
Wong Miu Ting, Ivy	150	–	–	150
Wong Kui Fai	150	–	–	150
	450	–	–	450
	1,620	–	48	1,668

The Executive Directors of the Company are the key management personnel of the Group.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

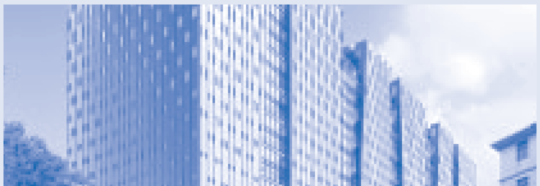
The five highest paid employees during the year included three (2007: three) directors, details of whose remuneration are set out above. Details of the remuneration of the two (2007: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**905**	756
Pension scheme contributions	**48**	48
Equity-settled share option scheme expenses benefits	**–**	159
	953	963

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

In 2007, 800,000 share options were granted to two highest paid employees, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for that year is included in the above non-directors, highest paid employees' remuneration disclosures. The number of share options granted in 2007 have been adjusted to reflect the capital reorganisation become effective on 11 December 2008 as further detailed in note 28(f) to the financial statements.

During the year, no emoluments were paid by the Group to the directors or non-directors, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.



9. TAX

	Group 2008 HK$'000	Group 2007 HK$'000
Group:		
Current – elsewhere	**5,068**	1,986
Deferred *(note 27)*	**(102,317)**	(12,271)
Total tax credit for the year	**(97,249)**	(10,285)

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at tax rate of 25% (2007: 33%) after the effective date of the Corporate Income Tax Law of the People's Republic of China on 1 January 2008.

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

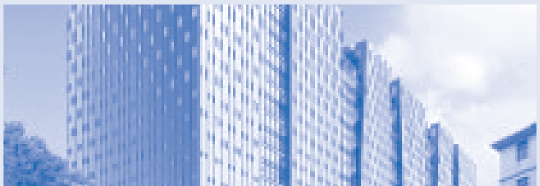
Group – 2008

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax	**(64,279)**	**(392,597)**	**(456,876)**
Tax at the statutory tax rate	**(10,606)**	**(98,149)**	**(108,755)**
Income not subject to tax	**(22)**	**(101)**	**(123)**
Expenses not deductible for tax	**10,628**	**1,001**	**11,629**
Tax charge at the Group's effective rate	**–**	**(97,249)**	**(97,249)**
Represented by:			
Tax charge attributable to continuing operations			**(97,249)**
Tax charge attributable to a discontinued operation *(note 10)*			**–**
			(97,249)

9. TAX *(continued)*

Group – 2007

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax (including loss from a discontinued operation)	4,017	(1,478)	2,539
Tax at the statutory tax rate	703	(488)	215
Effect on opening deferred tax of decrease in rates	–	(12,271)	(12,271)
Income not subject to tax	(3,159)	–	(3,159)
Expenses not deductible for tax	2,456	2,474	4,930
Tax charge at the Group's effective rate	–	(10,285)	(10,285)
Represented by:			
Tax charge attributable to continuing operations			(10,285)
Tax charge attributable to a discontinued operation *(note 10)*			–
			(10,285)



10. DISCONTINUED OPERATION

In 2007, the Group decided to cease the operation (the "Cessation") of 廣州遠朋天成電子科技有限公司 ("廣州遠朋") (formerly known as "Guangzhou Proland Electrical Technology Limited"). 廣州遠朋 principally engaged in leasing of equipment in Mainland China. Pursuant to the agreement entered into between 廣州遠朋 and 廣州市飛躍信息技術開發有限公司 ("Fei Yue") on 28 December 2007, 廣州遠朋 has ceased leasing of POS equipment to Fei Yue since then.

The results for the discontinued operation for the year ended 31 December 2007 are as follows:

	HK$'000
REVENUE	3,988
Cost of sales	(4,313)
Gross loss	(325)
Other income	1,665
Administrative expenses	(2,346)
Other operating expenses, net	(6,266)
Finance costs	–
Loss before tax from discontinued operation	(7,272)
Tax	–
Loss after tax from discontinued operation	(7,272)
Attributable to:	
Equity holders of the Company	(7,272)
Minority interest	–
	(7,272)

10. DISCONTINUED OPERATION *(continued)*

The net cash flows of a discontinued operation are as follows:

	2007 HK$'000
Operating activities	(592)
Investing activities	635
Financing activities	–
Net cash inflow	43

	2007
Loss per share:	
Basic, from the discontinued operation	HK$0.10
Diluted, from the discontinued operation	N/A

Diluted loss per share from the discontinued operation for the year ended 31 December 2007 has not been disclosed as the convertible bond and share options outstanding during that year had anti-dilutive effect on the basic loss per share.

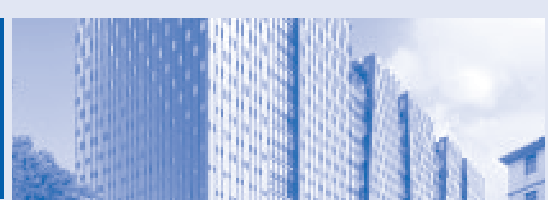
The calculations of basic loss per share from the discontinued operation are based on:

	2007
Loss attributable to equity holders of the Company from the discontinued operation	HK$7,272,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	70,655,088

The above weighted average number of ordinary shares and basic loss per share have been adjusted to reflect the capital reorganisation becoming effective on 11 December 2008 as further detailed in note 28(f) to the financial statements.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$63,346,000 (2007: HK$15,626,000) which has been dealt with in the financial statements of the Company (note 30).



12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$144,763,000 (2007: profit of HK$12,824,000), and the weighted average number of 121,240,196 (2007: 70,655,088 (adjusted to reflect the effect of the Capital Reorganisation as mentioned in note 28(f))) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2008 has not been disclosed as the convertible bond and share options outstanding during the year had anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$12,824,000 adjusted to reflect the interest on the convertible bond of HK$237,000, and the weighted average number of ordinary shares used in the calculation is as follows:

	2007
Weighted average number of shares used in the basic earnings per share calculation	70,655,088
Weighted average number of shares assumed to have been issued on the conversion of convertible bond	1,232,876
Weighted average number of shares assumed to have been issued under the share option scheme for nil consideration	1,012,243
Weighted average number of shares used in the diluted earnings per share calculation	72,900,207

The calculation of basic loss (2007: earnings) for the year from continuing operations per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$144,763,000 (2007: profit of HK$20,096,000), and the weighted average number of 121,240,196 (2007: 70,655,088 (adjusted to reflect the effect of the Capital Reorganisation)) ordinary shares in issue during the year.

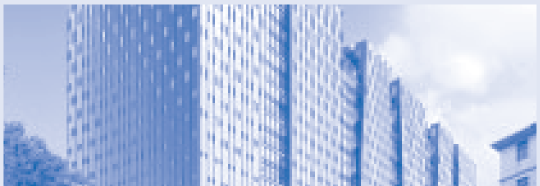
No diluted loss per share for the year ended 31 December 2008 from continuing operations has been disclosed as the convertible bond and share options outstanding during the year had anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2007 from continuing operations is based on the profit for the year from continuing operations of HK$20,096,000, adjusted to reflect the interest on the convertible bond of HK$237,000, and the weighted average number of 72,900,207 (adjusted to reflect the effect of the Capital Reorganisation) ordinary shares in issue during the year (see above).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2008	8,681	547	470	343	3,587	13,628
Exchange realignment	405	9	13	8	23	458
At 31 December 2008	**9,086**	**556**	**483**	**351**	**3,610**	**14,086**
Accumulated depreciation:						
At 1 January 2008	1,785	195	410	311	1,132	3,833
Provided during the year	252	111	10	5	682	1,060
Exchange realignment	84	7	9	5	11	116
At 31 December 2008	**2,121**	**313**	**429**	**321**	**1,825**	**5,009**
Net book value:						
At 31 December 2008	**6,965**	**243**	**54**	**30**	**1,785**	**9,077**
At 31 December 2007	6,896	352	60	32	2,455	9,795



13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

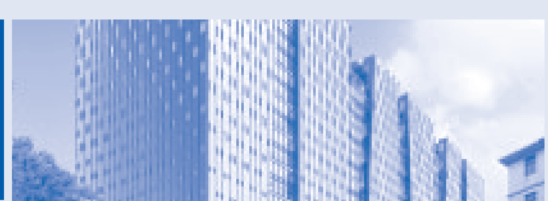
Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2007	8,072	220	11,820	679	3,547	24,338
Additions	–	348	2	17	–	367
Acquisition of subsidiaries *(note 31)*	–	–	17	–	6	23
Write off	–	–	(11,885)	–	–	(11,885)
Disposals	–	(34)	(335)	(365)	–	(734)
Exchange realignment	609	13	851	12	34	1,519
At 31 December 2007	8,681	547	470	343	3,587	13,628
Accumulated depreciation:						
At 1 January 2007	1,436	137	7,703	657	443	10,376
Provided during the year	232	84	2,347	4	677	3,344
Write off	–	–	(9,931)	–	–	(9,931)
Disposals	–	(34)	(301)	(361)	–	(696)
Exchange realignment	117	8	592	11	12	740
At 31 December 2007	1,785	195	410	311	1,132	3,833
Net book value:						
At 31 December 2007	6,896	352	60	32	2,455	9,795
At 31 December 2006	6,636	83	4,117	22	3,104	13,962

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Leasehold improvements HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Total HK$'000
2008			
At cost:			
At 1 January 2008 and 31 December 2008	351	367	718
Accumulated depreciation:			
At 1 January 2008	48	350	398
Provided during the year	70	4	74
At 31 December 2008	**118**	**354**	**472**
Net book value:			
At 31 December 2008	**233**	**13**	**246**
At 31 December 2007	303	17	320
2007			
At cost:			
At 1 January 2007	37	1,033	1,070
Additions	348	19	367
Disposals	(34)	(685)	(719)
At 31 December 2007	351	367	718
Accumulated depreciation:			
At 1 January 2007	36	985	1,021
Provided during the year	46	12	58
Disposals	(34)	(647)	(681)
At 31 December 2007	48	350	398
Net book value:			
At 31 December 2007	303	17	320
At 31 December 2006	1	48	49



13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2008 amounted to HK$1,547,000 (2007: HK$2,166,000).

The Group's land and buildings included above are held under medium term leases in Mainland China.

14. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**3,088,413**	291,800
Additions from acquisition of subsidiaries *(note 31)*	**–**	2,782,000
Changes in fair value of investment properties	**(409,266)**	–
Exchange realignment	**157,009**	14,613
Carrying amount at 31 December	**2,836,156**	3,088,413

The Group's investment properties are held under medium term land use rights in Mainland China.

The Group's investment properties with carrying value of HK$2,520,000,000 and of HK$316,156,000 were revalued as at 31 December 2008 by Vigers Appraisal and Consulting Limited and Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market, existing use basis respectively. Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(i) to the financial statements.

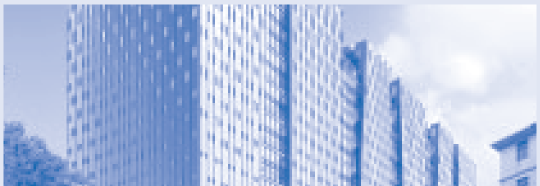
At the balance sheet date, certain of the Group's investment properties were pledged to secure banking facilities granted to the Group as set out in note 23 to the financial statements.

15. INTANGIBLE ASSETS

Group

	Operating rights HK$'000
Cost:	
At beginning of year	39,358
Write off	(42,325)
Exchange realignment	2,967
At 31 December 2007	–
Accumulated amortisation and impairment:	
At beginning of year	31,497
Provided during the year	4,313
Write off	(38,013)
Exchange realignment	2,203
At 31 December 2007	–
Net book value:	
At 31 December 2008	**–**
At 31 December 2007	–

Operating rights with carrying value of HK$4,312,000 as at 31 December 2007 had been written off in 2007 due to the Cessation.



16. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**467,158**	467,158
Provision for impairment	**(176,940)**	(176,940)
	290,218	290,218
Due from subsidiaries	**593,383**	677,706
Impairment for amounts due from subsidiaries	**(224,665)**	(224,665)
	368,718	453,041
	658,936	743,259

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited ("CLRIL")	British Virgin Islands/ Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	People's Republic of China ("PRC")/ Mainland China	US$2,000,000 Registered capital *(Note a)*	**100**	100	Property development, holding and management

16. INTERESTS IN SUBSIDIARIES *(continued)*

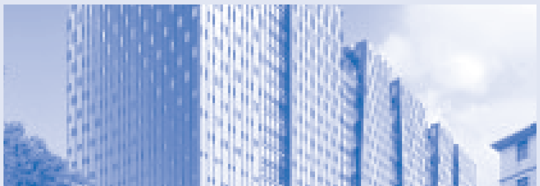
Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company 2008	Percentage of equity attributable to the Company 2007	Principal activities
Indirectly held *(continued)*					
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note b)*	**100**	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/ Mainland China	HK$1,500,000 Registered capital *(Note a)*	**100**	100	Inactive
Zheng Da Real Estate Development Company Limited ("Zheng Da")	Hong Kong	HK$4 Ordinary *(Notes c and d)*	**25**	25	Investment holding
廣州市正大房地產開發有限公司 ("Guangzhou Zheng Da")	PRC/ Mainland China	RMB150,000,000 Registered capital *(Notes a, c and d)*	**25**	25	Property investment business

Notes:

a. CQ Smart Hero and 廣州遠朋天成電子科技有限公司 are wholly-foreign-owned enterprises established in the PRC. Guangzhou Zheng Da is a sino-foreign joint venture established in the PRC.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.



16. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

c. In 2007, the Group entered into a sale and purchase agreement on 9 October 2007 (as amended on 26 October 2007) (the "Agreement") with two private companies (the "Vendors") to acquire the entire equity interest (the "Acquisition") in Zheng Da and Guangzhou Zheng Da (collectively the "Zheng Da Group"). The acquisition of the entire equity interest in the Zheng Da Group is to be completed in four tranches. The first tranche was completed on 17 December 2007 and, as a result, the Group has acquired 25% equity interest in Zheng Da. According to the Agreement, the Group has the currently exercisable right to acquire and complete the acquisition of the remaining 75% equity interest in Zheng Da up to 31 March 2009. Therefore, the Company has obtained the exercisable potential voting rights over Zheng Da, and hence, the Company has potential power to govern the financial and operating policies of the Zheng Da Group and the directors considered it is appropriate to account for Zheng Da and Guangzhou Zheng Da as subsidiaries of the Group since 17 December 2007.

In accordance with the Agreement, the second, the third and the fourth tranches have to be completed on or before 31 May 2008, 31 October 2008 and 31 March 2009, respectively. Should the remaining tranches not be completed according to the dates specified above, a deferred interest would be incurred which is calculated based on a rate of 4% per annum on the relevant consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant consideration is settled by the Company or 31 March 2009, whichever the earlier. As at the balance sheet date, the second and third tranches have not been completed. Accordingly, the Company has accrued a deferred interest of HK$15,751,000 during the year.

Subsequent to year end, on 31 March 2009, the Company entered into a second supplemental agreement with the Vendors to extend the date of completion of the second, the third and the fourth tranches from 31 March 2009 to 30 June 2009, while no deferred interest is required for the period of extension.

d. Subject to the payment of a fixed sum of RMB50,000 per month to the joint venture party, Zheng Da is entitled to all of the profits and bears all of the losses of Guangzhou Zheng Da.

The above table lists the subsidiaries of the Company as at 31 December 2008 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**–**	–
Due from jointly-controlled entities	**11,873**	11,873
Less: Impairment for amounts due from jointly-controlled entities	**(11,873)**	(11,873)
	–	–

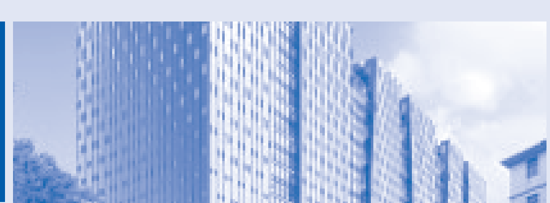
The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

世聯匯通信息科技有限公司 ("Shi Lian"), an indirectly held jointly-controlled entity of the Group, is engaged in the provision of technology consultancy services for a phone payment system operating in Mainland China.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
Shi Lian	Corporate	PRC/Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

All of the above investments in jointly-controlled entities are directly held by I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.



18. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2008		2007	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**6,720**	**20**	7,284	22
More than 6 months but within 1 year	**4,850**	**14**	3,512	11
More than 1 year but within 2 years	**–**	**–**	4,511	14
More than 2 years	**22,649**	**66**	17,127	53
	34,219	**100**	32,434	100
Portion classified as current assets	**(34,219)**		(32,434)	
Non-current assets	**–**		–	

The Group generally grants a credit term of 3 to 12 months to its customers.

The age of the Group's trade receivables are based on the date of recognition of turnover and the due date of instalments as stipulated in the sale contracts.

An amount of HK$22,649,000 (2007: HK$21,638,000) included in the total trade receivables are attributable to properties sold in prior years.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**11,570**	10,796
Past due over 1 year	**22,649**	21,638
	34,219	32,434

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to the trade receivable arising from the properties sold in prior years. The legal titles of the properties sold are retained by the Group until the contracted amounts have been fully settled. Accordingly, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the legal titles are still retained by the Group as at 31 December 2008 and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets:				
Prepayments	**–**	100	**–**	100
Deposits and other receivables	**61,705**	22,613	**397**	397
	61,705	22,713	**397**	497

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. Subsequent to the balance sheet date, Ho Kam Hung, a director of the Company, and Ho Pak Hung, a director of a subsidiary, has indemnified the Company from any losses arising from certain other receivables totalling RMB9,706,000 (equivalent to HK$10,871,000) and RMB26,950,000 (equivalent to HK$30,184,000) respectively. The indemnity covered period from 1 January 2009 to 31 December 2009.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At 31 December 2008, bank deposits of approximately HK$14,000 (2007: HK$1,676,000) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties and the bank loan of HK$53,284,000 of the Group as at 31 December 2008.

Last year's cash and cash equivalents balances of the Group included time deposits with original maturity of more than three months of HK$58,369,000.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$26,767,000 (2007: HK$58,964,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

21. TRADE PAYABLES

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

	Group			
	2008		2007	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**98**	**1**	–	–
More than 6 months but within 1 year	**–**	**–**	8	1
More than 1 year but within 2 years	**–**	**–**	2,305	8
More than 2 years but within 3 years	**2,412**	**9**	–	–
Over 3 years	**23,640**	**90**	22,702	91
	26,150	**100**	25,015	100

The age of the Group's trade payables is based on the date of the goods received or services rendered.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**137,378**	132,741	**982**	982
Deposits from placee in respect of placing of Company's Shares *(note 28(g))*	**9,000**	–	**9,000**	–
Accrued interest on deferred completion of the second and the third tranches in relation to the Acquisition	**15,751**	–	**15,751**	–
Other accruals	**22,243**	20,556	**6,296**	5,895
	184,372	153,297	**32,029**	6,877
Less: current portion	**(79,168)**	(46,341)	**(32,029)**	(6,877)
	105,204	106,956	**–**	–

The balances of other payables and accruals included in the current liabilities are non-interest-bearing and have no fixed terms of repayment while non-current portion as at 31 December 2008 are also non-interest-bearing and not repayable before 31 March 2011.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2008 HK$'000	Group 2007 HK$'000
Current				
Finance lease payables	6.5	2009	**587**	550
Bank loans – secured	5.5-8.9	2009	**5,379**	1,800
Bank loans – unsecured	6.02-6.43	On demand	**8,960**	8,560
			14,926	10,910
Non-current				
Finance lease payables	6.5	2011	**956**	1,544
Bank loans – secured	5.5-8.9	2016-2017	**47,905**	22,774
			48,861	24,318
Convertible bond *(note 25)*	4	2009	**78,149**	41,492
Promissory note – unsecured			**–**	100,000
			141,936	176,720

	Group 2008 HK$'000	Group 2007 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**14,339**	10,360
In the second year	**5,800**	1,935
In the third to fifth years, inclusive	**20,288**	6,719
Over five years	**21,817**	14,120
	62,244	33,134
Other borrowings repayable:		
Within one year	**587**	550
In the second year	**78,776**	142,080
In the third to fifth years, inclusive	**329**	956
	79,692	143,586
	141,936	176,720

As at 31 December 2008, the liabilities portion of the convertible bond amounted to HK$78,149,000 (2007: 72,254,000 *(note 25)*).

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

As at 31 December 2008, the secured bank loans of HK$53,284,000 (2007: HK$24,574,000) and the finance lease payables of HK$1,543,000 (2007: HK$2,094,000) of the Group bore interest at floating interest rate and fixed interest rate, respectively. The secured bank loan of HK$22,653,000 (2007: HK$24,574,000) and finance lease payables of the Group are denominated in Hong Kong dollars. The secured bank loan of HK$30,631,000 (2007: Nil) is denominated in RMB.

The unsecured bank loan of the Group of HK$8,960,000 as at 31 December 2008 (2007: HK$8,560,000) bore interest at fixed rate and was denominated in RMB.

Certain bank loans are secured by certain of the Group's investment properties and bank deposits, and a corporate guarantee executed by the Company.

Promissory note

On 17 December 2007, the Company issued the promissory note (the "Note") with a nominal value of HK$100,000,000. The Note bears interest at a fixed interest rate of 4% per annum and is denominated in Hong Kong dollars. The maturity date of the Note is 16 March 2009. The promissory note was fully repaid during the year. Further details of the terms and conditions of the Note are set out in the circular of the Company dated 26 November 2007.

Finance lease payables

The Group leases certain of its motor vehicles as at 31 December 2008 and 31 December 2007 for its business use. These leases are classified as finance leases and have lease terms of five years.

As 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2008 HK$'000	**Present value of minimum lease payments 2008 HK$'000**	Minimum lease payments 2007 HK$'000	Present value of minimum lease payments 2007 HK$'000
Amounts payable:				
Within one year	**671**	**587**	671	550
In the second year	**671**	**627**	671	588
In the third to fifth years, inclusive	**336**	**329**	1,007	956
Total minimum finance lease payments	**1,678**	**1,543**	2,349	2,094
Future finance charges	**(135)**		(255)	
Total net finance lease payables	**1,543**		2,094	
Portion classified as current liabilities	**(587)**		(550)	
Non-current portion	**956**		1,544	

24. DEFERRED INCOME

The total consideration of HK$350,000,000 in respect of the disposal of the certain subsidiaries during the year ended 31 December 2002 (the "Disposed Subsidiaries") was to be settled in five instalments. The first and second instalments of a total of HK$20,000,000 were settled in cash before 31 December 2002. The third instalment of HK$50,000,000 was settled in cash before 31 December 2003 and the fourth instalment of HK$50,000,000 was settled in cash on 31 March 2004. The fifth instalment of HK$230,000,000 was to be settled by delivering certain completed units (the "Units") of the properties under development of the Disposed Subsidiaries, on or before a date falling on the first day immediately after expiration of the thirtieth month after 31 December 2002. The total gain on disposal of HK$157,984,000 was recognised in line with the settlement schedule of the consideration. On 26 March 2004, the Group entered into a supplementary agreement with the purchaser of the Disposed Subsidiaries (the "Purchaser"), following which the fifth instalment of HK$230,000,000, instead of being satisfied by the Units, shall be satisfied by the Purchaser by two instalments of HK$140,000,000 and HK$90,000,000, namely the Revised Fifth Instalment and the Sixth Instalment, respectively, in cash. The Revised Fifth Instalment was paid on 23 April 2004 and the Sixth Instalment would be paid on or before 26 January 2005.

The repayment date of the Sixth Instalment was mutually agreed between the Group and the Purchaser to be rescheduled from 26 January 2005 to 26 July 2005. HK$50,000,000 was paid on 26 July 2005. On 23 January 2006, the repayment of the remaining consideration of HK$40,000,000 was rescheduled to 31 January 2007. On 25 January 2007, the repayment of the remaining consideration was further rescheduled to 31 January 2008. In December 2007, the remaining consideration of HK$40,000,000 was received. A gain of HK$18,057,000 on disposal of the Disposed Subsidiaries in relation to this last instalment was recognised in the consolidated income statement in 2007 accordingly.

25. CONVERTIBLE BOND

On 17 December 2007, the Company issued a zero-coupon convertible bond (the "Bond") with a nominal value of HK$84,000,000 and a maturity date of 16 December 2009. The Bond is convertible into a total of 30,000,000 (adjusted to reflect the effect of the Capital Reorganisation) ordinary shares of the Company with a par value of HK$0.10 each of the Company, at the conversion price of HK$2.80 (adjusted to reflect the effect of the Capital Reorganisation) per share at any time from 17 December 2007 up to the day falling seven days prior to the maturity date of the Bond on 16 December 2009. Any convertible bond not converted will be redeemed on 16 December 2009 at nominal value of the bond. The Bond can be redeemed at the option of the Company at the amount equal to 105% of the principal amount of the Bond being redeemed during the period from the date of issue to the date of maturity. Further details of the terms and conditions of the Bond are set out in the circular of the Company dated 26 November 2007.

The Bond issued on 17 December 2007 of HK$84,000,000 has been split into liability, equity and derivative components. On issuance of the Bond, the fair value of the liability component of the Bond was determined using the prevailing market interest rate for similar debt without a conversion option and is carried as a non-current liability. The fair values of the derivative component of the Bond at date of issuance of the Bond, 31 December 2007 and 31 December 2008 were determined by using a Binomial Model and is included in the liability component. The residual amount is assigned to the conversion option as the equity component that is recognised in shareholders' equity. The derivative component is measured at fair value on the issuance date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated income statement.

25. CONVERTIBLE BOND *(continued)*

Subsequent to the balance sheet date, the Bond holder granted consent so that the Company may elect to defer the repayment of the Bond in full to a later date not later than 30 June 2010.

Details of the net proceeds received from the issue of the Bonds that have been split between the liability, equity and derivative components are analysed as follows:

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Liability component at 1 January 2008/the issuance date	**72,254**	72,017
Interest expense	**5,895**	237
Liability component at 31 December	**78,149**	72,254
Derivative component at 1 January 2008/ the issuance date – asset	**(30,762)**	(32,754)
Fair value adjustment *(note 7)*	**30,762**	1,992
Derivative component – asset at 31 December	**–**	(30,762)
Net liabilities recognised in the balance sheet	**78,149**	41,492

26. BALANCES WITH DIRECTORS

The balances due to directors included in current liabilities are unsecured, interest-free and no fixed terms of repayment.

The loan (the "Loan") from a director is unsecured and bear interests at 7.821% per annum for the year (2007: 7.821%). The balance (the "Balance") due to a director included in the non-current liabilities is unsecured and interest-free. The director has undertaken not to demand repayment of the Loan and the Balance before 31 March 2011, and to further negotiate the repayment schedule thereafter subject to the Group's then financial position, and hence the Loan and the Balance are included under non-current liabilities accordingly.

27. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

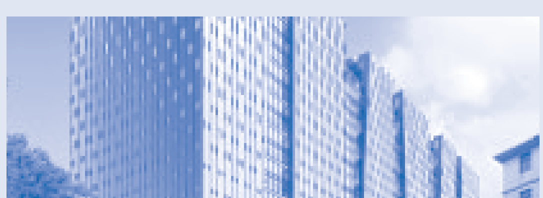
	2008		
	Fair value adjustment on investment properties HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 January 2008	606,232	40,313	646,545
Deferred tax credited to the income statement during the year *(note 9)*	(98,317)	(4,000)	(102,317)
Exchange differences	27,215	1,883	29,098
Gross deferred tax liabilities at 31 December 2008	535,130	38,196	573,326

	2007		
	Fair value adjustment on investment properties HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 January 2007	–	51,430	51,430
Deferred tax credited to the income statement during the year *(note 9)*	–	(12,271)	(12,271)
Acquisition of subsidiaries *(note 31)*	606,232	–	606,232
Exchange differences	–	1,154	1,154
Gross deferred tax liabilities at 31 December 2007	606,232	40,313	646,545

The Group has tax losses arising in Hong Kong of HK$12,734,000 (2007: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in Group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.



28. SHARE CAPITAL

Shares

	2008	2007
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2007: 10,000,000,000) ordinary shares of HK$0.1 (2007: HK$0.2) each	**100,000**	2,000,000
Issued and fully paid:		
126,404,130 (2007: 1,164,041,300) ordinary shares of HK$0.1 (2007: HK$0.2) each	**12,640**	232,808

A summary of the movements in the Company's issued ordinary share capital during the current and last year is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 January 2007	613,241,300	122,648	350,953	473,601
Issue of shares *(notes (a), (b) and (c))*	508,800,000	101,760	31,440	133,200
Exercise of the Third Option *(note (d))*	42,000,000	8,400	833	9,233
At 31 December 2007 and 1 January 2008	1,164,041,300	232,808	383,226	616,034
Issue of shares *(note (e))*	100,000,000	20,000	3,000	23,000
Capital Reorganisation (*note (f)*)	(1,137,637,170)	(240,168)	–	(240,168)
At 31 December 2008	126,404,130	12,640	386,226	398,866

Notes:

(a) On 4 July 2007, the Company entered into two subscription agreements with Super Grand Holdings Limited and East Grand Group Limited, the two independent subscribers, which conditionally agreed to subscribe for an aggregate of 120,000,000 new shares at a subscription price of HK$0.30 per share. On 17 July 2007, the Company issued and allotted 120,000,000 new shares at HK$0.30 per share resulting in raising net proceeds of HK$35,700,000 (net of expenses of HK$300,000), which were used for business development and general working capital of the Group.

28. SHARE CAPITAL *(continued)*

Notes: (continued)

(b) On 9 October 2007, the Company entered into a placing agreement with the placing agent in respect of the placing of 145,000,000 new shares at a placing price of HK$0.25 per share. On 21 November 2007, the placing was completed and 145,000,000 new shares have been placed by the placing agent to not less than six independent placees at an issue price of HK$0.25 per share resulting in raising net proceeds of HK$36,100,000 (net of expenses of HK$150,000), which were used to finance part of the consideration of the acquisition of Zheng Da Real Estate Development Company Limited ("Zheng Da") in December 2007.

(c) On 9 October 2007, the Group entered into a conditional sale and purchase agreement (as amended on 26 October 2007) relating to the acquisition of shares in Zheng Da, and a total of 243,800,000 shares at an issue price of HK$0.25 per share as part of the consideration for the acquisition of 25% indirect interest in Zheng Da. On 17 December 2007, 243,800,000 shares were issued to the designated nominee of the vendors of Zheng Da (note 31).

(d) On 6 March 2007, a total of 50,000,000 share options (the "Third Option") at exercise price of HK$0.2 per share were granted to certain employees, advisors and consultants of the Group. These share options were vested on 6 March 2007 and had an exercise period from 6 March 2007 to 5 March 2010. On 31 August 2007, 42,000,000 options were exercised and, as a result, 42,000,000 new shares were issued and cash proceeds of HK$8,400,000, were raised and share option scheme reserve amounting to HK$833,000 (note 30) was released to the share premium account.

(e) On 17 June 2008, the Company entered into a placing agreement with the placing agent in respect of the placing of 100,000,000 new shares at an issue price of HK$0.23 per share. On 8 July 2008, the placing was completed and 100,000,000 new shares were placed by the placing agent to not less than six independent placees at an issue price of HK$0.23 per share resulting in raising net proceeds of HK$22,700,000 (net of expense of HK$300,000), which were used as general working capital purpose.

(f) On 31 October 2008, the Company proposed a capital reorganisation which involved:

(i) Capital Reduction: the par value of each existing ordinary share will be reduced from HK$0.20 to HK$0.01 by the cancellation of HK$0.19 of the paid-up capital on each existing ordinary share;

(ii) Sub-division: each of the authorised but unissued shares in the capital of the Company or par value HK$0.20 shall be sub-divided into 20 shares of par value HK$0.01 each;

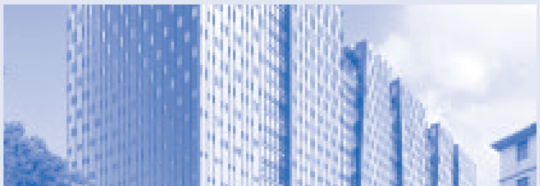
(iii) Diminution of authorised share capital: immediately following the capital reduction and the sub-division, the authorised share capital of the Company shall be diminished from HK$2,000,000,000 divided into 200,000,000,000 shares of par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of par value HK$0.01 each by the cancellation of 190,000,000,000 shares of par value HK$0.01 each in the authorised but unissued share capital of the Company; and

(iv) Share consolidation: upon completion of the capital reduction, the sub-division and the diminution of authorised share capital becoming effective, every ten shares of HK$0.01 each in both the issued and unissued share capital of the Company will be consolidated into one consolidated share of HK$0.10 each.

Following the implementation of the capital reorganisation set out above, HK$240,168,000 arising from the above Capital Reduction was applied to set-off the accumulated losses of the Company.

The capital reorganisation (the "Capital Reorganisation") was approved by shareholders at the Company's special general meeting on 10 December 2008 and became effective on 11 December 2008.

(g) On 16 December 2008, the Company entered into a subscription agreement with an independent party which conditionally agreed to subscribe for 25,000,000 shares to be issued and allotted by the Company at an issue price of HK$0.60 per shares. Subsequent to the balance sheet date, on 9 January 2009, the Company issued and allotted 25,000,000 shares at HK$0.60 per share and raised gross proceeds of approximately HK$15,000,000, to provide for general working capital of the Group.



29. SHARE OPTION SCHEMES

The Company's share option scheme which was adopted on 19 September 1997 was terminated and replaced by a new share option scheme at the special general meeting held on 11 June 2002 (the "Scheme").

The principal purpose of the Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and as an incentive to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants of the Scheme include all directors, employees, any entity in which the Group holds an equity interest (the "Invested Entity"), consultants, advisors, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity and holders of securities issued by the Group or any Invested Entity. The Scheme became effective on 11 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at anytime. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive, a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at anytime and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. No options will be exercisable ten years after the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the ordinary shares of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

29. SHARE OPTION SCHEMES *(continued)*

The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**2.1**	**880**	3.2	80
Granted during the year	**–**	**–**	2.0	5,000
Exercised during the year	**–**	**–**	2.0	(4,200)
At 31 December	**2.1**	**880**	2.1	880

The weighted average share price at the date of exercise for share options exercised in 2007 was HK$2.75 (adjusted to reflect the effect of the Capital Reorganisation).

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

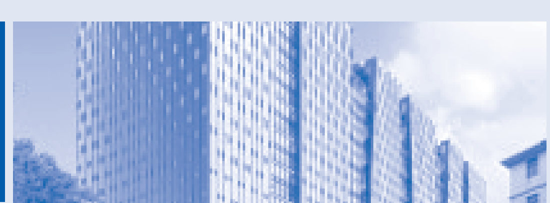
2008

Number of options '000	Exercise price* HK$ per share	Exercise period
80	**3.2**	**30 March 2006 to 29 March 2009**
800	**2.0**	**6 March 2007 to 5 March 2010**
880		

2007

Number of options '000	Exercise price* HK$ per share	Exercise period
80	3.2	30 March 2006 to 29 March 2009
800	2.0	6 March 2007 to 5 March 2010
880		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.



29. SHARE OPTION SCHEMES *(continued)*

The above number of options and exercise price have been adjusted to reflect the capital reorganisation becoming effective on 11 December 2008 as further detailed in note 28(f) to the financial statements.

The fair values of share options granted on 6 March 2007 determined using the Black-Scholes valuation model were HK$992,000. The Group recognised a total share option expense of HK$992,000 during the year ended 31 December 2007.

The 42,000,000 share options exercised in 2007 resulted in the issue of 42,000,000 ordinary shares of the Company and new share capital of HK$8,400,000 (before issue expenses), as further detailed in note 28(d) to the financial statements.

At the balance sheet date, the Company had 880,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 880,000 additional ordinary shares of the Company and additional share capital of HK$88,000 and share premium of HK$1,768,000 (before issue expenses).

30. RESERVES

Group

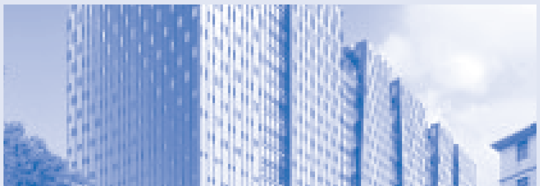
	Attributable to equity holders of the Company								
	Share premium account HK$'000	Contributed surplus HK$'000 *(note (a))*	Equity component of convertible bond HK$'000	Share option scheme reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
At 1 January 2008	383,226	80,258	44,737	277	38,171	(102,019)	444,650	1,449,365	1,894,015
Issue of new shares *(note 28(e))*	3,000	–	–	–	–	–	3,000	–	3,000
Capital reorganisation *(note 28(f))*	–	–	–	–	–	240,168	240,168	–	240,168
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	47,574	–	47,574	67,779	115,353
Net income and expense recognised directly in equity	–	–	–	–	47,574	–	47,574	67,779	115,353
Loss for the year	–	–	–	–	–	(144,763)	(144,763)	(214,864)	(359,627)
At 31 December 2008	**386,226**	**80,258**	**44,737**	**277**	**85,745**	**(6,614)**	**590,629**	**1,302,280**	**1,892,909**

30. RESERVES *(continued)*

Group

	Attributable to equity holders of the Company								
	Share premium account HK$'000	Contributed surplus HK$'000 *(note (a))*	Equity component of convertible bond HK$'000	Share option scheme reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
At 1 January 2007	350,953	80,258	–	118	13,756	(114,843)	330,242	–	330,242
Issue of new shares *(note 28)*	31,440	–	–	–	–	–	31,440	–	31,440
Issue of the Bond *(note 25)*	–	–	44,737	–	–	–	44,737	–	44,737
Equity-settled share option scheme *(note 29)*	–	–	–	992	–	–	992	–	992
Shares issued upon exercises of share options *(notes 28 and 29)*	833	–	–	(833)	–	–	–	–	–
Acquisition of non-wholly-owned subsidiaries *(note 31)*	–	–	–	–	–	–	–	1,449,365	1,449,365
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	24,415	–	24,415	–	24,415
Net income and expense recognised directly in equity	–	–	–	–	24,415	–	24,415	–	24,415
Profit for the year	–	–	–	–	–	12,824	12,824	–	12,824
At 31 December 2007	383,226	80,258	44,737	277	38,171	(102,019)	444,650	1,449,365	1,894,015

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefore.



30. RESERVES *(continued)*

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bond HK$'000	Share option scheme reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	350,953	547,326	–	118	(597,191)	301,206
Issue of new shares	31,440	–	–	–	–	31,440
Equity-settled share option arrangements *(note 29)*	–	–	–	992	–	992
Issue of the Bond *(note 25)*	–	–	44,737	–	–	44,737
Shares issued upon exercise of share options *(notes 28 and 29)*	833	–	–	(833)	–	–
Loss for the year	–	–	–	–	(15,626)	(15,626)
At 31 December 2007	383,226	547,326	44,737	277	(612,817)	362,749
At 1 January 2008	**383,226**	**547,326**	**44,737**	**277**	**(612,817)**	**362,749**
Issue of new shares	**3,000**	**–**	**–**	**–**	**–**	**3,000**
Capital Reorganisation *(note 28(f))*	**–**	**–**	**–**	**–**	**240,168**	**240,168**
Loss for the year	**–**	**–**	**–**	**–**	**(63,346)**	**(63,346)**
At 31 December 2008	**386,226**	**547,326**	**44,737**	**277**	**(435,995)**	**542,571**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

31. ACQUISITION OF SUBSIDIARIES

As further detailed in note 16 to the financial statements, on 17 December 2007, the Group acquired a portion of the equity interest in Zheng Da from the Vendors for a consideration of RMB453,700,000 (equivalent to HK$480,468,000). The consideration for the acquisition was settled in the form of cash, promissory note, the Bond and shares of the Company. Cash consideration of HK$15,196,000 was not paid by the Group before 31 December 2007 and was included in "due to directors" to the consolidated balance sheet as at 31 December 2007. The balance was fully settled during the year.

The Vendors are wholly-owned by Ho Kam Hung, a director of the Company, together with Ho Pak Hung and Ho Tsam Hung, both brothers of Ho Kam Hung. Therefore, the Vendors are related parties of the Company and the Acquisition and the above transactions constituted related party transactions.

31. ACQUISITION OF SUBSIDIARIES *(continued)*

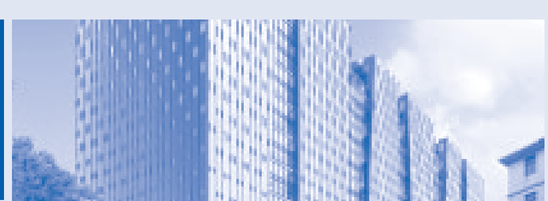
The principal activities of Zheng Da and its subsidiary are investment holding and holding properties for investment purpose, respectively.

The fair values of the identifiable assets and liabilities of Zheng Da and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment	*13*	23	23
Investment properties	*14*	2,782,000	357,071
Properties held for sale		35,407	35,407
Prepayments, deposits and other receivables		7,312	7,312
Cash and bank balances		318	318
Trade payables		(12,991)	(12,991)
Other payables and accruals		(128,436)	(128,436)
Interest-bearing and bank borrowings		(8,560)	(8,560)
Tax payable		(4,413)	(4,413)
Loan from a director		(68,459)	(68,459)
Amounts due to a director		(63,542)	(63,542)
Deferred tax liabilities	*27*	(606,232)	–
Minority interest		(1,449,365)	(85,295)
		483,062	28,435

Satisfied by:	
Promissory note	100,000
Issue of shares *(note 28(c))*	60,950
Convertible bond	84,000
Cash	220,322
Due to directors	15,196
Costs associated with the acquisition	2,594
	483,062

The Company has issued and alloted 243,800,000 new shares at the total consideration of HK$60,950,000 with reference to the fair value of the Zheng Da Group at the date of exchange.



31. ACQUISITION OF SUBSIDIARIES *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Notes	HK$'000
Cash consideration	*32*	235,518
Costs associated with the acquisition		2,594
Cash and bank balances acquired		(318)
Due to directors	*32*	(15,196)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries		222,598

Since its acquisition, the Zheng Da Group had no material contribution to the Group's turnover and to the consolidated profit for the year ended 31 December 2007.

Had the Zheng Da Group been acquired at the beginning of the year ended 31 December 2007, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$10,070,000 and HK$857,776,000, respectively.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of subsidiaries

In 2007, the Group acquired a 25% interest in Zheng Da for a cash consideration of HK$480,468,000. The consideration for the acquisition was in the form of cash consideration of HK$235,518,000, promissory note of HK$100,000,000, convertible bond of HK$84,000,000 and issue of shares of the Company of HK$60,950,000. Cash consideration of HK$15,196,000 was not paid by the Group before 31 December 2007 and was included in "Due to directors" in current liabilities as at 31 December 2007. The balance was fully settled during the year.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**139**	4,131	**–**	–
Guarantees given to a bank in respect of facilities granted by a subsidiary	**–**	–	**53,284**	25,000
	139	4,131	**53,284**	25,000

34. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are included in note 23 to the financial statements.

35. COMMITMENTS

Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for a term of four years.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

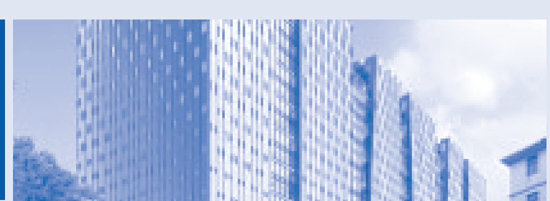
	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**532**	12,840
In the second to fifth years, inclusive	**–**	–
	532	12,840

(ii) As lessee

The Group leases its office properties in Hong Kong under operating lease arrangements with leases negotiated for terms ranging from one to two years.

At 31 December 2008, the Group and Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**460**	1,104	**–**	–
In the second to fifth years, inclusive	**–**	460	**–**	–
	460	1,564	**–**	–



36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

Financial assets

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**34,219**	32,434
Financial assets included in prepayments, deposits and other receivables	**61,075**	22,613
Pledged deposits	**14**	1,676
Cash and cash equivalents	**36,216**	100,527
	131,524	157,250

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Trade payables	**26,150**	25,015
Financial liabilities included in accrued liabilities and other payables	**79,168**	46,341
Interest-bearing bank and other borrowings	**63,787**	35,228
Loan from a director	**71,658**	68,459
Due to a director	**85,819**	74,945
Long term other payables	**105,204**	106,956
Convertible bond	**78,149**	72,254
Promissory note	**–**	100,000
	509,935	529,198

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Due from subsidiaries	**368,718**	453,041
Financial assets included in prepayments, deposits and other receivables	**397**	397
Cash and cash equivalents	**9,420**	3,460
	378,535	456,898

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Financial liabilities included in accrued liabilities and other payables	**32,029**	6,877
Convertible bond	**78,149**	72,254
Promissory note	**–**	100,000
	110,178	179,131

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, finance lease, and cash and short term deposits. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, convertible bond and balances with directors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 23 to the financial statements. The Group believes its exposure to cash flow interest rate risk is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in percentage	**Increase/ (decrease) in profit/(loss) before tax** HK$'000
2008		
Hong Kong Dollar	**0.5**	**(266)**
Hong Kong Dollar	**(0.5)**	**266**
2007		
Hong Kong Dollar	0.5	(123)
Hong Kong Dollar	(0.5)	123

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from substantial portion of its revenues and expenses are generated and incurred by its operating units in RMB.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	**Increase/(decrease) in net profit/(loss)** HK$'000
2008		
If Hong Kong dollar weakens against RMB	**5**	**2,664**
If Hong Kong dollar strengthens against RMB	**(5)**	**(2,664)**
2007		
If Hong Kong dollar weakens against RMB	5	1,147
If Hong Kong dollar strengthens against RMB	(5)	(1,147)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The credit risk of the Group's other financial assets, which comprise trade receivables, other receivables, pledged deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances and equity attributable to equity holders of the Company, which comprises issued capital and reserves as detailed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank and other borrowings divided by total assets. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 **HK$'000**	2007 HK$'000
Interest-bearing bank and other borrowings	**213,594**	245,179
Total non-current assets	**2,845,247**	3,099,884
Total current assets	**168,572**	191,081
Total assets	**3,013,819**	3,290,965
Gearing ratio	**0.07**	0.07

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The directors of the Company have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2008				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	26,150	–	–	–	26,150
Financial liabilities included in accrued liabilities and other payables	41,062	–	–	–	41,062
Loan from a director	–	–	71,658	–	71,658
Due to a director	–	–	85,819	–	85,819
Long term other payables	–	–	105,204	–	105,204
Finance lease payables	–	671	1,007	–	1,678
Convertible bond	–	84,000	–	–	84,000
Interest-bearing bank and other borrowings	8,960	5,379	26,088	21,817	62,244
	76,172	90,050	289,776	21,817	477,815

	2007				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	25,015	–	–	–	25,015
Financial liabilities included in accrued liabilities and other payables	46,341	–	–	–	46,341
Loan from a director	–	–	68,459	–	68,459
Due to directors	11,403	–	63,542	–	74,945
Long term other payables	–	–	106,956	–	106,956
Finance lease payables	–	671	1,678	–	2,349
Convertible bond	–	–	84,000	–	84,000
Promissory note	–	–	100,000	–	100,000
Interest-bearing bank and other borrowings	8,560	1,800	8,654	14,120	33,134
	91,319	2,471	433,289	14,120	541,199

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows: *(continued)*

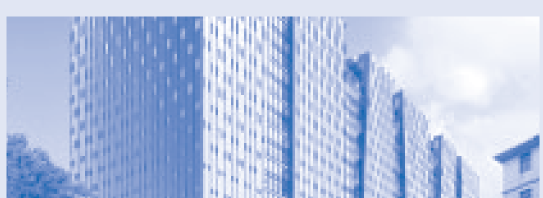
Company

	2008				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bond	–	84,000	–	–	84,000
Other payables and accruals	32,029	–	–	–	32,029
	32,029	84,000	–	–	116,029

	2007				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bond	–	–	84,000	–	84,000
Promissory note	–	–	100,000	–	100,000
Other payables and accruals	6,877	–	–	–	6,877
	6,877	–	184,000	–	190,877

Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity investments underline the fair values of derivatives. As at the balance sheet date, the Group was exposed to this risk through the redemption rights attached to the convertible bond (note 25) issued by the Company. However, management of the Company considered the impact of every +5% and -5% change in the share price of the Company's shares, with all other variables held constant, on the profit/(loss) before tax of the Company and the Group is not significant.



38. LITIGATIONS

(a) A writ of summon was issued in August 2005 by a former director of a subsidiary of the Company (the "Former Director") against certain defendants which include, inter alia, the Company, a wholly-owned subsidiary of the Company, and a former director and accounting staff of the Company. According to the summons, the Former Director claimed certain damages in relation to the acquisition of a subsidiary by the Group from a private company controlled by the Former Director in December 2000. In the Indorsement of Claims, the Former Director claimed that a receipt for a consideration of HK$33,500,000 signed by the private company controlled by the Former Director be set aside and demanded for payment of the outstanding consideration in the amount of HK$33,500,000.

The Company filed an acknowledgement of service to defend the proceedings in February 2006. No further development took place since then. Having consulted the Group's legal consel, the directors concluded that no provision for the proceedings is required in this stage.

(b) During the year ended 31 December 2006 a wholly-owned subsidiary (the "Subsidiary") of the Group received two notices issued by the court in Mainland China. The former property agent (the "Former Agent") has claimed that the Subsidiary has improperly early terminated their business relationships in 2006 and the Former Agent also made a total claim of RMB30,900,000 (equivalent to HK$34,600,000) against the Subsidiary.

The Subsidiary has filed a counter claim in relation to the above claims made by the Former Agent. Having consulted the Group's legal counsel, the directors concluded that the chance the claim will succeed is low and hence no provision for the proceedings is required in this stage.

(c) The operating period of Guangzhou Zheng Da is 15 years commencing from 31 December 1993 which expired on 31 December 2008. During the year, Guangzhou Zheng Da and its foreign partner, Zheng Da, agreed to extend the operating period by another 15 years but its sino partner (the "Sino Partner") declined to consent to such extension. Guangzhou Zheng Da has taken legal action against the Sino Partner for a court order of consenting to the extension of the operating period for Guangzhou Zheng Da. Having taken legal advice, the directors of the Company are confident that the order of consenting to the extension of the operating period will be favourable.

39. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances with related parties as detailed elsewhere in these financial statements, the Group also incurred an interest expense of HK$5,604,000 in respect of a loan from a director during the year. Details of a loan from a director are disclosed in note 26 to the financial statements.

40. POST BALANCE SHEET EVENTS

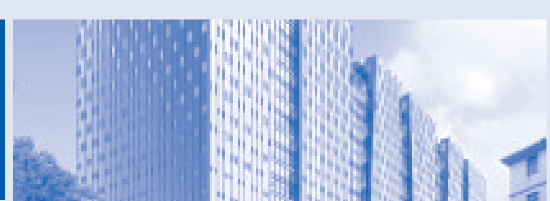
Save as disclosed elsewhere in these financial statements, the Group also had the following post balance sheet events:

(a) On 9 January 2009, the Company issued and allotted 25,000,000 new shares at HK$0.60 per share to an independent subscriber pursuant to a subscription agreement dated 16 December 2008 and raised gross proceeds of HK$15,000,000.

(b) On 31 March 2009, the Company entered into a second supplementary agreement with the Vendors (as detailed in note 16 to the financial statements) to extend the date of completion of the second, the third and fourth tranches in relation to an acquisition from 31 March 2009 to 30 June 2009, while no deferred interest is required for the period of extension. Further details are disclosed in note 16 to the financial statements.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2009.



Five Year Group Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the respective published audited financial statements and as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**32,558**	10,070	8,790	6,722	6,124
Discontinued operations	**–**	3,988	3,949	10,491	19,021
	32,558	14,058	12,739	17,213	25,145
Profit/(loss) before tax					
Continuing operations	**(456,876)**	9,811	(12,683)	104,147	(29,671)
Discontinued operations	**–**	(7,272)	(132,855)	(83,817)	74,545
	(456,876)	2,539	(145,538)	20,330	44,874
Tax	**97,249**	10,285	(223)	(34,090)	(2,320)
Profit/(loss) before minority interests	**(359,627)**	12,824	(145,761)	(13,760)	42,554
Minority interests	**214,864**	–	–	(11)	3,577
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**(144,763)**	12,824	(145,761)	(13,771)	46,131

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,013,819**	3,290,965	589,795	754,633	758,442
TOTAL LIABILITIES	**(1,108,270)**	(1,164,142)	(136,905)	(228,588)	(233,911)
MINORITY INTERESTS	**(1,302,280)**	(1,449,365)	–	–	(16,083)
	603,269	677,458	452,890	526,045	508,448

Schedule of Property Interests

Particular of the principal properties in Mainland China held by the Group as at 31 December 2008 is as follows:

Investment Properties

Description		Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1.	The whole of Level 1, Level 2, Level 3, Level 4, Level 8, and Level 11, and portion of the Basement Level of Gang Yu Square Chiao Dong Road Chiaotianmen Chongqing The people's Republic of China	Commercial	Medium	24,372	100
2.	The Land Parcels located to the east of Jiefang Road South, to the south of Daxin Road; to the north of Yede Road and to the west of Xieen Street, Yuexiu District, Guangzhou Guangdong Province, The people's Republic of China	Commercial	Medium	233,818	25