SMT

Sun Man Tai Holdings Company Limited

(Incorporated in Bermuda with limited liability)

Stock code: 433

Annual Report **2007**

Contents

Corporate Information

DIRECTORS

Executive Directors

Ji Jian Xun *(Chairman)*
Jin Jiu Xin
Chiu Yeung
He Hui Min

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy
Li Mei

COMPANY SECRETARY

Lo Wah Wai

QUALIFIED ACCOUNTANT

Edmund Siu

AUDIT COMMITTEE

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy
Chiu Yeung
Cheng Chak Ho

PRINCIPAL BANKERS

HSBC
CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

AUDITORS

Elite Partners CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3609-10, 36/F
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
(Stock Code: 433)

WEBSITE

www.sunmantai.com.hk

Chairman's Statement

To the shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Sun Man Tai Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2007.

BUSINESS REVIEW

During the year under review, with the great back up of strong economic growth globally and in China, the Hong Kong stock market had ridden on a bullish rally to hit numerous records including the turnover and volume in line with the mighty overseas equity markets and China equity markets performance. As one of the principal activities of the Group is securities trading, which had recorded a turnover of approximately HK$231,597,000 (2006: HK$41,271,000). The substantial result attributable from the securities trading operation was a profit of approximately HK$12,931,000 for the year ended 31 December 2007 (2006: loss of HK$12,000). The encouraging result from the securities trading had provided the Group with great inspiration in setting the Group's business strategies in the coming year. After the strong rally in 2007, Hong Kong stock market may need reasonable range consolidation and more rotation switching will be expected. Volatility will be sharpened as the market is filled with a lot of uncertainties which are overheating of China economy and its austerity measures, fragile development of US property market and the carry trade of Yen after interest hike. Therefore, our high quality investment team will be more careful and pay attention to global and Hong Kong stock market, raising the interests of the Company and shareholders.

In 2007, the Group recorded a turnover of approximately HK$3.5 million from its property management division, representing a decrease of 25.6% as compared to the previous year. The decrease was mainly due to the Group obtained only one building management contract during the year. However, we have confidences that our experienced staff would attempt more property management contracts in the coming future to increase the interest of the Company and shareholders.

IN THE FUTURE

Strong domestic and overseas demand lifted mainland China's economic growth to an estimated 11.5% in 2007 from 10.7% a year earlier. Looking ahead, while the global economic outlook is clouded by the US sub-prime and credit crisis, the Mainland economy is expected to maintain growth momentum. The Group has been actively seeking for property in the PRC to expand the property investment, development and management business. Therefore, the Group had entered an acquisition agreement to acquire a shopping mall in the Changchun City on 28 December 2007 at a consideration of RMB270,000,000. We have noted the robust economic performance of the shopping mall and thus we are of the view that the steady improvement in its financial performance, in terms of the growth in turnover, growth in occupancy rate, net profit and valuation of the shopping mall will increase the interest of the Company and shareholders.

Moreover, the Group would continue to seek for other high quality property investment projects in the PRC in the coming future especially north-east of China to maximise the return to our shareholders.

APPRECIATION

Finally, I would like to thank our shareholders for their trust and support and gratitude to all the directors and staff members for their continuous hard work and loyalty over the years.

Ji Jian Xun
Chairman

Management Discussion and Analysis

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK$237,647,000, representing an increase of 3.9 times over the corresponding year of 2006 (2006: approximately HK$48,941,000). The significant increase was mainly due to the increase in turnover from securities trading operation during the year. Turnover attributable from securities trading operation amounted to approximately HK$231,597,000 for the year ended 31 December 2007 (2006: approximately HK$41,271,000).

For the year ended 31 December 2007, the Group recorded a net loss from ordinary activities attributable to equity holders of the Company for approximately HK$45,469,000 (2006: loss of approximately HK$41,420,000), representing an increase in the loss of approximately 9.8% as compared to the year of 2006. Business loss was mainly due to (i) the loss of approximately HK$49,772,000 in devaluation of the Group's properties under development project; and (ii) impairment losses of approximately HK$15,672,000 on the Group's securities trading.

BUSINESS REVIEW

The principal activities of the Group are (i) securities trading; (ii) property investments; (iii) property developments and (iv) property management. Details analyses on each of the business operation have been summarised below:

Securities Trading

During the year of 2007, the Group focused on the securities trading operation and recorded a turnover of approximately HK$231,597,000 (2006: approximately HK$41,271,000). The substantial result attributable from the securities trading operation was a profit of approximately HK$12,931,000 for the year ended 31 December 2007 (2006: loss of approximately HK$12,000). The securities which the Group traded during the year were all listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

However, the Group's current investment portfolios were affected by the short-term fluctuation of the Hong Kong stock market during the first quarter of 2008 which leads to the market value of several securities held by the Group were decreased as compared to the cost. As a result, a loss of approximately HK$1,286,000 for changes in fair value of the Group's trading securities and impairment loss of approximately HK$15,672,000 were recognised in the income statement during the year under review. Nevertheless, the Group is confident that the fluctuation is temporary and the market value of the Group's investment portfolios will improve in coming year.

Property Investments and Development

Hong Kong

During the year under review, the Board had re-assessed the property investment strategies of the Group. Due to the low return and occupancy rates, the Group had disposed all the investment properties in Hong Kong at the consideration of approximately HK$21,200,000 in February 2007. Details of such disposals were disclosed in the circular issued by the Company dated 12 April 2007. In the future, the Board will closely monitor the property market in Hong Kong and identify suitable property with investment value to maximise the interests of the Company and shareholders in the future.

Shanghai, the PRC

The Group acquired the entire interest in Shanghai Minhang Weixing Horticultural Land ("Weixing") at a consideration of HK$83,479,610 on 26 June 2006. However, as at 26 March 2007, being nine months of the acquisition, the legal title of Weixing was not yet transferred to the Group. On 10 April 2007, the Company announced that a termination agreement (the "Termination Agreement") in relation to the acquisition of Weixing had been entered into by Weixing and Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, being the purchaser (the "Purchaser") of Weixing. According to the Termination Agreement, Weixing had to refund the consideration of HK$83,479,610 plus an interest penalty of HK$1,502,633 to the Purchaser. On 9 May 2007, the Company announced that the compensation payment of approximately HK$84,982,243 in connection to the termination of the acquisition of the entire interest in Weixing had been fully received by the Company in April 2007.

Xian, the PRC

As at 31 December 2007, the Group still held a property development project in Xian which ranked as the second key project of Xian by the local government. This property development project is a high-class villa-type residential construction project in Xian, the construction process of which was satisfactory during the year. The Group's property development team has been closely monitoring the project and expects the property development will bring positive return to the Group in coming year.

Changchun, the PRC

The Group is optimistic to the commercial property market of mainland China due to the high growth of consumer market, particularly in the north-east of China. The sales volume in the retailing industry in Jilin Province amounted to RMB199.9 billion (approximately HK$210.4 billion) for the year ended 31 December 2007, representing a growth of approximately 19.3% over the previous year. In view of this, the Group decided to enter an acquisition agreement at a consideration of RMB270,000,000 (approximately HK$284,210,530) to acquire a shopping mall in Changchun City on 28 December 2007. The average occupancy rates of the shopping mall for the periods ended 31 December 2006 and 31 December 2007 were approximately 36% and 48% respectively. Furthermore, the occupancy rate had been increased to approximately 74% as at 29 February 2008 and there were several potential tenants under negotiation. Therefore, the Board considers the shopping mall in Changchun City will bring a positive return and steady rental income to the Company.

Property Management

For the year ended 31 December 2007, the Group recorded a turnover of approximately HK$3,506,000 attributable from its property management operation, representing a decrease of 25.6% as compared to approximately HK$4,713,000 for the year ended 31 December 2006. The decrease was mainly due to the Group obtained only one building management contract during the year.

Interest in Associate

As at 31 December 2007, the Group held 27% interests in Tonghua Hengan Pharmaceutical Holding Company Limited ("Hengan"), which is principally engaged in the manufacturing and production of pharmaceutical products in the PRC. During the year, profit contribution to the Group from Hengan was approximately HK$4,239,000, representing an increase of approximately 5 times as compared to last corresponding year of approximately HK$692,000. Such increase was mainly due to the expansion of Hengan as one additional production line was available for manufacturing during the year.

Interest in Associate *(Continued)*

In order to capture the investment opportunity in property market in the PRC, during the year, the Group acquired 44% equity interests in a property development company - Tonghua Yong Ji Real Estate Company Limited ("Yong Ji") for a consideration of RMB10,000,000. Yong Ji currently has one residential construction project in the PRC and the expected completion date will be June 2009.

DIVIDENDS

The Board has resolved not to recommend any final dividend for the year ended 31 December 2007 (2006: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

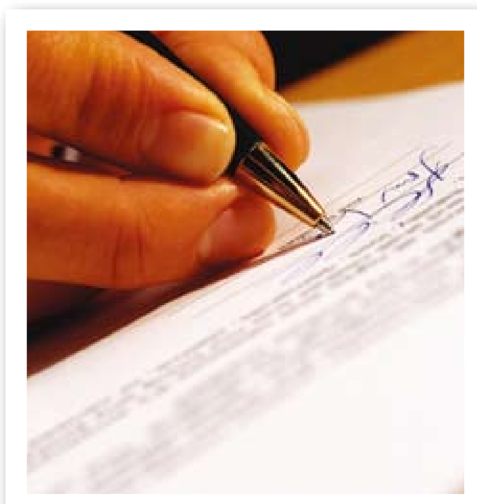
The Group generally financed its operation with internally generated cashflow. During the year under review, the Group recorded a net cash inflow of approximately HK$155,472,000 (2006: HK$772,000).

The Group expressed its gearing ratio as a percentage of bank borrowing over total shareholders' equity. As at 31 December 2007, the Group's gearing ratio was nil (2006: 0.04) because the Group does not have any bank borrowing during the year under review.

The Group is of good liquidity and sufficient solvent ability. As at 31 December 2007, the Group's current ratio was approximately 33.9 (2006: 7.0). The substantial increase in current ratio was mainly due to the increase in cash and bank balance and decrease in bank borrowing during the year under review.

As at 31 December 2007, the Group's debt to equity ratio was approximately 0.02 while it was 0.07 in 2006. The ratio was calculated by dividing the total liabilities of approximately HK$7,367,000 (2006: HK$25,113,000) by the total shareholders' equity of approximately HK$452,337,000 (2006: HK$353,551,000).

The Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.



CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The capital structure of the Group as at 31 December 2007 has been summarised below:

	2007 **HK$'000**	2006 HK$'000
Current Assets	**249,987**	176,184
Current Liabilities	**7,367**	25,113
Shareholders' equity	**452,337**	353,551

Current assets include cash and cash equivalent of approximately HK$176,748,000 (2006: HK$22,312,000) and investment deposits of HK$56,842,000 (2006: HK$83,480,000).

Current liabilities mainly comprised of tax payable, accrual and other payables.

Treasury Policies

During the year ended 31 December 2007, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the year ended 31 December 2007, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

As at 31 December 2007, the Group does not have any bank borrowing. As at 31 December 2006, total bank borrowing of the Group was approximately HK$14,823,000 which was denominated in Hong Kong dollars. Such bank borrowing mainly consisted of a mortgage loan granted for the purpose of facilitating the investment property of the Group. The mortgage loan is not at fixed interest rates and is secured by the investments held by the Group. The mortgage loan has been fully settled upon disposal of the investment properties in February 2008.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2007 and 2006, the Group had no material contingent liabilities and capital commitments.

PLEDGE AND CHARGES OF GROUP ASSETS

As at 31 December 2007, the Group does not have any pledged assets (2006: HK$21,200,000).

MATERIAL ACQUISITIONS

On 28 December 2007, Longwell International Holdings Limited, a wholly owned subsidiary of the Group entered into an acquisition agreement to acquire 100% equity interests in Chang Chun Rong Xin Economy and Trade Company Limited ("Rong Xin") at a consideration of RMB270,000,000. As at 31 December 2007, an initial deposit of RMB54,000,000 had been paid to proceed with the acquisition. Such deposit is refundable if any of the conditions precedent of the acquisition is not fulfilled or waived.

The sole asset of Rong Xin is the entire interest of a commercial property located at 9 Chongqing Lu, Chongyang District, Changchun City, Jilin Province, the PRC, which has an aggregate commercial area of 9,197.27 square meters. The commercial property is a 7-storey shopping mall in the centre of Changchun City.

The Board considered that the acquisition of Rong Xin will enable the Group to extend its current property management business to the PRC, which is in line with the Group's principal business. Given the surging property market price and increasing rental cost in commercial building in the PRC in recent years, the Board expects that the acquisition will generate profit and steady cashflow to the Group.

FUND RAISING ACTIVITIES

During the year under review, the Group successfully raised approximately HK$135.7 million by way of rights issue and placing of new shares. The following summarises the fund raising activities of the Group during the year ended 31 December 2007:

1. On 29 October 2007, the Company raised approximately HK$96.4 million after deduction of expenses by way of rights issue pursuant to which 1,656,934,450 rights shares were issued at the subscription price of HK$0.06 per rights share on the basis of one rights share for every two existing shares held on the record date.

   The net proceeds received from the rights issue has been used as to (i) approximately HK$64.2 million for possible investment on property related projects, out of which approximately HK$56.8 million has been paid as the security deposit for the acquisition of Rong Xin, and the remaining will be utilised for the payment of part of the remaining balance of the acquisition; and (ii) approximately HK$32.2 million will be used for general working capital of the Group.

2. On 17 December 2007, the Company raised approximately HK$39.3 million after deduction of expenses by way of placing of new shares pursuant to the general mandate. The net proceeds received from the placing of new shares will be utilised for the payment of part of the remaining balance of the acquisition of Rong Xin.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2007, the Group employed 74 full time employees (2006: 53 employees) in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits which included year end double pay, mandatory provident fund and medical insurance. Total staff costs for the year ended 31 December 2007 were approximately HK$5,480,000 (2006: HK$3,260,000).

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ji Jian Xun, aged 50, was appointed as an executive director of the Company on 12 December 2006 and has been appointed as the chairman of the Board on 4 December 2007. Mr. Ji served as managerial position in various hotels and serviced apartments located in the PRC prior to joining the Company. He is also a managing director of Shanghai Taigu Apartment Service & Management Co., Ltd.

Mr. Jin Jiu Xin, aged 56, was appointed as an executive director of the Company on 28 February 2006, is currently a director of certain subsidiaries of the Group and he has been appointed as the deputy chairman of the Board on 12 January 2007. Mr. Jin had previously worked as managerial posts of various companies in the PRC, where he specialised in administration, property development, and business dispute resolution in Hong Kong and the PRC.

Mr. Chiu Yeung, aged 35, was appointed as an executive director of the Company on 25 February 2002, is also a director of certain subsidiaries of the Group and he has been appointed as the chief executive officer of the Company on 12 January 2007. Mr. Chiu graduated from Shanghai Finance and Economic University in 1995 and then held management positions in such businesses as trading, real estates and finance in the PRC. He is well experienced in management, property investment and finance. He is also a director of Universal Union Limited ("Universal Union") and China Wan Tai Group Limited ("China Wan Tai"), the controlling shareholders of the Company.

Mr. He Hui Min, aged 51, was appointed as an executive director of the Company on 27 December 2007. Mr. He had been the executive director and deputy chief executive officer of the Company from March 2001 to September 2002. Mr. He graduated from The Shanghai Institute of Tourism in 1982 and was then sent to Brisbane, Australia by the PRC Government to study hotel management. In 1993, he completed a business and management course in Maryland College, USA. Mr. He had been general manager of various luxury hotels in the PRC for a considerable period of time. In 1998, Mr. He was appointed as an assistant to the chief executive officer of Wan Tai Group Limited and general manager of Shanghai Taigu Apartment Service & Management Co., Ltd. Currently, he is the general manager of Fulin Enterprise Limited, one of the associates of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 52, was appointed as an independent non-executive director of the Company on 20 April 2001. He is also the Chairman of the Audit Committee of the Company. Mr. Mu graduated from Fudan University (Shanghai) Law School with a degree in L.L.B. and from University of Oregan (USA) Law School with a degree in L.L.M. Mr. Mu had been a member of Shanghai Municipal Government Foreign Economic Trade Committee from 1983 to 1986 and a practicing lawyer in a US solicitors firm for nearly four years. He is now a partner of a solicitors firm in Shanghai, the PRC.

Dr. Cheng Chak Ho, aged 38, was appointed as an independent non-executive director of the Company on 12 April 2001. He has extensive experience in valuations of all kinds of properties, plants and machinery, and businesses. Dr. Cheng has also been involved in valuations of several major infrastructure projects in the Asia Pacific Rim. He has experience in property agency, investment dealings and property development. Among others, he is a senior member of the Canadian Institute of Management, a member of the Hong Kong Institute of Surveyors and a member of American Society of Mechanical Engineers. Dr. Cheng holds a Bachelor of Science in Building from the City University of Hong Kong, a Master degree in Urban Design from the University of Hong Kong, a Master of Science in Engineering (Mechanical Engineering) and a Doctor of Philosophy in Economics from the University of Brighton, USA.

Mr. Lo Wa Kei Roy, aged 36, was appointed as independent non-executive director of the Company on 25 September 2004. He is a member of the Hong Kong Institute of Certified Public Accountants (Practicing), a member of Institute of Chartered Accountant of England and Wales, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. Mr. Lo has over 14 years experience in auditing, accounting and finance. Besides the Company, he is also currently the independent non-executive director of the companies listed on the Stock Exchange, namely, Sun Hing Vision Group Holdings Limited and Gay Giano International Group Limited.

Ms. Li Mei, aged 39, was appointed as an independent non-executive director of the Company on 27 December 2007. Ms. Li was graduated from Zhengfa College (now known as East China University of Political Science and Law) with a bachelor degree in law in 1991. She had further her studies in AIS St. Helens, New Zealand and China University of Political Science and Law. Ms. Li had been practicing law in various law firms in Shanghai and currently she is working in the 上海市中茂律師事務所 (Shanghai Zhongmao Law Firm).

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, securities trading and property investment. The principal activities of the Group are securities trading, property investments, developments and management. Details of the Group's principal subsidiaries are set out in Note 22 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 8 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers and suppliers in the aggregate represented 100% of the Group's total operating revenue and total purchases (not including purchases of items which are of capital nature) for the year ended 31 December 2007.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at 31 December 2007 are set out in the financial statements on pages 27 to 31.

The cashflows of the Group are set out in the financial statements on pages 33 to 34.

The directors do not recommend the payment of any dividend nor transfer of any amount to reserves in respect of the year ended 31 December 2007 (2006: Nil).

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and Note 34 to the financial statements.

DISTRIBUTABLE RESERVE

Details of the amount of the Company's reserve distributable to shareholders as at 31 December 2007 are set out in Note 34 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 30 to the financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in Note 17 to the financial statements.

SHARE OPTION SCHEME

The share option scheme adopted by the Group was expired on 23 December 2000. As at 31 December 2007 and up to the date of this report, the Group did not adopt any new share option scheme.

DIRECTORS

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

Executive Directors
Ji Jian Xun (appointed as the Chairman on 4 December 2007)
Jin Jiu Xin (Deputy Chairman)
Chiu Yeung (Chief Executive Officer)
He Hui Min (appointed on 27 December 2007)
Ren Jun Tao (resigned on 16 January 2008)
Guan Guoxing (resigned on 4 December 2007)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy
Li Mei (appointed on 27 December 2007)

In accordance with the Company's bye-law 86(2), Mr. He Hui Min and Ms. Li Mei will hold the office only until the forthcoming annual general meeting, and being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

In accordance with the Company's bye-law 87(1), Mr. Jin Jiu Xin and Mr. Lo Wa Kei Roy will retire from office by rotation, and both of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and 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 under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follow:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chiu Yeung (Note 1)	Held by controlled corporation	750,000	0.01%

Notes:

1. Mr. Chiu Yeung was beneficially interested in all the shares of Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 750,000 shares in the Company.

2. All interests stated above represent long position.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group, as at 31 December 2007, neither the directors nor the chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2007, the register maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders and their associates had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei (Note 1)	Held by spouse/held by controlled corporation	1,752,552,352	31.12%
Xu Zhe Cheng (Note 2)	Held by spouse/held by controlled corporation	1,752,552,352	31.12%
China Wan Tai Group Limited (Note 3)	Held by controlled corporation	1,752,552,352	31.12%
Universal Union Limited	Beneficial owner	1,752,552,352	31.12%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate controlling shareholder of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,752,552,352 shares in the Company.

2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,752,552,352 shares in the Company.

3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

4. All interests stated above represent long position.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS’ SERVICE CONTRACTS

The terms of appointment of the independent non-executive directors are renewable each year at the anniversary date of appointment, except for Ms. Li Mei, whose terms of appointment of the independent non-executive director are renewable every three years at the anniversary date of appointment. Their remunerations are determined by the directors at each of their respective anniversary dates of appointment.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The directors’ remuneration for the year is set out in Note 15 to the financial statements.

DIRECTORS’ INTERESTS IN CONTRACTS

There were no contract of significant to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up on the basis of the nature of the jobs, market condition and individual merits.

The emoluments of the directors are determined with reference to their qualifications, experience, duties and the prevailing market rates.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws or the law of Bermuda.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company 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 the date of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's financial statements for the year ended 31 December 2007.

AUDITORS

Messrs. M.C. Ng & Co. were appointed as the auditors of the Company at the Company's special general meeting held on 11 April 2007 in succession to Messrs. HLB Hodgson Impey Cheng who resigned from the office on 14 March 2007.

Messrs. Elite Partners CPA Limited were appointed as the auditors of the Company at the Company's special general meeting held on 24 January 2008 in succession to Messrs. M.C. Ng & Co. who resigned from the office on 1 November 2007.

Messrs. Elite Partners CPA Limited will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Messrs. Elite Partners CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chiu Yeung
Executive Director

Hong Kong, 20 March 2008

Report on Corporate Governance

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 December 2007, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except the following:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2007, the Company had appointed Mr. Guan Guoxing ("Mr. Guan") as the executive director of the Company and the chairman of the Board on 12 December 2006 and 12 January 2007 respectively. Mr. Guan resigned as the chairman of the Board, executive director and member of the Corporate Governance Committee on 4 December 2007. Mr. Ji Jian Xun, an executive director of the Company, has been appointed as the chairman of the Board and member of the Corporate Governance Committee to fill the vacancy of Mr. Guan on 4 December 2007. Mr. Chiu Yeung, executive director of the Company, had also been appointed as the chief executive officer of the Company on 12 January 2007.

DIRECTORS' SECURITIES TRANSACTIONS

For the year ended 31 December 2007, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2007, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate chairman and chief executive officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Guan Guoxing, had been the chairman of the Board from 12 January 2007 to 4 December 2007; whereas Mr. Ji Jian Xun, was appointed as the chairman of the Board since 4 December 2007, are both responsible for the operation of the Board and the formulation of the Company's strategies and policies, Mr. Chiu Yeung, the chief executive officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Company's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

BOARD OF DIRECTORS

Composition

Directors during the year and up to the date of this report are as follows:

Executive Directors

Guan Guoxing	(appointed as the Chairman on 12 January 2007 and resigned on 4 December 2007)
Ji Jian Xun	(appointed as the Chairman on 4 December 2007)
Jin Jiu Xin	(appointed as the Deputy Chairman on 12 January 2007)
Chiu Yeung	(appointed as the Chief Executive Officer on 12 January 2007)
Ren Jun Tao	(resigned on 16 January 2008)
He Hui Min	(appointed on 27 December 2007)

Independent Non-executive Directors

Mu Xiangming	
Cheng Chak Ho	
Lo Wa Kei Roy	
Li Mei	(appointed on 27 December 2007)

During the year ended 31 December 2007, the Board had at all times at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management.

During the year, eight Board meetings were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Guan Guoxing (resigned on 4 December 2007)	2	40%
Ji Jian Xun	8	100%
Jin Jiu Xin	8	100%
Chiu Yeung	8	100%
Ren Jun Tao (resigned on 16 January 2008)	6	75%
He Hui Min (appointed on 27 December 2007)	0	0
Mu Xiangming	5	62.5%
Cheng Chak Ho	6	75%
Lo Wa Kei Roy	6	75%
Li Mei (appointed on 27 December 2007)	1	100%

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year, except for Ms. Li Mei, who was appointed for an initial term of three years. All directors appointed to fill a casual vacancy are subject to re-election by shareholders at the next general meeting; and directors newly appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the bye-laws of the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independency pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

According to the bye-laws of the Company, any director appointed by the Board as an additional director shall hold office only until the next annual general meeting, and the next general meeting if appointed to fill a casual vacancy, but is eligible for re-appointment by the shareholders.

In addition, pursuant to the Company's bye-laws, all directors are subject to re-election by shareholders at the annual general meeting at least once every three years on a rotational basis. Details of those directors who are retiring by rotation and seeking re-election at the forthcoming annual general meeting are set out in the shareholders' circular dated 28 March 2008.

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(Continued)*

During the year, one Board meeting was held to identify and nominate qualified individuals for appointment as new directors of the Company. The attendance records are as follows:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Guan Guoxing (resigned on 4 December 2007)	N/A	N/A
Ji Jian Xun	0	0
Jin Jiu Xin	1	100%
Chiu Yeung	1	100%
Ren Jun Tao (resigned on 16 January 2008)	0	0
He Hui Min (appointed on 27 December 2007)	N/A	N/A
Mu Xiangming	0	0
Cheng Chak Ho	1	100%
Lo Wa Kei Roy	1	100%
Li Mei (appointed on 27 December 2007)	N/A	N/A

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in May 2006. The current members of the Remuneration Committee are:

Lo Wa Kei Roy *(Chairman of the Committee)*, Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Chiu Yeung, Executive Director and Chief Executive Officer

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The Remuneration Committee met once during the year to discuss the remuneration package of the newly appointed directors. All members had attended the meeting.

AUDITOR'S REMUNERATION

An amount of approximately HK$400,000 was charged to the Group's consolidated financial statement for the year ended 31 December 2007 for the auditing services provided by Elite Partners CPA Limited, the existing auditors who was appointed on 24 January 2008. An amount of approximately HK$100,000 had been paid for non-audit service assignment provided by Elite Partners CPA Limited during the year.

During the year under review, approximately HK$200,000 was payable to M.C. Ng & Co. who subsequently resigned as auditors of the Group on 1 November 2007, in respect of non-audit services.

AUDIT COMMITTEE

Current members of the Audit Committee are:

Mu Xiangming (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Lo Wa Kei Roy, Independent Non-executive Director

The Audit Committee has adopted terms of reference which are in line with the Code.

The Audit Committee held two meetings during the year ended 31 December 2007. Details of the attendance of the Audit Committee meetings are as follows:

Name of Members	**Attendance**
Mu Xiangming *(Chairman)*	2
Cheng Chak Ho	2
Lo Wa Kei Roy	2

The financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.

ESTABLISHMENT OF THE CORPORATE GOVERNANCE COMMITTEE AND FINANCIAL REPORTING COMMITTEE

In order to further strengthen the Company's corporate governance, the Company applied the Code as set out in the Listing Rules. On 12 January 2007, the Company established the following committees:

Corporate Governance Committee

Current members of the Corporate Governance Committee are:

Mr. Jin Jiu Xin (Chairman of the committee), Executive Director and the deputy chairman of the Board
Mr. Ji Jian Xun, Executive Director and the chairman of the Board
Dr. Cheng Chak Ho, Independent Non-executive Director

The major responsibility of the Corporate Governance Committee is to oversee the Company's corporate governance matters and to ensure the Company has complied with the Code as set out in the Listing Rules.

The Corporate Governance Committee held two meetings during the year ended 31 December 2007. Details of the attendance of the Corporate Governance Committee meetings are as follows:

Name of Members	**Attendance**
Jin Jiu Xin *(Chairman)*	2
Guan Guoxing (resigned on 4 December 2007)	2
Ji Jian Xun (appointed on 4 December 2007)	N/A
Cheng Chak Ho	2

ESTABLISHMENT OF THE CORPORATE GOVERNANCE COMMITTEE AND FINANCIAL REPORTING COMMITTEE *(Continued)*

The Corporate Governance Committee had reviewed the corporate governance report of the Company and confirmed that the Company had complied with the Code as set out in the Listing Rules.

Financial Reporting Committee

Current members of the Financial Reporting Committee are:

Mr. Chiu Yeung (the Chairman of the committee), Executive Director and Chief Executive Officer
Mr. Jin Jiu Xin, Executive Director and the deputy chairman of the Board
Mr. Lo Wa Kei Roy, Independent Non-executive Director

The major responsibility of the Financial Reporting Committee is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the results and cash flow for that year. The Financial Reporting Committee is also responsible to ensure the compliance of disclosure requirement under the Listing Rules in a timely manner.

The Financial Reporting Committee held two meetings during the year ended 31 December 2007. Details of the attendance of the Financial Reporting Committee meetings are as follows:

Name of Members	Attendance
Chiu Yeung *(Chairman)*	2
Jin Jiu Xin	2
Lo Wa Kei Roy	2

The Financial Reporting Committee had reviewed the audited financial statements for the year ended 31 December 2007 of the Company and confirmed that the preparation of the audited financial statements for the year ended 31 December 2007 had complied with the disclosure requirement under the Listing Rules in a timely manner.

INTERNAL CONTROLS

The Board had conduct a review of the effectiveness of the system of internal control of the Group covering all materials, including financial, operational and compliance as well as risk management. The Group's internal control system includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Board throughout the Group maintains and monitors the internal control systems on an ongoing basis.

INTERNAL CONTROLS *(Continued)*

On 25 June 2007, the Board has appointed Messer. M. C. Ng & Co., Certified Public Accountants ("MCN") to conduct a compliance review on the internal control system and management capability of the Company to enable the Company to meet its obligations under the Listing Rules.

MCN had conducted a review on the Group's internal control system for the year ended 31 December 2007. A compliance review report has been issued by MCN in respect of making comments and recommendations to strengthen the Group's internal control system. In the compliance review report, a few numbers of weaknesses had been identified, including but not limited to the Group's operations, financial reporting functions, corporate governance practices and control procedures for compliance of the Listing Rules. A timetable for implementation of remedial measures for such weaknesses had also been set out in the compliance review report.

The Board had considered the recommendations made in the compliance review report. Up to the date of this report, all remedial actions including strengthen the control over the Group's operation, the financial reporting functions, corporate governance practices and procedures for compliance of the Listing Rules had been taken according to the timetable for implementation of remedial measures as set out in the compliance review report.

Based on the remedial actions taken by the Group, the Board considered that the internal control system and procedures of the Group were effective and adequate. The Board also undertakes to appoint external professional to reassess the Group's internal control system and report to the shareholders in the annual report for the year ending 31 December 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge that it is their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern.

On behalf of the Board

Chiu Yeung
Executive Director

Hong Kong, 20 March 2008

Independent Auditor's Report

ELITE PARTNERS
ELITE PARTNERS CPA LIMITED

3003 Sino Plaza
255-257 Gloucester Road
Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SUN MAN TAI HOLDINGS COMPANY LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Sun Man Tai Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 87, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 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.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 20 March 2008

Ng Man Chung Siman
Practicing member number P03122

Consolidated Income Statement

For the year ended 31 December 2007 (in HK Dollars)

	Notes	2007 $'000	2006 $'000
Turnover	6	**237,647**	48,941
Cost of sales		**(204,481)**	(45,234)
Gross profit		**33,166**	3,707
Other revenue	7	**3,567**	6,925
Administrative expenses		**(21,928)**	(11,731)
Other operating expenses		**(1,850)**	(881)
Impairment loss on property under development		**(49,772)**	(19,850)
Impairment loss on investment properties		**–**	(1,800)
Impairment loss on financial assets at fair value through profit or loss		**(15,672)**	–
Fair value loss on investment properties		**–**	(24,700)
Fair value loss on financial assets at fair value through profit or loss		**(1,286)**	–
Loss on disposal of subsidiaries		**(5,096)**	–
Loss from operations	9	**(58,871)**	(48,330)
Finance costs	10	**–**	(883)
Share of results of associates		**4,239**	692
Loss before tax		**(54,632)**	(48,521)
Taxation	11	**1,934**	(190)
Loss for the year		**(52,698)**	(48,711)
Attributable to:			
Equity holders of the Company		**(45,469)**	(41,420)
Minority interests		**(7,229)**	(7,291)
		(52,698)	(48,711)
Dividends	13	**–**	–
Loss per share for loss attributable to the equity holder of the Company			
Basis, HK cents	14	**(1.33)**	(1.25)
Diluted, HK cents	14	**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2007 (in HK Dollars)

	Notes	2007 $'000	2006 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**131,553**	144,346
Goodwill	*19*	**12,591**	12,591
Intangible assets	*20*	**34,269**	36,119
Interests in associates	*21*	**39,735**	25,084
		218,148	218,140
Current assets			
Accounts receivable	*23*	**148**	1,274
Prepayments, deposits and other receivables	*24*	**780**	2,918
Financial assets at fair value through profit or loss	*25*	**15,469**	–
Loan receivables	*26*	**–**	45,000
Investment deposits	*27*	**56,842**	83,480
Cash and bank balances	*28*	**176,748**	22,312
		249,987	154,984
Non-current assets classified as held for sale	*29*	**–**	21,200
		249,987	176,184
Total assets		**468,135**	394,324
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*30*	**56,308**	33,139
Reserves	*34*	**396,029**	320,412
		452,337	353,551
Minority interests		**8,431**	15,660
Total equity		**460,768**	369,211

	Notes	2007 $'000	2006 $'000
LIABILITIES			
Current liabilities			
Current portion of bank loans and overdraft (secured)	*31*	**–**	14,823
Accounts payable	*32*	**68**	201
Other payables and accrued expenses	*33*	**6,858**	7,107
Tax payable		**441**	2,982
		7,367	25,113
Total liabilities		**7,367**	25,113
Total equity and liabilities		**468,135**	394,324
Net current assets		**242,620**	151,071
Total assets less current liabilities		**460,768**	369,211
Net assets		**460,768**	369,211

Approved by the board of directors on 20 March 2008 and signed on its behalf by:

Chiu Yeung
Executive Director

Jin Jiu Xin
Executive Director

Balance Sheet

At 31 December 2007 (in HK Dollars)

	Notes	2007 $'000	2006 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**2,107**	14
Interest in an associate	*21*	**500**	–
Investments in subsidiaries	*22*	**177,070**	234,185
		179,677	234,199
Current assets			
Prepayments, deposits and other receivables	*24*	**375**	216
Financial assets at fair value through profit or loss	*25*	**15,469**	–
Cash and bank balances	*28*	**175,364**	12
		191,208	228
Total assets		**370,885**	234,427
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*30*	**56,308**	33,139
Reserves	*34*	**309,040**	196,225
Total equity		**365,348**	229,364

	Notes	2007 $'000	2006 $'000
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	*33*	**5,537**	4,537
Tax payable		**–**	526
		5,537	5,063
Total liabilities		**5,537**	5,063
Total equity and liabilities		**370,885**	234,427
Net current assets/(liabilities)		**185,671**	(4,835)
Total assets less current liabilities		**365,348**	229,364
Net assets		**365,348**	229,364

Approved by the board of directors on 20 March 2008 and signed on its behalf by:

Chiu Yeung
Executive Director

Jin Jiu Xin
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007 (in HK Dollars)

	Attributable to equity holders of the Company									
	Share Capital $'000	Share Premium $'000	Contributed Surplus $'000 Note 34(a)	Capital Reserve $'000	Statutory Reserves $'000 Note 34(b)	Exchange Reserve $'000	Accumulated Losses $'000	Sub-total $'000	Minority Interests $'000	Total equity $'000
At 1 January 2006	33,139	491,636	31,350	(894)	–	(4,668)	(155,648)	394,915	22,951	417,866
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	56	–	56	–	56
Loss for the year	–	–	–	–	–	–	(41,420)	(41,420)	(7,291)	(48,711)
At 31 December 2006 and at 1 January 2007	33,139	491,636	31,350	(894)	–	(4,612)	(197,068)	353,551	15,660	369,211
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	1,029	–	1,029	–	1,029
Disposal of subsidiaries	–	–	–	–	–	5,543	–	5,543	–	5,543
Placing of shares	6,600	33,000	–	–	–	–	–	39,600	–	39,600
Issue of shares pursuant to rights issues	16,569	82,847	–	–	–	–	–	99,416	–	99,416
Share issue expenses on rights issues	–	(1,333)	–	–	–	–	–	(1,333)	–	(1,333)
Loss for the year	–	–	–	–	–	–	(45,469)	(45,469)	(7,229)	(52,698)
Transfer to statutory reserves	–	–	–	–	1	–	(1)	–	–	–
At 31 December 2007	**56,308**	**606,150**	**31,350**	**(894)**	**1**	**1,960**	**(242,538)**	**452,337**	**8,431**	**460,768**

Consolidated Cash Flow Statement

For the year ended 31 December 2007 (in HK Dollars)

	2007 $'000	2006 $'000
Operating activities		
Loss from operations	**(58,871)**	(48,330)
Adjustments for:		
Interest income	**(3,121)**	(1,786)
Depreciation	**1,856**	1,325
Fair value loss on investment properties	**–**	24,700
Impairment loss on investment properties	**–**	1,800
Amortisation of intangible assets	**1,850**	881
Gain on disposal of property development project	**–**	(6,280)
Gain on disposal of property, plant and equipment	**(7)**	–
Share of profits of an associate	**(4,239)**	(692)
Impairment loss on property under development	**49,772**	19,850
Fair value loss on financial assets at fair value through profit or loss	**1,286**	–
Impairment loss on financial assets at fair value through profit or loss	**15,672**	–
Operating loss before working capital changes	**4,198**	(8,532)
Decrease/(Increase) in accounts receivable, prepayments, deposits and other receivables	**3,264**	(2,796)
Decrease/(Increase) in amount due from an associate	**302**	(4,983)
Decrease in accounts payable and other payables	**(382)**	(4,657)
Decrease in amount due to ultimate holding company	**–**	(10,192)
Decrease in amount due to a director	**–**	(201)
Cash generated from/(used) in operations	**7,382**	(31,361)
Bank interest received	**577**	24
Tax paid	**(607)**	(172)
Other borrowing costs paid	**–**	(883)
Net cash generated from/(used in) operating activities	**7,352**	(32,392)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2007 (in HK Dollars)

	2007 **$'000**	2006 $'000
Investing activities		
Acquisition of an associate	**(10,207)**	–
Purchases of property, plant and equipment and addition to properties under development	**(38,835)**	(605)
Purchases of securities	**(232,847)**	–
Proceeds from disposal of investment properties and other property, plant and equipment	**36**	309
Proceeds received from sales of securities	**231,597**	–
Proceeds from sales of available-for-sales financial assets	**—**	55,000
Purchase of intangible assets	**—**	(37,000)
Decrease/(Increase) in loan receivables	**45,000**	(13,995)
Proceeds from disposal of properties development projects	**—**	111,768
Interest received from loan receivables	**2,544**	1,786
Investment deposit paid	**(56,842)**	(83,480)
Cash effect on disposal of subsidiaries	**1**	–
Investment deposit refunded	**83,480**	–
Net cash generated from investing activities	**23,927**	33,783
Financing activities		
Net proceeds from issue of shares	**139,016**	–
Repayment of bank loans	**(14,823)**	(619)
Net cash generated from/(used in) financing activities	**124,193**	(619)
Net increase in cash and cash equivalents	**155,472**	772
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(1,036)**	725
Cash and cash equivalents at the beginning of the year	**22,312**	20,815
Cash and cash equivalents at the end of the year	**176,748**	22,312

Notes to Financial Statements

At 31 December 2007 (in HK Dollars)

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Rooms 3609-10, 36/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding, securities trading and property investment. The principal activities of the Company's principal subsidiaries are property investment, development and management.

In the opinion of the directors, the ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, properties under development and investment properties, which are carried at fair value. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

(a) Standards, amendment and interpretations effective in 2007

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

HKFRS 7, 'Financial Instruments: Disclosures' and the complementary amendment to HKAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK (IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish where or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

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

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operation

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFIC)-Int 7, 'Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies'; and

- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131. 'Disclosures about Segments of an Enterprise and Related Information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

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

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HK(IFIC)-Int 11, 'HKFRS 2-Group and Treasury Share Transactions' (effective from 1 March 2007). HK(IFRIC)-Int 11 provides guidance on classifying share-based payment transactions involving an entity's own equity instruments or the equity instruments of the parent. The Group will apply HK(IFRIC)-Int 11 from 1 January 2008, but it is not expected to have significant impact on the Group's financial statements.

- HK(IFRIC)-Int 14, 'HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 12, 'Service Concession Arrangements' (effective from 1 January 2008). HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes' (effective from 1 July 2008). HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), arrangement is a mulitiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(b) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Investments *(Continued)*

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchase and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The Group also assesses the fair value for each financial assets subsequent to each balance sheet date whether there is objective evidence that the financial assets is impaired. Significant decline in the fair value of the security subsequent to the balance sheet date is considered in determining whether the securities are impaired. If any evidence exits, impairment loss will be recognised in the income statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

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

The cost of an asset 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 the 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 the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Buildings	30 years
Leasehold improvement	3 to 5 years
Furniture and fixtures	5 years
Motor vehicles	3 to 5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(d) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statements.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Properties under development and held for resale

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

Properties held for resale are stated at the lower of cost or the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(f) Intangible assets

Intangible assets represent the technical know-how for production of pharmaceutical products. The intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The cost of acquiring the rights of technical know-how for the production of pharmaceutical products have finite useful lives and are amortised on the straight-line basis over the estimated economic lives of the know-how of a maximum of ten years commencing in the year when the rights are available for use.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(h) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units).

(k) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(l) 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) Rental income from operating leases

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised on a time-apportioned basis.

(iii) Securities trading

Sales proceeds on dealing of listed trading securities are recognised on deal date.

(iv) Royalty income

Royalty income is recognised when the Group has the right to receive over the terms of agreement.

(m) Segment reporting

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Segment reporting *(Continued)*

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(n) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign currencies *(Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(o) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straightline basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation *(Continued)*

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

(r) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(s) Provision

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Related parties

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in Note 4(f). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(c) Impairment of assets

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(d) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

(e) Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(g) Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

6. TURNOVER

Turnover represents securities trading, rental income, interest income and property management fee income. An analysis of the Group's turnover is as follows:

	2007 $'000	2006 $'000
Security trading	**231,597**	41,271
Rental income	**–**	1,171
Interest income	**2,544**	1,786
Property management fee income	**3,506**	4,713
	237,647	48,941

7. OTHER REVENUE

	2007 $'000	2006 $'000
Royalty income	**1,480**	617
Gain on disposal of property, plant and equipment	**7**	–
Gain on disposal of property development project	**–**	6,280
Compensation interest received	**1,502**	–
Bank interest income	**143**	28
Sundry income	**435**	–
	3,567	6,925
	241,214	55,866

8. 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 other business segments.

8. SEGMENT INFORMATION *(Continued)*

Business segment information has been chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Details of the business segments are as follows:

(a)	Property leasing	:	The leasing of commercial premises
(b)	Interest income	:	Lending of funds to independent third parties
(c)	Property management	:	Provision of management service to commercial premises
(d)	Securities trading	:	Trading of securities listed on the Stock Exchange

Primary segment information – Business segments

Consolidated income statement
For the year ended 31 December 2007

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
REVENUE					
Segment turnover	**231,597**	**–**	**2,544**	**3,506**	**237,647**
RESULT					
Segment results	**12,931**	**–**	**2,544**	**731**	**16,206**
Unallocated income					**3,567**
Unallocated corporate expenses					**(23,776)**
Impairment loss on property under development					**(49,772)**
Loss on disposal on subsidiaries					**(5,096)**
Share of profits of associates					**4,239**
Loss before tax					**(54,632)**
Taxation					**1,934**
Loss for the year					**(52,698)**

8. SEGMENT INFORMATION *(Continued)*

Primary segment information – Business segments *(Continued)*

Consolidated balance sheet
As at 31 December 2007

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
ASSETS						
Segment assets	34,206	–	–	1,315	–	35,521
Interests in associates						39,735
Goodwill and intangible assets						46,860
Unallocated corporate assets						346,019
Consolidated total assets						468,135
LIABILITIES						
Segment liabilities	–	–	–	730	–	730
Unallocated corporate liabilities						6,637
Consolidated total liabilities						7,367

Notes to Financial Statements *(Continued)*

At 31 December 2007 (in HK Dollars)

8. SEGMENT INFORMATION *(Continued)*

Primary segment information – Business segments *(Continued)*

Other information
For the year ended 31 December 2007

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
Capital additions	–	–	–	–	2,787	2,787
Depreciation	48	–	–	25	1,783	1,856
Impairment losses on assets under development	–	–	–	–	49,772	49,772
Impairment loss on financial assets at fair value through profit or loss	15,672	–	–	–	–	15,672
Non-cash expenses	1,286	–	–	–	–	1,286

Consolidated income statement
For the year ended 31 December 2006

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
REVENUE					
Segment turnover	41,271	1,171	1,786	4,713	48,941
RESULT					
Segment results	(12)	(25,508)	1,786	941	(22,793)
Unallocated income					6,925
Unallocated corporate expenses					(13,495)
Impairment loss on property under development					(19,850)
Share of profits of associates					692
Loss before tax					(48,521)
Taxation					(190)
Loss for the year					(48,711)

8. SEGMENT INFORMATION *(Continued)*

Primary segment information – Business segments *(Continued)*

Consolidated balance sheet

As at 31 December 2006

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Consolidated $'000
ASSETS					
Segment assets	–	24,593	46,274	943	71,810
Interests in associates					25,084
Goodwill and intangible assets					48,710
Unallocated corporate assets					248,720
Consolidated total assets					394,324
LIABILITIES					
Segment liabilities	–	15,024	–	1,263	16,287
Unallocated corporate liabilities					8,826
Consolidated total liabilities					25,113

8. SEGMENT INFORMATION *(Continued)*

Primary segment information – Business segments *(Continued)*

Other information

For the year ended 31 December 2006

	Security trading $'000	Property leasing $'000	Interest income $'000	Property management $'000	Other $'000	Consolidated $'000
Capital additions	–	–	–	–	605	605
Depreciation	–	106	–	1,185	34	1,325
Impairment losses on assets under development	–	–	–	–	19,850	19,850
Non-cash expenses	–	24,880	–	–	881	25,761

Secondary segment information – Geographical segments

In determining the Group's geographical segments, revenues and results 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.

	Revenue		Results	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Hong Kong	**231,597**	42,442	**(2,207)**	(24,026)
PRC	**6,050**	6,499	**(56,664)**	(24,304)
	237,647	48,941	**(58,871)**	(48,330)

8. SEGMENT INFORMATION *(Continued)*

Secondary segment information – Geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Hong Kong	**303,497**	72,738	**3,317**	–
PRC	**164,638**	321,586	**35,518**	37,605
	468,135	394,324	**38,835**	37,605

9. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2007	2006
	$'000	$'000
Auditors' remuneration	**400**	320
Staff costs (including directors' remuneration)		
– Wages and salaries	**5,480**	3,260
– Retirement benefits contributions	**162**	60
Depreciation of property, plant and equipment	**1,856**	1,325
Amortisation of intangible assets*	**1,850**	881
Operating lease rentals in respect of land and buildings	**1,699**	250
Gross rental income from investment properties	**–**	1,171
Less: Direct operating expenses from Investment properties that generated Rental income during the year	**–**	(325)
	–	846

* Amortisation of intangible assets has been included in other operating expenses in the consolidated income statement.

Notes to Financial Statements *(Continued)*

At 31 December 2007 (in HK Dollars)

10. FINANCE COSTS

	2007	2006
	$'000	$'000
Interest on:		
Bank loans wholly repayable within 5 years	**–**	883

11. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 33% (2006: 33%).

Current tax:

	2007	2006
	$'000	$'000
Hong Kong	**–**	190
PRC	**157**	–
Over provision in prior years	**(2,091)**	–
	(1,934)	190

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaires either incurred taxation loss or had no assessable profit for the year (2006: HK$190,000).

Deferred tax:

No provision for deferred tax liabilities has been made as the Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2006: Nil).

11. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follow:

	Hong Kong		PRC	
	2007	2006	**2007**	2006
Loss before taxation	**(1,423)**	(24,217)	**(57,448)**	(24,996)
Share of result of associate	**–**	–	**4,239**	692
	(1,423)	(24,217)	**(53,209)**	(24,304)
Tax at the domestic income tax rate	**(249)**	(4,238)	**(17,559)**	(8,020)
Tax effect of expenses not deductible for tax purpose	**324**	5,023	**18,106**	9,904
Tax effect of income not taxable for tax purpose	**75**	(680)	**(1,157)**	(1,884)
Tax effect of unrecognised tax losses	**–**	85	**–**	–
Tax effect of unrecognised temporary differences	**–**	–	**767**	–
Over provision in prior years	**(2,091)**	–	**–**	–
Tax charge for the year	**(2,091)**	190	**157**	–

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2007 was approximately HK$1,698,000 (2006: net profit of HK$1,983,000).

13. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders for the year of approximately HK$45,469,000 (2006: HK$41,420,000) and the weighted average of 3,414,586,135 (2006: 3,313,869,000) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the two years ended 31 December 2007 and 31 December 2006, accordingly, no diluted loss per share has been presented.

15. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 December 2007 and 2006 are set out below:

	Fees		Salaries and other benefits		Retirement benefits scheme contributions		Total	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Executive Directors								
Guan Guoxing (Note i)	**–**	–	**223**	–	**12**	–	**235**	–
Chiu Yeung	**–**	–	**269**	320	**12**	12	**281**	332
Ren Jun Tao	**–**	–	**–**	–	**–**	–	**–**	–
Jin Jiu Xin	**–**	–	**50**	–	**–**	–	**50**	–
Ji Jian Xun	**–**	–	**60**	–	**–**	–	**60**	–
Xu Zhe Cheng (Note ii)	**–**	–	**–**	–	**–**	–	**–**	–
He Hui Min (Note iii)	**–**	–	**–**	–	**–**	–	**–**	–
	–	–	**602**	320	**24**	12	**626**	332
Non-Executive Director								
Qian Yong Wei (Note iv)	**–**	–	**–**	–	**–**	–	**–**	–
Independent Non-Executive Directors								
Mu Xiangming	**–**	100	**–**	–	**–**	–	**–**	100
Cheng Chak Ho	**272**	100	**–**	–	**–**	–	**272**	100
Lo Wa Kei Roy	**226**	100	**–**	–	**–**	–	**226**	100
Li Mei (Note v)	**16**	–	**–**	–	**–**	–	**16**	–
	514	300	**–**	–	**–**	–	**514**	300
	–	300	**–**	320	**–**	12	**–**	632

15. DIRECTORS' REMUNERATION *(Continued)*

Note:

(i) Mr. Guan Guoxing was resigned on 4 December 2007.

(ii) Ms. Xu Zhe Cheng resigned on 28 February 2006.

(iii) Mr. He Hui Min was appointed on 27 December 2007.

(iv) Mr. Qian Yong Wei resigned on 17 November 2006.

(v) Ms. Li Mei was appointed on 27 December 2007.

The number of directors whose remuneration falls within the following designated bands is set out below:

	Number of directors	
	2007	2006
HK$'Nil – HK$1,000,000	**5**	5

During the year ended 31 December 2007, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2006: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

16. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included two, (2006: one) directors, details of whose remuneration are set out in Note 15 to the financial statements. Details of the remuneration of the remaining three (2006: three) highest paid, non-director employees are as follows:

	2007	2006
	$'000	$'000
Salaries and other benefits	**784**	884
Mandatory provident fund contributions	**48**	24
	832	908

17. EMPLOYEE BENEFITS

(a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2007. The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2007 in respect of the retirement of its employees.

(b) Equity compensation benefits

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2007 and up to the date of this report, the Group does not adopt any new share option scheme.

18. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Properties under development $'000 (Note (a) & (b))	Leasehold improvement $'000	Furniture, fixture and motor vehicles $'000	Total $'000
At cost:				
At 1 January 2006	160,763	–	7,935	168,698
Additions	–	–	605	605
Disposals	–	–	(852)	(852)
At 31 December 2006 and at 1 January 2007	160,763	–	7,688	168,451
Additions	35,518	530	2,787	38,835
Disposals	–	–	(29)	(29)
At 31 December 2007	196,281	530	10,446	207,257
Depreciation and impairment loss:				
At 1 January 2007	–	–	3,473	3,473
Charge for the year	–	–	1,325	1,325
Written back on disposal	–	–	(543)	(543)
Impairment loss recognised	19,850	–	–	19,850
At 31 December 2006 and at 1 January 2007	19,850	–	4,255	24,105
Charge for the year	–	106	1,750	1,856
Written back on disposal	–	–	(29)	(29)
Impairment loss recognised	49,772	–	–	49,772
At 31 December 2007	69,622	106	5,976	75,704
Net book value:				
At 31 December 2007	**126,659**	**424**	**4,470**	**131,553**
At 31 December 2006	140,913	–	3,433	144,346

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

Group *(Continued)*

Notes:

(a) Properties under development are situated in the PRC.

(b) The carrying amount of the Group's properties under development as at 31 December 2007 have been arrived at on the basis of a valuation carried out by Dudley Surveyors Limited, an independent qualified professional valuers not connected with the Group. Dudley Surveyors Limited are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors, was arrived at by using an open market basis by the comparison approach and by making reference to comparable evidence as available in the relevant markets.

Company

	Furniture, fixture and motor vehicles $'000
At cost:	
At 1 January 2006, 31 December 2006, 1 January 2007	922
Addition	2,241
At 31 December 2007	3,163
Depreciation:	
At 1 January 2006	887
Charge for the year	21
At 31 December 2006 and at 1 January 2007	908
Charge for the year	148
At 31 December 2007	1,056
Net book value:	
At 31 December 2007	**2,107**
At 31 December 2006	14

19. GOODWILL

Group

	$'000
At cost:	
At 1 January 2006	–
Deemed acquisition of interest in an associate (Note (a))	12,591
At 31 December 2006, at 1 January 2007 and at 31 December 2007	12,591
Impairment	
At 1 January 2006, at 31 December 2006, at 1 January 2007 and at 31 December 2007	–
Carrying amount	
At 31 December 2007	**12,591**
At 31 December 2006	12,591

(a) At 31 December 2007, the directors of the Company assessed the recoverable amount of goodwill by reference to the valuation as at 31 December 2007 performed by Carea Appraisal Company Limited, an independent firm of professional valuers, and no impairment loss is necessary to provide according to the opinion of the valuers and the directors of the Company. The valuation of the goodwill was determined based on the present value of the expected future revenue arising from the business of the associates.

(b) The recoverable amount of the cash generated units ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five years is represented by its continuing value.

The projections adopted various growth rates over the period which is equivalent to any average growth rate as below:

Key assumptions used for value-in-use calculations:

Average growth rate	7%
Discount rate	6.5%

The management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate used is after tax and reflects specific risks relating to the CGU.

20. INTANGIBLE ASSETS

Group

	Technical Know-how $'000
At cost:	
At 1 January 2006	–
Additions	37,000
At 31 December 2006 and at 1 January 2007	37,000
Additions	–
At 31 December 2007	**37,000**
Accumulated amortisation:	
At 1 January 2006 and at 31 December 2006	–
Provided for the year	881
At 31 December 2006 and at 1 January 2007	881
Provided for the year	1,850
At 31 December 2007	**2,731**
Carrying amount	
At 31 December 2007	**34,269**
At 31 December 2006	36,119

(a) The carrying amount of technical know-how includes two separate technical know-how for the production of pharmaceutical products. The technical know-how has been assigned to the Group's associate company which operates pharmaceutical manufacturing plants for production of pharmaceutical products in the PRC.

(b) In return to the assignment of the technical know-how to the Group's associate company, the Group is entitled to receive a royalty income each year.

(c) The directors considered that there was no impairment for the year ended 31 December 2007. Details of critical accounting estimates were set out in Note 6(a).

(d) The amortisation expense has been included in other operating expenses in the consolidated income statement.

(e) The carrying amount of the technical know how as at 31 December 2007 has approximately to its fair value.

21. INTERESTS IN ASSOCIATES

Group

	2007 $'000	2006 $'000
Share of net assets of associates		
At 1 January 2007/2006	**20,491**	390
Deemed acquisition of an associate (Note (a))	**–**	19,409
Acquisition of an associate (Note (b))	**10,207**	–
Share of results of associates for the year	**4,239**	692
At 31 December 2007/2006	**34,937**	20,491
Less: accumulated impairment loss	**(390)**	(390)
	34,547	20,101
Amounts due from associates	**5,793**	5,588
	40,340	25,689
Less: accumulated impairment loss	**(605)**	(605)
	39,735	25,084

Company

	2007 $'000	2006 $'000
Unlisted shares, at cost	**1**	–
Amount due from an associate	**499**	–
	500	–

(a) Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

(b) In 2005, the Group holds equity interests of 27% in Tonghua Hengan Pharmaceutical Holding Company Limited ("Hengan") and had been classified as available-for-sale financial assets. Such classification was mainly due to the Group's inability to exercise significant influence over Hengan as the Group did not have any position in the composition of the board of directors of Hengan.

21. INTERESTS IN ASSOCIATES *(Continued)*

(b) *(Continued)*

During the year ended 31 December 2006, the Group appointed one of the director in Hengan as employees of the Group. The directors of the Company considered that the Group have exercise significant influence over Hengan after such appointment and it has been therefore classified as an associate of the Group ("Deemed Acquisition"). The Group's share of net assets of Hengan as at the date of Deemed Acquisition was approximately HK$19,409,000. Accordingly, goodwill arising from the Deemed Acquisition was approximately HK$12,591,000.

(c) During the year, Master Venture Limited, a wholly owned subsidiary of the Company entered into a sales and purchase agreement with independent third party for acquisition of 44% equity interest in Tonghua Yong Ji Real Estate Company Limited ("Yong Ji") for a cash consideration of RMB10,000,000. After the completion of the acquisition, Yong Ji became an associate company of the Group. The fair value of net assets of Yong Ji as at the date of acquisition was approximately the same as the consideration and therefore, no goodwill has been arised from the acquisition.

As at 31 December 2007, the Group had interests in the following associates:

Name of associate	**Registered and paid up capital**	**Country of incorporation**	**% of interests held**	**Principal activities**
Joy Route Limited	US$100	British Virgin Islands	50%	Inactive
Tonghua Hengan Pharmaceutical Holding Company Limited	RMB66,000,000	PRC	27%	Production of pharmaceutical products
Tonghua Yong Ji Real Estate Company Limited	RMB25,000,000	PRC	44%	Properties development
Fulin Enterprise Limited	HK$1,000	Hong Kong	30%	Inactive

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2007 $'000	2006 $'000
Balance sheet		
Total assets	**169,672**	126,850
Total liabilities	**(39,839)**	(52,401)
Net assets	**129,833**	74,449
Group's share of net assets of associates	**35,055**	20,101
Income statement		
Revenue	**163,491**	97,281
Profit for the year	**15,834**	2,563
Group's share of profits of associates for the year	**4,239**	692

22. INVESTMENTS IN SUBSIDIARIES

Company

	2007 $'000	2006 $'000
Unlisted shares, at cost	**510,824**	510,824
Less: Impairment loss of investment in subsidiaries	**(374,384)**	(374,384)
	136,440	136,440
Amounts due from subsidiaries	**148,761**	205,876
Less: Impairment loss of amount due from subsidiaries	**(108,131)**	(108,131)
	40,630	97,745
	177,070	234,185

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts will not be repayable within twelve months from the balance sheet date, accordingly, the amounts are classified as non-current.

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of interest held		Principal activities
			Direct	Indirect	
BOCMT Real Estate Holdings Limited	Hong Kong	Ordinary HK$246,153,900	100%	–	Investment holding
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK$274,051	100%	–	Investment holding
Express Century Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Great Luck Property Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Master Venture Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Talent Ocean Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Silver Place Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
Sun Man Tai International Architectural Decoration Design Co. Limited	Hong Kong	Ordinary HK$40	–	100%	Investment holding
BOC Mantai Property Management (Shanghai) Corporation Limited	PRC	Registered capital US$200,000	–	100%	Property management
Xian BOCMT Estate Company Limited	PRC	Registered capital US$10,000,000	–	70%	Property development
Longwell International Holdings Limited	BVI	Ordinary US$1	100%	–	Investment holding

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

23. ACCOUNTS RECEIVABLES

Group

	2007 $'000	2006 $'000
Accounts receivables	**2,009**	3,135
Less: Provision for impairment loss recognised	**(1,861)**	(1,861)
	148	1,274

Included in accounts receivables are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

	2007 $'000	2006 $'000
0 – 30 days	**148**	1,274
31 – 365 days	**–**	–
Over 1 year	**1,861**	1,861
	2,009	3,135

The carrying amounts of accounts receivables approximate to their fair values.

The movements in provision for impairment loss of accounts receivables were as follows:

	2007 $'000	2006 $'000
At 1 January	**1,861**	1,861
Bad debt recovered	**–**	–
At 31 December	**1,861**	1,861

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables of the Group and the Company are expected to be recovered within one year except for utility deposits of approximately HK$375,000 (2006: HK$180,000).

Notes to Financial Statements *(Continued)*

At 31 December 2007 (in HK Dollars)

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Company

	2007 **$'000**	2006 $'000
Listed equity investments, at cost	**32,427**	–
Less: Fair value loss	**(1,286)**	–
Listed equity investments, at fair value *(Note (a))*	**31,141**	–
Less: Impairment loss *(Note (b))*	**(15,672)**	–
	15,469	–

Notes:

a. The listed equity investments are carried at quoted market prices as at 31 December 2007.

b. Impairment loss of HK$15,672,000 has been recognised in the income statement as the market price of the equity investments had been further diminished subsequent to the financial year end.

26. LOAN RECEIVABLES

Group

	2007 **$'000**	2006 $'000
Short-term loan	**–**	45,000

The Group provides short-term loan to independent third parties for the purpose for earning interest income. As at 31 December 2007, no short-term loan has been provided to independent third partners. As at 31 December 2006, the short-term loan are unsecured, interest-bearing at rates ranging from 10% to 11% per annum and repayable within one year.

27. INVESTMENT DEPOSITS

Group

	2007	2006
	$'000	$'000
Deposits for property Investments	**56,842**	83,480

For the year ended 31 December 2007

On 28 December 2007, Longwell International Holdings Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement ("Acquisition Agreements") with independent third parties to acquire the entire issued share capital of Chang Chun Rong Xin Economy and Trade Company Limited for a consideration of RMB270,000,000. Upon signing of the Acquisition Agreements, the Group paid a security deposit of RMB54,000,000 (approximately HK$56,842,000) to the vendors to proceed with the acquisition which is refundable if any of the conditions precedent of the acquisition is not fulfilled or waived.

For the year ended 31 December 2006

On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire equity interest of Shanghai Minhang Weixing Land (the "Agreement") at a consideration of approximately RMB85,984,000 (equivalent to approximately HK$83,480,000).

On 26 March 2007, the Agreement was terminated because the vendor could not fulfil the necessary obligation requirement according to the time schedule set out in the Agreement. The vendor was required to refund the consideration of approximately HK$83,480,000 plus the interest penalty of approximately HK$1.5 million to the Company according to the termination agreement.

28. CASH AND CASH EQUIVALENT

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank	**176,229**	2,312	**175,357**	12
Cash on hand	**519**	106	**7**	–
Other deposit (Note)	**–**	19,894	**–**	–
	176,748	22,312	**175,364**	12

Note: The Group maintained a cash escrow account in a legal firm for operating the construction work of a property development project located in the PRC. The Group has the right to withdraw and use of the cash held in the escrow account as its discretion.

Notes to Financial Statements *(Continued)*

At 31 December 2007 (in HK Dollars)

29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group

	2007 **$'000**	2006 $'000
At 1 January	**21,200**	–
Transfer from investment properties	**–**	21,200
Disposal (Note)	**(21,200)**	–
At 31 December	**–**	21,200

Note: On 5 January 2007, the Group entered into two sale and purchase agreement with an independent third party to dispose of the properties held for sale at total considerations of HK$21,200,000. The considerations were satisfied by the purchaser in cash and the transactions were completed on 26 February 2007.

30. SHARE CAPITAL

	Notes	**Number of shares** '000	**Nominal value** $'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2006		5,000,000	50,000
Increase in authorised share capital	(a)	5,000,000	50,000
At 31 December 2006 and at 1 January 2007		10,000,000	100,000
Increase in authorised share capital	(b)	10,000,000	100,000
At 31 December 2007		20,000,000	200,000

Issued and fully paid:

	Notes	**Number of ordinary shares of HK$0.01 each**	**HK$'000**
At 1 January 2006		3,313,869,000	33,139
Issue of shares pursuant to rights issue	(c)	1,656,934,450	16,569
Placing of shares	(d)	660,000,000	6,600
At 31 December 2007		5,630,803,450	56,308

30. SHARE CAPITAL *(Continued)*

During the year, the movements in the Company's issued share capital are as follows:

(a) Pursuant to a resolution passed by the shareholders of the Company at annual general meeting held on 9 October 2006, the authorised share capital was increased from HK$50,000,000 to HK$100,000,000.

(b) Pursuant to a resolution passed by the shareholders of the Company at annual general meeting held on 30 April 2007, the authorised share capital was increased from HK$100,000,000 to HK$200,000,000.

(c) On 25 October 2007, the Company entered into an underwriting agreement with Karl-Thomson Securities Company Limited as the underwriter, pursuant to which the Company proposed to raise approximately HK$96.4 million after deduction of expenses by way of right issue of 1,656,934,450 rights shares at the subscription price of HK$0.06 per rights share on the basis of one rights share for every two existing shares. The rights issue has been completed on 6 December 2007.

(d) On 13 December 2007, the Company entered into a placing agreement with Karl-Thomson Securities Company Limited as the placing agent, pursuant to which the Company proposed to raise HK$39.6 million by way of placing 660,000,000 ordinary shares at a price of HK$0.06 per share through placement to independent third parties. The placing of shares has been completed on 20 December 2007.

All new shares issued ranked pari passu with the then existing shares in all respects.

31. BANK LOANS AND OVERDRAFT — SECURED

Group

	2007 **$'000**	2006 $'000
Within 1 year or on demand	**–**	14,823
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**–**	–
After 5 years	**–**	–
At 31 December	**–**	14,823

For the year ended 31 December 2006, the bank loans were secured on certain investment properties of the Group with an aggregate carrying value totaling HK$21,200,000, together with the right to receive rentals thereon.

32. ACCOUNTS PAYABLE

Group

	2007 **$'000**	2006 $'000
Due within 1 month or on demand	**68**	201

The carrying amounts of accounts payable approximately to their fair values.

33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses of the Group and the Company are expected to be settled within one year.

34. RESERVES

Group

	Share Premium $'000	Contributed Surplus $'000 Note (a)	Capital Reserve $'000	Statutory Reserves $'000 Note (c)	Exchange Reserve $'000	Accumulated Losses $'000	Total $'000
At 1 January 2006	491,636	31,350	(894)	–	(4,668)	(155,648)	361,776
Exchange differences on translation of foreign subsidiaries	–	–	–	–	56	–	56
Loss for the year	–	–	–	–	–	(41,420)	(41,420)
At 31 December 2006 and at 1 January 2007	491,636	31,350	(894)	–	(4,612)	(197,069)	320,412
Exchange differences on translation of foreign subsidiaries	–	–	–	–	1,029	–	1,029
Disposal of subsidiaries	–	–	–	–	5,544	–	5,544
Placing of shares	33,000	–	–	–	–	–	33,000
Issue of shares pursuant to rights issues	82,847	–	–	–	–	–	82,847
Share issue expenses on rights issues	(1,333)	–	–	–	–	–	(1,333)
Loss for the year	–	–	–	–	–	(45,469)	(45,469)
Transfer to statutory reserve	–	–	–	1	–	(1)	–
At 31 December 2007	**606,150**	**31,350**	**(894)**	**1**	**1,961**	**(242,539)**	**396,029**

34. RESERVES *(Continued)*

Company

	Share premium $'000	Contributed surplus $'000 Note (a)	Accumulated losses $'000	Total $'000
At 1 January 2006	491,636	115,615	(413,009)	194,242
Profit for the year	–	–	1,983	1,983
At 31 December 2006 and at 1 January 2007	491,636	115,615	(411,026)	196,225
Placing of shares	33,000	–	–	33,000
Issue of shares pursuant to rights Issue (Note (d))	82,847	–	–	82,847
Shares issue expenses on rights issue (Note (c))	(1,333)	–	–	(1,333)
Loss for the year	–	–	(1,699)	(1,699)
At 31 December 2007	**606,150**	**115,615**	**(412,725)**	**309,040**

(a) The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

(b) According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of directors, the Company did not have any reserves available for distribution to shareholders at 31 December 2006 and 2007.

34. RESERVES *(Continued)*

(c) Statutory reserve of comprises of statutory surplus reserve and statutory welfare fund reserve.

Statutory surplus reserve

In accordance with the articles of association of the Company's subsidiaries established in the PRC ("Subsidiaries"), Subsidiaries shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

Statutory welfare fund reserve

In accordance with the articles of association of the Subsidiaries, Subsidiaries shall appropriate 5% to 10% of its annual statutory net profit (after offset against any prior years' losses), prepared in accordance with the PRC GAAP, to the statutory public welfare fund reserve.

(d) On 25 October 2007, the Company entered into an underwriting agreement with Karl-Thomson Securities Company Limited as the underwriter, pursuant to which the Company proposed to raise approximately HK$96.4 million after deduction of expenses by way of right issue of 1,656,934,450 rights shares at the subscription price of HK$0.06 per rights share on the basis of one rights share for every two existing shares. The rights issue has been completed on 6 December 2007.

(e) On 13 December 2007, the Company entered into a placing agreement with Karl-Thomson Securities Company Limited as the placing agent, pursuant to which the Company proposed to raise HK$39.6 million by way of placing 660,000,000 ordinary shares at a price of HK$0.06 per share through placement to independent third parties. The placing of shares has been completed on 20 December 2007.

35. OPERATING LEASES

The Group as lessee

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

	2007 **$'000**	2006 $'000
Within one year	**1,390**	186
In the second to fifth years inclusive	**1,332**	–
	2,722	186

Operating lease payments represent rental payable by the Group for certain of its office properties and staff quarters. Leases and rentals were negotiated and fixed for an average term of two years (2006: two years).

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007 **$'000**	2006 $'000
Within one year	**–**	202
In the second to fifth years inclusive	**–**	–
	–	202

36. CAPITAL COMMITMENTS

As at 31 December 2007, the Group and the Company did not have any significant capital commitments (2006: Nil).

37. RELATED PARTY TRANSACTIONS

(a) As at the balance sheet date, the Group has the following balances with related parties:

	Amount due from related parties		Amount due to related parties	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Associates (Note (i))	**5,793**	4,983	**–**	–
Connected person (Note 37(c))	**–**	83,480	**–**	–

Note: (i) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bead or doubtful debts in respect of the amounts due from related parties.

(b) During the year, the Group entered into the following transactions with related parties:

	2007	2006
	$'000	$'000
Associate:		
Royalty income received (Note (i))	**1,480**	617
Connected person:		
Compensation interest received (Note (37(c))	**1,502**	–

Note: (i) The transactions were carried at price agreed between the parties.

(c) **Connected transaction**

On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire equity interest of Shanghai Minhang Weixing Horticultural Land (the "Agreement") at a consideration of approximately RMB85,984,000 (equivalent to approximately HK$83,480,000).

The vendor in the Agreement was a brother-in-law of a former non-executive director of the Company. Accordingly, the vendor is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the investment deposits of approximately HK$83,480,000 were held by a connected person as at 31 December 2006.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to company's directors and certain of the highest paid employees, as disclosed in Note 15 is as follows:

	2007	2006
	$'000	$'000
Salaries and short-term employee benefits	**602**	320
MPF Contribution	**24**	12
	626	332

38. POST BALANCE SHEET EVENTS

(i) On 28 December 2007, Longwell International Holdings Limited, a wholly owned subsidiary of the Company entered into an acquisition agreement and supplementary agreement with independent third partners to acquire the entire issued share capital of Rong Xin, at a total consideration of RMB270,000,000 (approximately HK$284,210,530) in cash ("Acquisition"). Rong Xin is a company established in the PRC with limited liability and the principal asset of which is a commercial property located at the city of Changchun, Liaoning Province, PRC. The Acquisition is expected to take place within six months dated from 28 December 2007.

(ii) On 6 February 2008, the Company entered into the subscription agreement with Universal Union Limited, the controlling shareholder of the Company (the "Subscriber") whereby the Subscriber agreed to subscribe for the convertible bonds in the principal amount of up to HK$444,696,000 to be issued by the Company in three tranches, being the first convertible bond in principal amount of HK$150,000,000, the second convertible bond in principal amount of HK$200,000,000 and the third convertible bond in the principal amount of HK$94,696,000 respectively, for a term of 3 years for each tranche.

(iii) On 17 March 2008, the Company proposes to increase the authorised share capital of the Company to HK$500,000,000 divided into 50,000,000,000 Shares.

39. DISPOSAL OF SUBSIDIARIES

	2007 **$'000**	2006 $'000
Net assets disposed of :		
Exchange reserve	**5,543**	–
Accruals and other payables	**(51)**	–
Tax payable	**(396)**	–
	5,096	–
Loss on disposal of subsidiaries	**(5,096)**	–
	–	–
Satisfied by:		
Cash consideration received	**1**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 **$'000**	2006 $'000
Cash consideration received	**1**	–
Cash and bank balances disposed of	**–**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**1**	–

The subsidiaries disposed of during the year do not have material effect on the Group's operating cash outflow, turnover and operating loss for the year ended 31 December 2007.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has written risk management policies and guidelines set out in the Group's internal control manual. The board of directors also meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to a variety of risks associated with financial instruments which arise from the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to these risks are mitigated are described as follows:

(a) Credit risk

The Group's maximum credit exposure of the financial assets as at 31 December 2007 equals to their carrying amounts. The Group's financial assets are summarised in Note (g) below. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group.

The Group has deposited its cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Currency risk

All the transactions of the Group are denominated in RMB and HK$ and there are expenses and acquisition of plant and machinery that are required to be settled in RMB and HK$. Certain accounts receivable and account payable of the Group are denominated in foreign currencies, mainly RMB. The Group monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rate, are as follows:

2007	**RMB'000**
Accounts receivable	**151**
Cash and cash equivalents	**1,476**
Investment disposits	**54,000**
Accounts payable	**(69)**
	55,558

2006	RMB'000
Accounts receivable	1,237
Cash and cash equivalents	19,314
Investment disposits	85,984
Accounts payable	(195)
	106,340

The following table illustrates the sensitivity of the net results for the year and accumulated losses in regards to the Group's financial assets and financial liabilities at the balance sheet date and the reasonable possible changes in the foreign exchange rates in the next twelve months to which the Group has significant exposure at the balance sheet date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Currency risk *(Continued)*

Group

	2007		2006	
	Increase/ (Decrease) in foreign exchange rates	**Effect on results and accumulated losses**	Increase/ (Decrease) in foreign exchange rates	Effect on results and accumulated losses
	%	**$'000**	%	$'000
RMB	**6%**	**(3,532)**	4%	972
	(6%)	**(3,532)**	(4%)	(972)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's results and accumulated losses. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of HK$151,071,000 and HK$242,620,000 and has net assets of HK$369,211,000 and HK$460,768,000 as at 31 December 2006 and 2007 respectively. In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the balance sheet dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group may be required to pay:

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

2007

	Carrying amount $'000	**Total contractual undiscounted cash flow $'000**	**Within 3 months or on demand $'000**	**More than 3 months but less than 1 year $'000**	**More than 1 year but less than 5 years $'000**
Accounts payable	**68**	**(68)**	**(68)**	**–**	**–**
Other payable and accrued expenses	**6,858**	**(6,858)**	**(6,858)**	**–**	**–**
	6,926	**(6,926)**	**(6,926)**	**–**	**–**

2006

	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 3 months or on demand $'000	More than 3 months but less than 1 year $'000	More than 1 year but less than 5 years $'000
Accounts payable	201	(201)	(201)	–	–
Other payable and accrued expenses	7,107	(7,107)	(7,107)	–	–
Bank loan and overdrafts	14,823	(14,823)	(14,823)	–	–
	22,131	(22,131)	(22,131)	–	–

(e) Other pricing risk

The Group has invested in listed equity securities which are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The Group monitors the price movements and take appropriate actions when it is required. A reasonable change in equity price in the next twelve months is assessed and recognised in the Group's income statement. For the year ended 31 December 2007, the Group recognised impairment loss of approximately HK$15,672,000 to the income statement as the equity price subsequent to the balance sheet date materially diminished from the fair value at the balance sheet date.

(f) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

(g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet dates are catergorised as follows. See note 4(b) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Summary of financial assets and liabilities by category *(Continued)*

	2007 $'000	2006 $'000
Financial assets		
Current assets		
Financial assets at fair value through profit or loss	**15,469**	–
Loans and receivables:		
– Accounts receivable	**148**	1,274
– Advances to associates	**5,793**	5,588
– Investment deposits	**56,842**	83,480
– Loan receivables	**–**	45,000
Cash and cash equivalents	**176,748**	22,312
	255,000	157,654
Financial liabilities		
Financial liabilities measured at amortised cost:		
Current liabilities		
– Accounts payable	**68**	201
– Bank loan and overdrafts	**–**	14,823
	68	15,024

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2006 and 2007 amounted to approximately HK$369,211,000 and HK$460,768,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2008.

Summary of Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 December 2007.

Results

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Turnover	**237,647**	48,941	9,722	6,087	8,662
Loss from operations	**(58,871)**	(48,330)	(4,343)	(283,367)	(11,694)
Finance costs	**–**	(883)	(1,124)	(2,452)	(4,501)
Share of results of associates	**4,239**	692	–	–	–
Loss before taxation	**54,632**	(48,521)	(5,467)	(285,819)	(16,195)
Taxation	**1,934**	(190)	(183)	–	779
Loss for the year	**(52,698)**	(48,711)	(5,650)	(285,819)	(15,416)
Attributable to:					
Equity holders of the Company	**(45,469)**	(41,420)	(4,692)	(284,269)	(14,235)
Minority interests	**(7,229)**	(7,291)	(958)	(1,550)	(1,181)
Loss for the year	**(52,698)**	(48,711)	(5,650)	(285,819)	(15,416)

Assets and Liabilities

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Property, plant and equipment	**131,553**	144,346	165,225	165,665	122,796
Investment properties	**–**	–	47,700	80,000	102,620
Goodwill	**12,591**	12,591	–	–	–
Interest in joint venture	**–**	–	–	46,768	46,768
Interest in associates	**39,735**	25,084	–	–	–
Available-for-sale financial assets	**–**	–	32,000	87,000	308,466
Intangible Assets	**34,269**	36,119	–	–	–
Current assets	**249,987**	176,184	213,704	113,046	200,967
Total assets	**468,135**	394,324	458,629	492,479	781,617
Current liabilities	**(7,367)**	(25,113)	(26,056)	(54,817)	(30,704)
Long-term liabilities	**–**	–	(14,707)	(13,816)	(41,255)
Minority interests	**(8,431)**	(15,660)	(22,951)	(23,909)	(25,459)
Net assets	**452,337**	353,551	394,915	399,937	684,199