C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

ANNUAL REPORT 2007

07

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Mr. Tsang Wai Choi
Dr. Wong Kim Wing
Mr. Wu Hong Cho

Non-executive director
Mr. Wong Yat Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick, JP

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick, JP

REMUNERATION COMMITTEE

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick, JP

COMPANY SECRETARY

Ms. Cheung Fung Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

BRANCH OFFICE

Rooms 3308-10
China Resources Building
26 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISORS

Hong Kong
Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda
Conyers Dill & Pearman

AUDITORS

Ernst & Young
Certified Public Accountants

QUALIFIED ACCOUNTANT

Mr. Leung Chun Cheong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
BNP Paribas

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

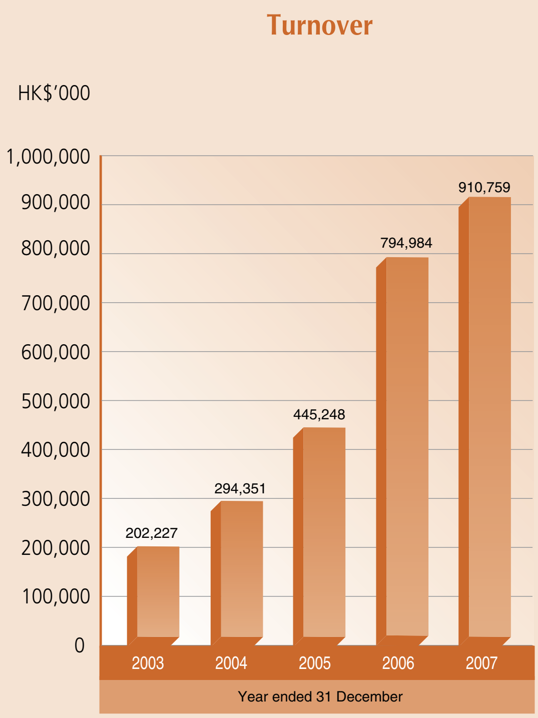
Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

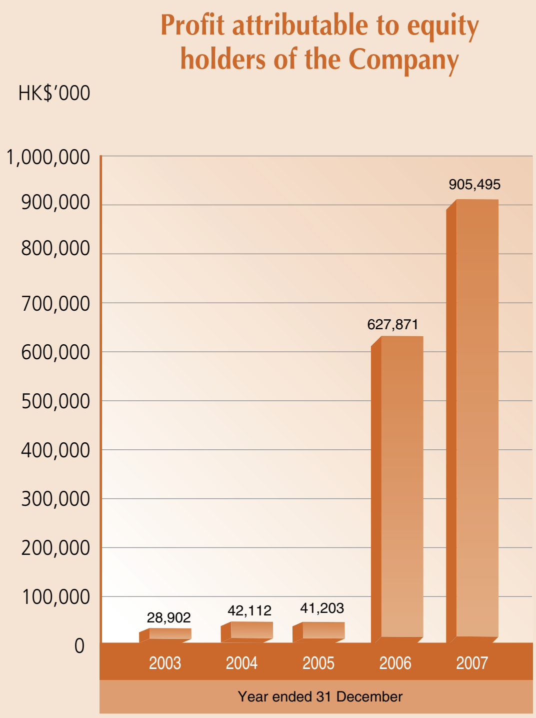
WEBSITE ADDRESS

http://www.ccland.com.hk

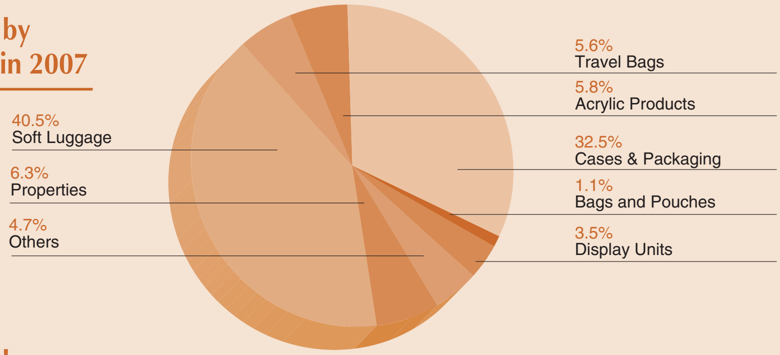
STOCK CODE

1224

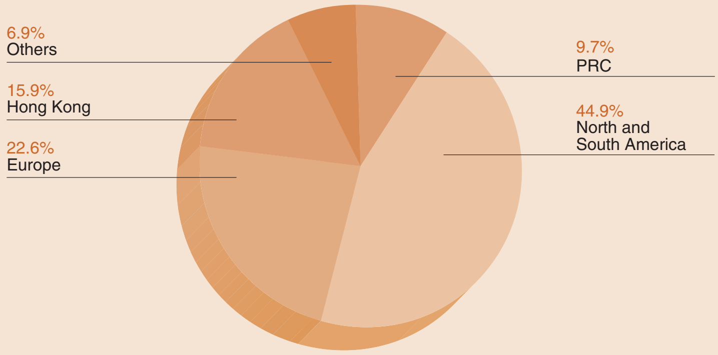




Group's Turnover by Product Category in 2007



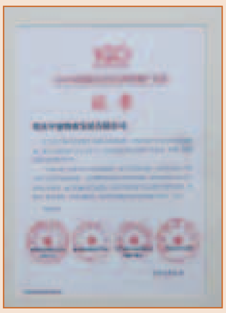
Group's Turnover by Geographical Location in 2007



CORPORATE

Name of Award: 2007 Asia's 200 Best Under A Billion
Awarding Party: Forbes Asia
Date: November 2007

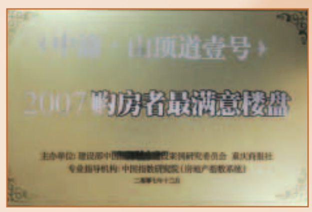
PROJECT COMPANIES
CHONGQING ZHONGYU



Name of Award: Top 100 Competitive Real Estate Enterprises of China in 2007
Awarding Party: Policy Research Center, Ministry of Construction
Development Research Center of the State Council — Information Center
China Real Estate Chamber of Commerce
Hong Kong Economy Yearbook Press
Date: September 2007

Name of Award: The Model Property of Chongqing in 2007
Awarding Party: China Mainstream Media Real Estate Promotion League
Chongqing Morning News
Date: October 2007

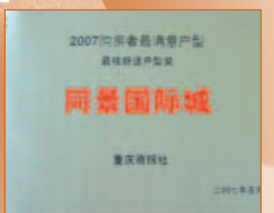
Name of Award: Nominated for Enterprise with Greatest Contributions to the City — Property Overview for the 10th Anniversary of Chongqing Municipality
Awarding Party: Propaganda Department of Chongqing Municipal Party Committee
Chongqing State Land Resources & Housing Administration Bureau
Chongqing Daily
Date: October 2007



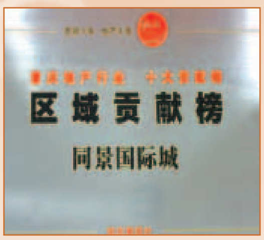
Name of Award: Purchasers' Most Favorable Property in 2007
Awarding Party: China International Urban Development Case Study Commission, Ministry of Construction
China Index Academy (CREIS)
Chongqing Economic Times
Date: December 2007

VERAKIN NEW PARK CITY

Name of Award: The Most Innovative Structure (Suite M3b) in Chongqing in 2007
Awarding Party: Chongqing Morning News
Date: April 2007

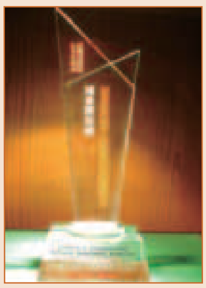


Name of Award: The Most Satisfactory Suite for Buyers and the Most Comfortable Suite in 2007
Awarding Party: Chongqing Business News
Date: May 2007



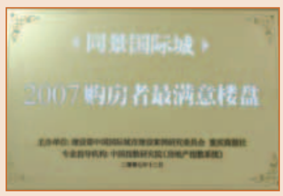
Name of Award: "Ten Years' Municipality, while Ten Years' Development of the Real Estate" Contribution to the Local Region
Awarding Party: Chongqing Business News
Date: June 2007

Name of Award: Real Estate Brands of the City's Most Competitive Brand in Chongqing in 2007
Awarding Party: Chongqing Evening News
Date: December 2007



Name of Award: Outstanding Contribution Project to Chongqing City's Housing Construction in 2007
Awarding Party: Chongqing Times
Date: December 2007

Name of Award: Annual Production List • Top 10 Hot-Sale Habitation
Awarding Party: Chongqing City Construction Comprehensive Development Association
Chongqing Morning News
Date: December 2007



Name of Award: Purchasers' Most Favorable Property in 2007
Awarding Party: China International Urban Development Case Study Commission, Ministry of Construction
China Index Academy (CREIS)
Chongqing Economic Times
Date: December 2007

JANUARY	The Group entered the Chengdu market by acquiring a 50% interest in a residential project in Wenjiang with a land bank of about GFA 555,000 sq. m..
MAY	The Group entered the Kunming market by acquiring, through auction, a 70% interest in a project in the Gaoxin District with a land bank of about GFA 62,000 sq. m..
JULY	The Group successfully placed 360 million shares to raise a net proceeds of approximately HK$2,862 million for acquisition of land bank and development of existing projects.
OCTOBER	The Group acquired controlling interest in Verakin, a mixed-use property project in Chongqing with a land bank of about 1.6 million sq. m..
NOVEMBER	The Company obtained “2007 Asia’s 200 Best Under A Billion” Award from Forbes Asia.
DECEMBER	Our shares were included as constituent stock in the Morgan Stanley Capital International (MSCI) Hong Kong Index.

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA to be Carried Forward or Under Development (in sq.m.)	Completion/ Expected Completion Date (Year)	Group's Interest
Three parcels of land located at the south of Xingai Road, (Lot Nos. 15, 16 and 17-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	261,343.20	969,020	2008-2010	100%
A site located at east of Songpai Road, (Lot No. 9), Chongqing International Finance and Trade Development Area, Xingpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Hotel and Car Park	81,339.02	364,433	2010 or after	100%
A site located at the southeast of the junction of Xingai Road and Nation Road No. 201, (Lot No. 10-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office, Auxiliary Facilities and Car Park	103,434.88	349,962	2010 or after	100%
A site located at the west of Nation Road No. 201, (Lot No. 6-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	29,224.74	84,747	2010 or after	100%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA to be Carried Forward or Under Development (in sq.m.)	Completion/ Expected Completion Date (Year)	Group's Interest
Three parcels of land (Lot No. 19), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	143,868.63	382,770	2010 or after	100%
A site located at the east of Nation Road No. 201, (Lot No. 3-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	47,936.97	301,288	2010 or after	100%
A site located at the west of Nation Road No. 201, (Lot No. 4), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential Commercial, Office and Car Park	96,917.17	596,374	2010 or after	100%
A site located at Longtoushi, (Lot No. 35), Renhe Zhutuen, Gaoxinyuan, Northern New District, Chongqing, PRC	Residential, Commercial, Office and Car Park	69,316.85	242,448	2010	100%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA to be Carried Forward or Under Development (in sq.m.)	Completion/ Expected Completion Date (Year)	Group's Interest
Two sites (Lot No. 20 and Lot No. 11-1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	19,922.56	100,265	2010 or after	100%
A site (Lot No. 22) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	5,325.33	19,911	2010 or after	100%
A site (Lot No. 7-1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	5,245.88	11,437	2010 or after	100%
A site (Lot No. 1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	11,778.79	52,000	2008	100%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA to be Carried Forward or Under Development (in sq.m.)	Completion/ Expected Completion Date (Year)	Group's Interest
A site of land situated at Longta No. 3 and Longta No. 4 She, Longxi Street Zone, Yubei District, Chongqing, PRC	Residential, Commercial and Car Park	146,825.00	338,806	2010 or after	100%
A site of land situated at No. 1 Zhongxin Section, Huaxin Street, Jie Dao Qiao Bei Village, Jiangbei District, Chongqing, PRC	Residential	205,086.00	1,029,879	2010 or after	25%
A site of land situated at New Park City, Chayuan, Nan'an District, Chongqing, PRC	Residential, Commercial and Car Park	663,983.00	1,608,651	2007-2016	51%
A site of land situated at Jiangnan New District, Wanzhou District, Chongqing, PRC	Residential	158,920.15	351,134	2010 or after	100%
Three parcels of land situated at Jin Quan Community District, Jin Ma Zhen, Wen Jiang District, Chengdu, Sichuan, PRC	Residential	369,960.00	555,000	2009	50%

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA to be Carried Forward or Under Development (in sq.m.)	Completion/ Expected Completion Date (Year)	Group's Interest
A site of land situated at Dujiangyan District, Chengdu, Sichuan, PRC	Residential	61,217.00	61,000	2009	100%
Two parcels of land situated at Jinjiang District, Chengdu, Sichuan, PRC	Residential	137,757.68	413,273	2009-2011	50%
A site of land situated at Jintang County, Chengdu, Sichuan, PRC	Residential	1,060,065.00	2,226,011	2010 or after	60%
A site of land situated at Pengshan County, Meishan, Sichuan, PRC	Residential	333,335.00	1,000,005	2010 or after	60%
A site of land situated at Tongchuan District, Dazhou, Sichuan, PRC	Residential	72,878.00	364,390	2010 or after	95%
A site of land situated at Gaoxin District, Kunming, Yunnan, PRC	Residential and Commercial	18,659.70	62,446	2009	70%

GROUP II – PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

Property Location	Usage	Attributable GFA (sq.m.)	Occupancy Rate	The Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	22,060	53.2%	100%
	Residential	3,866	13.8%	100%
	Car parking spaces	15,646	100.0%	100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	4,685	28.4%	100%
	Car parking spaces	12,094	100.0%	100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car parking spaces	3,691	100.0%	100%
Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Commercial	1,541	6.5%	100%
	Car parking spaces	10,951	100.0%	100%

GROUP III – PROPERTY INTEREST HELD BY THE GROUP FOR SELF-OCCUPATION

Property Location	Usage	Tenure	Lot No.	Group's Interest
Flat No. 97 on 21st Floor, Tower 18 (of Parkview Corner), Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong and Car Parking Space No. 226 On Car Park Entrance 3 (Level 4) of the Garage of Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong	Residential	Long term lease	Rural Building No. 1051	100%
Unit K on 23rd Floor and Units A & L on 27th Floor, Shield Industrial Centre, Nos. 84-92 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Industrial	Medium term lease	Tsuen Wan Inland Lot No. 43	100%

GROUP III – PROPERTY INTEREST HELD BY THE GROUP FOR SELF-OCCUPATION *(Continued)*

Property Location	Usage	Tenure	Lot No.	Group's Interest
A piece of land and structures thereof located at Jie Min Administrative District, Sanjiao Town, Zhongshan City, Guangdong, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
7th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%
An industrial complex situated at 2 Feng Yang Road, LiLi Town, Wujiang City, Jiangsu, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
15th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%
Education Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Composite Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
California City Garden Kindergarten, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Block 7, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	Long term lease	N/A	100%
Huijingtai Kindergarten, Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%

CHONGQING

Area: 82,000 km^2
Population: 31.98 million
Location: Northeastern to the Southwest region of China, the confluence of Yangtze River and Jiangling River

Chongqing is a renowned cultural city with a grandeur history, it became a direct-controlled municipality in 1997. Its GDP amounted to RMB 411.1 billion in 2007, a yearly growth of 15.6%. Chongqing is the only transportation hub in Western China with marine, land and air transportation, and it is strategically located at the focal area under the State's "Go West" policy. In June 2007, the National Committee of Development and Reform announced that Chongqing and Chengdu would be developed into the "State's Comprehensive Reform Experimental Areas" in succession to Shenzhen of Guangdong province, New Pudong in Shanghai and Tianjin Coastal Area. Chongqing and Chengdu also represent the first reform experimental areas of this kind in Western China.

At the important time at the turn of a century, history once again brought Chongqing a new start. The famous Three Gorges Project and the development of resettlement in reservoir area inject new energy to Chongqing. In addition, Chongqing has a strong economy and industrial background that boosts high versatility and complementary capabilities, and it is one of the oldest industrial bases in China. Its five core industries are automobile and motorcycle, chemistry and pharmacy, construction materials, food and tourism. Chongqing is also the production base of the third generation automobile in China. Today, Chongqing develops a stronger attraction in the areas of geography, humanities and social environment, making itself the metropolis with the highest investment potential in Western China.

No. 1 Peak Road Project

No. 2 Jinshan Road, Longxi Street, Yubei District, Chongqing (owns 100% interest)

Total land area: 22,066 sqm
GFA above ground: 103,400 sqm
Expected completion period: the fourth quarter of 2008

The project is located at Yubei District in Chongqing, adjacent to National Road No. 210 and light railway transit No. 3. Proximity to various senior governmental departments such as the Chongqing Higher People's Court and Chongqing People's Congress Political Consultative Conference gives No. 1 Peak Road a locational value incomparable by other luxury real estates. As a highland broadview luxury property located at New California, No. 1 Peak Road enjoys a magnificent view from 361m above the sea level in latitude. The convenient traffic as: 2 minutes drive from Longtoushi train station, less than 15 minutes drive from Jiangbei International Airport and less than 10 minutes drive from Chongqing Cuntan Port. The project is located next to Jiangbei central business district and Jiefangbei central business district. Luxury hotels and large scale shopping centres nearby ensure convenience of living and travel. Leveraging on its geographical advantages and the continuous improvement of commercial facilities in the neighborhood, it ensures that the project is set to be another central district of residential and commercial development in Chongqing.

i-City Project

Adjacent to Longtoushi, Yubei, Chongqing (owns 100% interest)

Total land area: 69,316.85 sqm
GFA above ground: 242,448 sqm
Expected completion period: 2010

The project is adjacent to Longtoushi train station North and Chongqing Cuntan Port, enjoying convenient traffic. As a hub of Chongqing railway and marine transport, the district possesses enormous development potential. Currently, the commercial facilities in that district are seeing continuous development and improvement, generating hot popularity. At the same time, the Chongqing government has been increasing its investment in the development of the district. The Company is determined to develop the project into a comprehensive landmark in the area with unique planning and design complemented with excellent management.

California One Project

Hongjin Road, Yubei District, Chongqing (owns 100% interest)

Total land area: 11,778.79 sqm
GFA above ground: 52,000 sqm
Expected completion period: the second quarter of 2008

The project is a luxury mixed-use building developed by the Company. It is adjacent to National Road 210 and light railway transit No. 3, and located in front of Jiangbei central business district. A number of senior government units such as Chongqing Management Department of the Central Bank and Chongqing General Chamber of Commerce are located at the project's periphery. Luxury hotels, large scale shopping centres, high-end residential areas and offices are located in proximity, while other units such as China National Nuclear Corporation — Chongqing Branch have moved in, and a business district with the project as the core is in formation. The area is developing into another central business district of Northern Chongqing, echoing and complementing with the Jiangbei central business district.

Verakin New Park City Project

Chayuan, Nan'an District, Chongqing (owns 51% interest)

Total land area: 720,616 sqm
GFA above ground: 1,658,598 sqm
Completed area: 104,495 sqm
Area expected to be completed in 2008 and after: 1,554,103 sqm
Expected completion period: 2007 to 2016

Verakin New Park City is the largest garden houses community in Chongqing, forming a new star in the New Chayuan Urban Zone as a new administrative centre, economic centre and cultural centre of Nan'an District. Verakin New Park City covers an area of approximately 3,000 acres with a GFA of approximately 1,600,000 sqm. The project includes a hill garden of 300 acres sitting next to a water garden of 100 acres. The residential properties are mainly low density garden houses and townhouses. This design not only captures the excellences of villa, but it also provides consumers with a leisure experience in terms of functionality and lifestyle. The green ratio of the overall New Park City is 50%.

CHENGDU

Area: 12,390 km^2
Population: 11,034,000
Location: Central part of Sichuan Province

The capital of Sichuan Province, Chengdu is a renowned cultural city with over 2,000 years of history. With its prosperous agriculture and sophisticated craftsmanship industry, Chengdu is known as the "Land of Abundance". In June 2007, the National Development and Reform Commission announced that Chongqing and Chengdu would be developed into the "State's Comprehensive Reform Experimental Areas" in succession to Shenzhen of Guangdong Province, Pudong New Area of Shanghai and Tianjin Coastal Area. Chongqing and Chengdu are also the first reform experimental areas of this kind in Western China.

In 2007, Chengdu was named as one of the "Top 10 Economically Dynamic Cities of China", "Top 10 Commercial Cities of Mainland China", "Top 10 Most Competitive Cities in China" and "Best Traveling City in China". Chengdu's GDP of the same year amounted to RMB332.44 billion, a growth of 15.3%.

Chengdu Jinjiang Project

The project is located adjacent to Section 1 of Nansanhuan Road at the Liangfeng Village, Jingian District, Chengdu. The entire project is comprised of two parcels of land of four land lots (owns 50% of interest)

Total land area: 137,758.37 sqm
GFA above ground: 413,273 sqm
Expected completion period: 2009 to 2011

The area of the project is 206.6 acres, with plot ratio ≦3, building density ≦22% and green ratio ≧30%. Construction commenced in early 2008 and will be developed in 4 phases. The project will be constructed as a quality high level residential building cluster enjoying a magnificent view and hanging gardens in every unit. The project is adjacent to Chengdu Metro Line No. 2, and is close to transport routes namely the East extension line of Airport Road, Chenglong Avenue, Sanhuan Road and Waihuan Road, as well as the city's public transportation routes such as nos. 332, 343, 38 and 56.

In accordance with the government's latest planning, the region where the project is located sits within the future core residential area of Jinjiang administrative centre, in which the urban auxiliary facilities have been improving. Sansheng Xiang Government and Jinjiang Administrative Centre, Sichuan Normal University and affiliated college, Sansheng College, Sansheng Central School (三聖中心校), The Botanica School, Singapore Eton Bilingual Kindergarten (新加坡伊頓雙語幼稚園) are all located in the neighborhood. In addition, the government plans to build further auxiliary facilities including high standard schools, shopping centres, hospitals and parks.

Executive Directors

Mr. CHEUNG Chung Kiu, aged 43, was appointed Executive Director and Chairman of the Company on 22 June 2000 and 22 November 2006 respectively. He has a wide range of experience in investment business including approximately 15 years of experience in property development and investment in the PRC. Mr. Cheung is the founder and the chairman of Yugang International Limited ("Yugang"), currently a substantial shareholder of the Company, the chairman of Y.T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, the shares of all these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is a director of Regulator Holdings Limited, Yugang International (B.V.I.) Limited, Chongqing Industrial Limited, Palin Holdings Limited, Yugang and Thrivetrade Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under SFO" on pages 52 to 53 and is also a director of several subsidiaries of the Company.

Dr. LAM How Mun Peter, aged 60, was appointed Executive Director, Managing Director and Deputy Chairman of the Company on 3 June 1998, 9 April 1999 and 22 November 2006 respectively. He is the founder of the Company. Dr. Lam obtained his medical degree at the University of Hong Kong in 1972. He is also a fellow of the Royal College of Surgeons (Edinburgh), American College of Surgeons, and Hong Kong Academy of Medicine. He has over 15 years of experience in the packaging business, real estates and investment. Currently, Dr. Lam spends only a limited amount of his time on his medical practice. He is also a director of several subsidiaries of the Company.

Mr. LAM Hiu Lo, aged 46, was appointed Executive Director of the Company on 10 November 2000. He has accumulated over 20 years' experience in sales and marketing with PRC parties and has built up a strong business and personal network in the PRC. He is an executive director of Yugang and a director of several subsidiaries of the Company.

Mr. LEUNG Chun Cheong, aged 58, was appointed Executive Director of the Company on 3 June 1998. Mr. Leung is mainly responsible for financial management of the Group. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in professional accounting and finance. He had held senior positions in various industries in Hong Kong, including controller of a financial group, head of internal audit of a US bank and further before, senior position in Pricewaterhouse & Co. (presently called PricewaterhouseCoopers). He is also the qualified accountant of the Company and a director of several subsidiaries of the Company.

Mr. LEUNG Wai Fai, aged 46, was appointed Executive Director of the Company on 3 December 1999. Mr. Leung is mainly responsible for financial management of the Group. He graduated from the University of Wisconsin at Madison, the United States of America with a Bachelor Degree in business administration and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is the Group Financial Controller of Yugang and also an executive director of The Cross-Harbour (Holdings) Limited. He is also a director of several subsidiaries of the Company.

Executive Directors *(Continued)*

Ms. POON Ho Yee Agnes, aged 40, was appointed Executive Director of the Company on 3 June 1998. Ms. Poon is mainly responsible for the marketing, advertising and promotions of the Group's manufacturing business. She holds a Master of Science in Electronic Commerce and Internet Computing Degree from the University of Hong Kong and a Bachelor Degree in Business Administration from Simon Fraser University, Canada. Ms. Poon obtained her Master of Social Science in Counselling at University of South Australia in 2006. She is also a director of several subsidiaries of the Company.

Mr. TSANG Wai Choi, aged 59, was appointed Executive Director of the Company on 14 May 2007. He graduated from Sichuan Construction Material College (四川省建築材料學校). He has extensive experience in various segments of the construction industry in the PRC, including over 15 years' experience in property development as a professional project manager. Mr. Tsang was a front-runner in property development using private capital in the city of Chongqing and has been over-all in charge of a number of large-scale property projects in the city since 1991. He is also a director of several subsidiaries of the Company.

Dr. WONG Kim Wing, aged 46, was appointed Executive Director of the Company on 25 January 2008. He is a registered architect and authorized person in Hong Kong. He is a fellow member of The HK Institute of Architects and has over 20 years of experience in property development and assets branding. Having graduated from The University of Hong Kong with Architectural Degrees in 1984 and 1986, Dr. Wong also obtained his PhD Degree in Finance at the Shanghai University of Finance and Economics in 2007. Prior to joining the Company, Dr. Wong was a Director and Deputy General Manager (China Subsidiaries) and Group Senior Project Manager of Sun Hung Kai Properties Group from 1994 to 2005. He was also a Director of Project & Planning of The Link Management Limited from 2005 to January 2008.

Mr. WU Hong Cho, aged 62, was appointed Executive Director of the Company on 7 July 2006. Mr. Wu graduated from the Law School of the University of Hong Kong and had been a practicing solicitor in Hong Kong from 1989 to 2000 specialized in corporate finance. Prior to joining the Company, Mr. Wu held senior positions and was in charge of corporate financial matters in a number of public companies in Hong Kong. Mr. Wu is currently a non-executive director of NewOcean Energy Holdings Limited, a company listed on the Stock Exchange, and an independent non-executive director of Beiren Printing Machinery Holdings Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange. He is also a director of two subsidiaries of the Company.

Non-executive Director

Mr. WONG Yat Fai, aged 48, was appointed Independent Non-executive Director of the Company on 20 September 2006 and was re-designated to Non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of working experience with an international banking group. Mr. Wong is currently an executive director of GR Vietnam Holdings Limited (formerly known as 139 Holdings Limited), and a non-executive director of Yugang, Y.T. Realty Group Limited and The Cross-Habour (Holdings) Limited. The shares of all of these companies are listed on the Stock Exchange.

Independent Non-executive Directors

Mr. LAM Kin Fung Jeffrey, aged 56, was appointed Independent Non-executive Director of the Company on 3 June 1998. He holds a Bachelor Degree from Tufts University in the United States of America. He has over 25 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing and Eltee Enterprise Limited which is an investment company. He is a member of the Legislative Council, a general committee member of the Hong Kong General Chamber of Commerce, a council member of Hong Kong Trade Development Council and the chairman of the Hong Kong Export Credit Insurance Corporation Advisory Board. He is also an independent non-executive director of Hsin Chong Construction Group Limited, the shares of which are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 48, was appointed Independent Non-executive Director of the Company on 1 October 2007. He holds the degree of Master in Accountancy from Charles Sturt University in Australia and the degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. Mr. Leung is an associate member of The Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow member of The Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. He is also a practicing certified public accountant in Hong Kong. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 22 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Yugang, Y.T. Realty Group Limited and The Cross Harbour (Holdings) Limited, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, JP, aged 59, was appointed Independent Non-executive Director of the Company on 1 October 2007. He is a practicing certified public accountant in Hong Kong and the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Dr. Wong was accorded Doctor of Philosophy in Business in 2000, was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998. He was appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University in 2002. Dr. Wong participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. Dr. Wong is currently an independent non-executive director of Water Oasis Group Limited and China Force Oil & Grains Industrial Holdings Company Limited, the shares of both companies are listed on the Stock Exchange.

To our Shareholders,

I am pleased to present the annual report of C C Land Holdings Limited (the "Company") for the year ended 31 December 2007. The Company and its subsidiaries (the "Group") achieved an outstanding performance as a result of the first full year contribution from the PRC property business acquired in 2006.

During the year under review, the Group achieved a record profit attributable to shareholders amounting to HK$905.5 million, representing an year-on-year increase of 44.2%.

PRC PROPERTY BUSINESS

The economic boom in Mainland China has seen the increase of the disposable income of individuals and massive capital inflow from domestic and overseas investors, which has led to the prospering development of all industries in Mainland China especially the property industry.

Recently, the PRC central government implemented a series of macro-economic control measures in order to ensure the integration of the PRC property industry, curb speculative investment in residential properties, stabilize housing prices and, regulate the transactions of residential properties. These macro-economic control measures have already achieved the desired results, activities and housing prices having been stabilized and maintained at reasonable levels.

The Group enjoys a unique position in that it focuses its property development and investment purely in Western China where I am bullish on the growth potential. As the coastal areas in China are relatively more developed, Western China is now receiving more attention from the central government as well as investors from within the country and overseas. Properties prices in Western China are still relatively low when compared with those of the coastal areas and the property markets are in the early phases of development. The Group now has land banks in Chongqing, Chengdu, the Sichuan Province, and Kunming.

Chongqing, the city where the Group's core investment market is based, is the fourth direct centrally governed municipality. With a population of over 30 million and the ever increasing disposable income of households, the city has great growth potential for the future, especially in light of the central government's policy of economic development in Mainland China's western region. Together with Chengdu, the city was awarded the status of the Special Economic Zone on 7 June 2007, thrusting the city in the limelight and catching the attention of all major property developers.

For a property developer, land bank is the most important asset. I recognize that having sufficient land bank reserve at a reasonable cost is the key to our success. During the year under review, the Group demonstrated its expertise and judgement in acquiring new land banks. Total land bank reserve increased by approximately 8 million sq.m. to over 11 million sq.m. in gross floor area. This land bank will meet the Group's future development demand for the coming five to six years. Aside from getting new land bank from the city center, the Group also looks for land banks with great upside potential in secondary districts where we can foresee imminent infrastructure upgrading which will shorten the distance to the main city centers. The Group will also seek to maintain an appropriate balance between income from property sales and recurring income derived from investment properties in order to maximize the return to our shareholders.

The Group has made strategic partnerships with two major property developers in Hong Kong for a mega-commercial and residential complex project in the Jiangbei District of Chongqing. I strongly believe that this project will be highly profitable through the collaboration of expertise and experience from all the strategic partners.

MANUFACTURING BUSINESS

The Group's packaging and luggage business has maintained stable growth. The fluctuations in raw material prices and increases in labor and operating costs continued throughout the year. However, these were partially offset by increases in the average selling prices. While the turnover of the packaging business grew 30.0% to HK$411.2 million, the turnover in the travel bags business decreased by 6.1% to HK$419.4 million compared to that of 2006. Segmental profit contribution to the Group amounted to HK$33.8 million and HK$0.9 million respectively.

During the year, the Group acquired 51% interest in a company principally engaged in the trading of acrylic products and point of sales display units, for the purpose of complementing the existing product lines, providing opportunities for further growth.

CORPORATE DEVELOPMENT

Net proceeds of about HK$2,862 million were raised by placement of shares in July 2007 to finance the Group's acquisition of property development projects and general working capital. In January 2008, the Group obtained a HK$1.95 billion 3-Year Term Credit Facility from a consortium of international and local banks which will be used for general corporate funding requirements.

The Group was admitted as a constituent stock of the Morgan Stanley Capital International Hong Kong Index, the Hang Seng Composite Index Series and the Hang Seng Free Float Index Series, indicating that the Group's effort in the past years has been widely accepted by the market.

PROSPECTS

In the coming years, China will remain as one of the world's most attractive destinations for investment as it is foreseen that its economy will continue to prosper, and its currency, the Renminbi will appreciate in the coming years.

The Group will continue to focus on the property development and investment business in Western China, and carry on its existing manufacturing operations. It will continue its efforts to expand its quality land banks not only through public auctions but also through merger or acquisition of target property development companies. The Group is well-poised to be one of the leading property developers in Western China by leveraging its management expertise, quality land banks, and solid financial position.

In the manufacturing business sector, despite the importance of the packaging business which we see as a key platform offering stable growth, our point of sales displays business also performed well during the financial year 2007. The Group is committed to maintaining a broad product range so that the manufacturing business remains a steady contributor to the Group's revenue and profit.

ACKNOWLEDGEMENTS

Last but not least, I would like to express my sincere thanks to the Board of Directors and senior management, as well as our staff for their dedicated service and commitment to ensuring continued improvements to the Group. My appreciation also goes out to our shareholders, bankers and customers for their invaluable support.

Cheung Chung Kiu
Chairman
Hong Kong, 19 March 2008

RESULTS

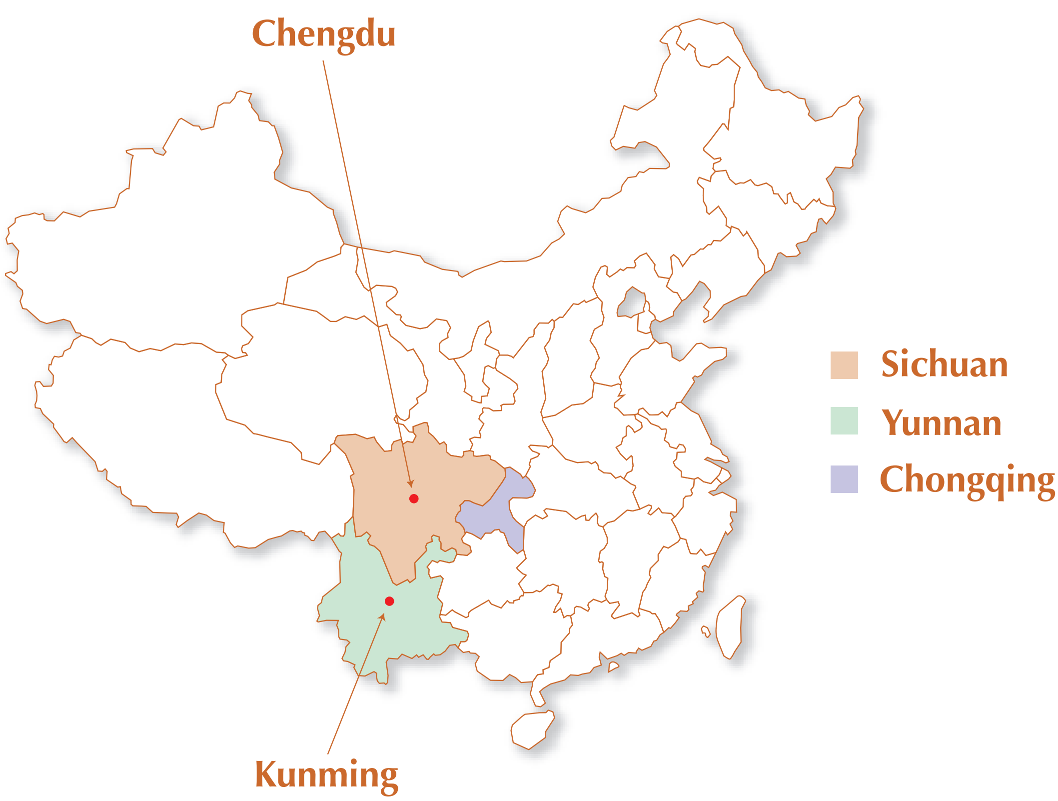
The year 2007 is another fruitful year for the Group which benefited from the strong economic growth in the PRC and other major markets where the Group operates. The Group has achieved a record turnover and profit attributable to shareholders in the amounts of HK$910.8 million (31 December 2006: HK$795.0 million), representing an increase of 14.6%, and HK$905.5 million (31 December 2006: HK$627.9 million), an increase of 44.2%, respectively.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK$0.05 (31 December 2006: HK$0.05) per share to our shareholders whose names appear on the Register of Members of the Company on 2 May 2008. Subject to approval at the forthcoming Annual General Meeting, dividend warrants will be sent to shareholders on or about 13 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 April 2008 to 2 May 2008 (both days inclusive), during this period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on 2 May 2008 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 April 2008.



BUSINESS REVIEW

The principal activities of the Group are PRC property development and investment, manufacture and sale of packaging products and soft luggage, and treasury investments. Revenue and profit attributable to shareholders for the Group increased respectively by 14.6% to HK$910.8 million (31 December 2006: HK$795.0 million) and 44.2% to HK$905.5 million (31 December 2006: HK$627.9 million). The revenues of the PRC property business, packaging business, luggage business and other businesses are HK$61.4 million, HK$411.2 million, HK$419.4 million and HK$18.8 million respectively.

The substantial increase in profit attributable to shareholders was mainly due to the first full year contribution from the PRC property development and investment business acquired in November 2006. Other incomes recorded a substantial gain of HK$372.5 million (31 December 2006: HK$605.0 million) from excess of fair value over the cost of acquisition of a subsidiary during the year, as well as the recovery of receivables and fair value gain on investment properties of a total of HK$110.7 million (31 December 2006: HK$4.9 million). The National People's Congress approved on 16 March 2007 the Corporate Income Tax Law which became effective from 1 January 2008. The corporate income tax rate applicable to the Group's subsidiaries in China would then decrease from 33% to 25%. As a result, a tax credit of HK$506.3 million in respect of deferred tax liabilities was recorded in the year. Consistent with previous years, the manufacturing business and treasury investment business kept providing stable income to the Group which contributed HK$34.8 million (31 December 2006: HK$42.3 million) and HK$15.8 million (31 December 2006: HK$47.0 million) to the Group's segmental profits respectively.

In accordance with the Hong Kong Financial Reporting Standards, an equity-settled share option expense in the amount of HK$74.9 million (31 December 2006: HK$2.0 million) in respect of share options granted to certain directors, eligible employees of the Group and those who had contributed to the Group was recorded under other expenses. The increase in selling and distribution costs, administrative expenses, and finance costs are attributable to the new PRC property business acquired in late 2006.

Earnings per share for the year was 46.10 HK cents (31 December 2006: 112.40 HK cents as adjusted to reflect the consolidation of the Company's shares on 11 January 2007) and diluted earnings per share was 45.85 HK cents (31 December 2006: 105.80 HK cents as adjusted to reflect the consolidation of the Company's shares on 11 January 2007).

PRC PROPERTY AND INVESTMENT BUSINESS

In 2007, the central government adopted a series of macro-economic control policies to ensure the healthy and steady development of the property market. These policies aim to control the influx of foreign moneys into the property market and curb the hoarding of vacant lands, further increase land supply and the supply of affordable decent housing in order to stabilize property prices in certain cities, and to maintain property price levels affordable to the citizens.

Chongqing Zhongyu Property Development Co Ltd

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China in 2007 was RMB24,661.9 billion, an year-on-year increase of 11.4%, which was 0.3 percentage point higher than last year. The total investment in real estates development in 2007 was RMB2,528.0 billion, up by 30.2% from the same period last year. Investment in commercial residential buildings in 2007 reached RMB1,801.0 billion, an increase of 32.1%.

Strong economic growth and continuous improvement in the living standards of the fast-growing urban community are major forces driving the healthy growth of the property market. The Group believes that the implementation of such macro-control policies is necessary and effective for the continuous development of a healthy property market in China in the long run.

The Group owns over a total of 11.4 million sq.m. (attributable interests of about 8.09 million sq.m.) of quality landbank in Chongqing, Chengdu, the Sichuan Province, and Kunming. The Group is enjoying the benefits from China's "Go West" policy where the central government is investing heavily in Chongqing's infrastructure to build up Chongqing as the "Gateway to the West". In addition, in June 2007, Chongqing and Chengdu were awarded the status of "Comprehensive Reform Trial Zones District". By expediting the urban-rural integration and the building of modernized rural areas, and by allocating massive sums for infrastructure development, the economic growth of both Chongqing and Chengdu is expected to be more than robust. This definitely makes Chongqing as well as its neighborhood areas like the Sichuan Province the main beneficiaries under this policy. In fact, the GDP of Chongqing and Sichuan in 2007 increased by 15.6% and 14.2% respectively, much higher than the nation's average. The encouraging GDP growth and the increase in the household disposable income provide the driving force for the growth in the property market of Chongqing and the Sichuan Province. The directors believe that the property market in Chongqing and Sichuan will continue to flourish in the coming years. The Group aims to strengthen its land bank reserves in these locations and is poised to become a premium property developer in the Western part of China.

Sales reception of No. 1 Peak Road

Property Development and Sales Performance

The Group's overall strategy is to develop properties for the middle and high end of the market. The majority of the Group's property projects are residential properties for sale. In 2007, the Group completed 104,495 sq.m. of Verakin New Park City in Chongqing.

Presales in the year 2007 comprised of the following projects:

California One – The project comprises of apartments, a hotel, an office block and car-parks with a total GFA of about 52,000 sq.m. and is expected to be completed in the first half of 2008. Pre-sale activities started in March 2007 and all units were sold during the year.

No. 1 Peak Road – Part of a mega residential complex of 969,020 sq.m., the project comprises of 755 high-end residential units with a total GFA of about 77,700 sq.m. and car-park spaces of about 20,600 sq.m.. The first phase of 383 residential units with a total GFA of about 31,000 sq.m. was launched to the market for pre-sale in late 2007. About two-thirds of all the units were sold and the Group is planning to launch the second phase of the project for sale in the second quarter of 2008.

California One

Verakin New Park City

Verakin New Park City – A high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sq.m. of which the Group has a 51% interest. A total GFA of about 152,000 sq.m. was pre-sold as at 31 December 2007.

As of 13 March 2008, details of projects held under development are as follows:

Locations/Land Lot Nos	Expected Completion Date	GFA (sq.m.)	The Group's Interests
Chongqing, Yubei District			
— 15,16,17-1	2008-2010	969,020	100.0%
— 9	2010 or after	364,433	100.0%
— 10-1	2010 or after	349,962	100.0%
— 6-1	2010 or after	84,747	100.0%
— 19	2010 or after	382,770	100.0%
— 4	2010 or after	596,374	100.0%
— 35	2010	242,448	100.0%
— 3-1	2010 or after	301,288	100.0%
— 1	2008	52,000	100.0%
— Longta No. 3 and Longta No. 4 She, Longxi Street Zone	2010 or after	338,806	100.0%
— Others	2010 or after	131,613	100.0%
Chongqing, Jiangbei District			
— Huaxin Street, Jie Dao Qiao Bei Village, No. 1 Zhongxin Section	2010 or after	1,029,879	25.0%
Chongqing, Nan'an District	2008-2016	1,554,103	51.0%
Chongqing, Wanzhou District, Jiangnan New District	2010 or after	351,134	100.0%
Chengdu, Wen Jiang District			
— 12/1/65	2009	555,000	50.0%
Chengdu, Dujiangyan District	2009	61,000	100.0%
Chengdu, Jinjiang District	2009-2011	413,273	50.0%
Chengdu, Jintang County	2010 or after	2,226,011	60.0%
Meishan, Pengshan County			
— Binjiang New Town	2010 or after	1,000,005	60.0%
Sichuan, Dazhou, Tongchuan District	2010 or after	364,390	95.0%
Kunming, Gaoxin District			
— R-1-7	2009	25,862	70.0%
— R-1-10	2009	36,584	70.0%
Total		11,430,702	

No. 1 Peak Road

Land Development

In February 2007, the Group acquired a 60% interest of a property company at a consideration of HK$171 million. The subject property company owns the land development rights for two projects in Dujiangyan, a famous tourist attraction in Chengdu, with a total site area of approximately 902,000 sq.m.. The land development entails layout works for the land tracts, and tenants relocation to bring them to a condition ready for sale in land auctions. The Group will share the profit from the auctions according to pre-determined profit sharing ratios as stipulated in the contract with the local PRC authority and this puts the Group in an advantageous position to bid for the land at the subsequent auctions. During the year, the Group took part in the first auction and succeeded in securing the first land lot with a GFA of 61,217 sq.m. at a price of RMB106.5 million. The Group will participate in the subsequent auctions for the remaining land lots. It is expected rapid economic growth will generate a strong demand for high-end residential properties in the area, giving the Group a competitive advantage with long-term growth prospects.

Investment Property

Success for a property developer can be facilitated by retaining premium properties having excellent potential for capital appreciation as long term investments. Combined with properties under development, the portfolio will generate a strong sales and recurrent income to maintain the Group's positive growth momentum going forward.

Completed Investment Properties

The total book value of the Group's investment properties amounted to HK$197.3 million as at 31 December 2007, comprising an aggregate GFA of 74,534 sq.m.. The portfolio comprises properties of diversified usage: Commercial (38.0%), Residential (5.2%) and Car-park spaces (56.8%). The prime locations of the Group's investment properties had resulted in the overall occupancy rate at a high level of 75.2%, with rental income during the year amounting to HK$13.9 million. According to an appraisal conducted by an independent valuer, the investment properties contributed a revaluation gain of HK$28.6 million during the year under review.

No. 1 Peak Road

A summary breakdown of the investment properties is shown below:

Property Location	Usage	Attributable GFA (sq.m.)	Occupancy Rate	The Group's Interest
California Garden Longxi Town, Yubei District, Chongqing, PRC	Commercial	22,060	53.2%	100%
	Residential	3,866	13.8%	100%
	Car Park	15,646	100.0%	100%
California City Garden Longxi Town, Yubei District, Chongqing, PRC	Commercial	4,685	28.4%	100%
	Car Park	12,094	100.0%	100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car Park	3,691	100.0%	100%
Huijingtai Longxi Town, Yubei District, Chongqing PRC	Commercial	1,541	6.5%	100%
	Car Park	10,951	100.0%	100%
Total		74,534		

Investment Properties under Development

With the recently acquired Special Economic Zone status for Chongqing and Chengdu, which translates into massive central government's spending in Chongqing's infrastructures, preferential tax policies, and other positive measures, we expect many large overseas corporations to be attracted to the region. The property leasing market thus looks extremely promising. Careful studies will be performed by the Group in order to maintain a balanced portfolio of properties developed for sale and held for investments.

Verakin New Park City

In the 11th Five Year Plan, the Chongqing Municipal Government encourages intensive development in urban areas, and the northern part of Chongqing is the ideal site for the new city centre. Being the "North Window" of Chongqing, the Yubei District is strategically important in the whole development blueprint of Chongqing. The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, major highway junctions and a new rail transportation hub are located. The land bank has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. In view of the prime location of these projects, the Group intends to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

Land Bank

Undoubtedly, land bank is the main key to success for a property developer. In addition to the acquisition of Chongqing Zhongyu in November 2006, the Group has been very successful in acquiring quality land banks in different locations in Western China such as in Chongqing, Chengdu, the Sichuan Province, and Kunming, during the year. This led to the increase in the Group's total land bank reserves to a GFA of over 11.4 million sq.m. (attributable GFA amounts to 8.09 million sq.m.). These acquisitions enable the Group to reap the benefits of the medium and long term positive contributions of the property sectors in these territories.

The Group will continue its efforts to acquire land banks with great upside development potential by means of merger or acquisition of target property development companies, and through normal channels from the Government.

Main Land Bank in Chongqing

Verakin New Park City

During the year, the Group acquired 11 new projects in Western China, adding a total new land bank of approximately GFA 8 million sq.m..

Acquired Date	Location	Approximate Total GFA (sq.m.)	Attributable Interests
January 2007	Wenjing, Chengdu	555,000	50%
May 2007	Kunming, Yunnan	62,446	70%
August 2007	Pengshan, Sichuan	1,000,005	60%
August 2007	Jiangbei, Chongqing	1,029,879	25%
September 2007	Dujiangyan, Chengdu	61,000	100%
September 2007	Yubei, Chongqing	338,806	100%
September 2007	Jinjiang District, Chengdu	413,273	50%
October 2007	Verakin City, Chongqing	1,658,598	51%
October 2007	Dazhou, Sichuan	364,390	95%
December 2007	Jintang, Chengdu	2,226,011	60%
December 2007	Wanzhou, Chongqing	351,134	100%

i-City

As of 13 March 2008, the Group's total land bank stood at 11,579,527 sq.m.. The Group's land bank comprises a well-diversified portfolio of properties. The breakdown by usage is as follows:

Usage	Completed Properties held for Investment GFA (sq.m.)	Properties held for Own Use GFA (sq.m.)	Completed Properties held for Sales GFA (sq.m.)	Land held for Future Development GFA (sq.m.)		Total GFA (sq.m.)
				Total	Attributable	
Commercial	28,286	9,128	3,108	797,092	692,147	837,614
Residential	3,866		38,513	6,475,295	4,548,285	6,517,674
Office				348,201	348,201	348,201
Hotel & serviced apartment				151,192	151,192	151,192
Townhouse & villa				2,863,011	1,695,107	2,863,011
Others (Car-park spaces and other auxiliary facilities)	42,382	15,226	8,316	795,911	650,354	861,835
Total	**74,534**	**24,354**	**49,937**	**11,430,702**	**8,085,286**	**11,579,527**

The breakdown of the land bank for development by location is as follows:

Location	Total GFA (sq.m.)	Attributable GFA (sq.m.)	Percentage
Chongqing	6,748,577	5,214,656	59.1
Sichuan			
— Chengdu	3,255,284	1,880,744	28.5
— Pengshan	1,000,005	600,003	8.7
— Dazhou	364,390	346,171	3.2
Yunnan			
— Kunming	62,446	43,712	0.5
Total	**11,430,702**	**8,085,286**	**100.0**

Investor Relations

The Group is committed to continuous communications with our shareholders and potential investors and believes that transparency can enhance corporate value. In addition to the Company's international roadshows after the interim and final results announcements, the management of the Company also actively participated in various investment forums organized by various leading investment banks. In 2007, our management met about 600 investors all over the world. Site visits and property tours were arranged to give investors a better understanding of the Group's project developments.

In order to give timely updates to the investors, the Group has a column of "Investor Relations" on its corporate website www.ccland.com.hk. All investor-related information is included in this column. The Group also maintains an updated distribution list of investors to provide them with information on the Group's latest developments.

MANUFACTURING BUSINESS

Packaging Business

The packaging business continued to report satisfactory results in the year, and achieved record revenue, despite continued rises in wages, material costs, and the appreciation of the Renminbi. Sales revenue and gross profit in the packaging business increased by 30.0% and 16.3% to HK$411.2 million and HK$71.9 million respectively (31 December 2006: HK$316.3 million and HK$61.8 million respectively). This was primarily attributable to growing demands in the major markets to which the Group sells, and contributions delivered by vertical expansion into the point of sales display business. The vertical integration was the result of an acquisition of a 51% in the issued share capital of a company in April 2007. This expansion complements the existing product lines, and provides room for further growth.

Whilst the packaging business remains as a steady contributor to the Group's revenue and profit, the financial year 2007 was challenging in view of higher overheads and operating costs. The packaging group is committed to maintaining a broad product range, and to delivering quality products, flexible and reliable services.

Luggage Business

The turnover of the luggage business decreased by 6.1% to HK$419.4 million. A net profit of HK$1.8 million was recorded in the year compared to last year's HK$7.0 million due to reduced orders from an existing customer, and the slower ramp-up sales from new customers in the year. The fall in sales was the result of the customer reducing order maximum limit with each of their suppliers due to its internal policy. Our management moved swiftly to address the problem by strengthening marketing ability and expanding the customer base. A comprehensive improvement program was put in place to smooth out production processes, rationalize product development and raise productivity. Revenue is expected to return to normal in the second half of 2008 after the product development cycles for new customers are completed.

The Group expects stiff market competition to continue in the coming year. The management will streamline productivity and seek to expand its customers base including that in the PRC market.

Other Business

Turnover of the treasury investment for the year amounted to HK$18.8 million (31 December 2006: HK$31.9 million), and recorded a segment profit of HK$15.8 million (31 December 2006: HK$47.0 million). The reported profits represented contributions from unrealized holding gain of securities of HK$2.2 million (31 December 2006: HK$10.0 million), and gain on disposal of securities of HK$13.5 million (31 December 2006: HK$29.1 million).

The share of profits of the 30% owned associated company, Technical International Holdings Limited, amounted to HK$3.0 million (31 December 2006: HK$4.3 million). The corkscrew and kitchenware products are undergoing a redevelopment cycle, after having been in the market for several years. Emphasis is placed on developing new product lines, which will substantially mature in the coming year.

PROSPECTS

PRC Property Development and Investment Business

During the year, the PRC government continued to promulgate a series of macro-economic control measures to regulate the real estate market, including land administration, loans, orderly execution of transactions in the market, and control over excessive increases in housing prices. There are signs that the real estate industry is moving into a consolidation phase. In view of the prosperous economic development in China, it is unlikely that significant adverse changes in the property market will take place in the short to medium term.

The rapid economic growth, the trend in the appreciation of the Renminbi ("RMB"), the accelerating rate of urbanization, and the increasing income per capita of domestic residents will sustain strong demand for real estates. The Group is confident that its PRC property business will grow in a steady and sustained manner.

To ensure that all projects are developed to the highest standards, the Group has taken on a team of highly qualified and experienced project managers especially in the sector of commercial and retail development projects to strengthen the corporate infrastructure, and has spared no efforts in enlisting the services of internationally renowned architects, town planners and designers. The sales and marketing teams will also be expanded to meet the demands in both Chongqing and Chengdu.

Manufacturing Business

The Group faces several potential challenges in 2008 from the slowing of the US economy, one of the major markets to which the Group exports, rising labour cost, and an appreciating RMB increasing our operating costs. The US economy may not be able to rely on spendings in the coming months as property values slump and the unemployment rate rises.

However, the US economy may not be as bad as it first appeared. The recent government's rescue plan and interest rate cuts may stimulate consumer spending. Manufacturing exports from strong growth overseas had narrowed the US trade gap in the fourth quarter of 2007. The growth overseas is expected to continue in the medium term, particularly in the Asian economy.

Nonetheless, the Group's core businesses are well positioned for the future, although with fundamentally different challenges and opportunities. The packaging business is on a much more stable footing, and will focus on enhancing productivity and efficiency in its manufacturing processes to counter the increases in operating costs. We expect the growth and profitability of the point of sales display business to grow significantly in the financial year 2008.

The stiff market competition in the luggage business is expected to continue into the year 2008. Revenue is expected to suffer in the short term. The expansion of the customers base looks promising. Trial orders from new customers are in the product development stage. Taking into account the lead time needed in product development, the business is expected to be back on track in the last quarter of 2008. The Group will endeavour to improve its margin by implementing stringent cost controls, improving productivity to achieve a lower cost structure and more competitive products under development. We will continue to leverage our operation know-how to expand our services and to develop products for different market segments.

FINANCIAL REVIEW

Investments

At 31 December 2007, the Group held a portfolio of listed securities with a market value of HK$34.0 million (31 December 2006: HK$40.6 million) and a convertible note of HK$34.7 million (31 December 2006: HK$32.7 million) issued by a company listed on The Stock Exchange of Hong Kong Limited. The amount of dividends, interest and other income from investments for the year was HK$7.0 million (31 December 2006: HK$2.8 million). The unrealized holding gain on listed securities reflected in the current year amounted to HK$2.2 million (31 December 2006: HK$10.0 million). The Group's PRC subsidiary has investments in equity securities held for long term purpose amounting to HK$426.2 million. (31 December 2006: HK$46.6 million). The substantial increase was due to the sharp increase in share price of the Bank of Communication Co. Ltd's A shares following its listing on the Shanghai Stock Exchange on 15 May 2007.

Borrowings and Financial Leverage

Of the Group's total borrowings as at 31 December 2007, HK$735 million (representing approximately 44%) was repayable within one year, of which HK$300 million had been repaid as at the reporting date, HK$578 million (representing approximately 35%) was repayable between one to two years and HK$341 million (representing approximately 21%) was repayable between two to five years. Secured debt accounted for approximately 80% of total borrowings as at 31 December 2007.

As of 31 December 2007, the gearing ratio for the Group was 16.8% based on total borrowings of HK$1,654 million and shareholders' equity of HK$9,846 million.

Total foreign currency borrowings (excluding RMB borrowings) amounted to the equivalent of HK$35 million and RMB borrowings amounted to the equivalent of HK$1,313 million. Foreign exchange exposure for the Group is relatively small comparable to its total asset base.

Taking into account the financial resources available to the Group, the Group had total undrawn bank loan and overdraft facilities of HK$67 million and cash on hand of HK$2,723 million as at 31 December 2007.

In addition, the Group signed a facility agreement on 3 January 2008 for an unsecured HK$1.95 billion 3-Year Term Credit Facility for general corporate funding requirements of the Group. The interest rate is HIBOR plus 140 basis points. The participants included four reputable international and local banks.

Contingent Liabilities

At 31 December 2007, the Group had the following contingent liabilities:

a. Guarantees given to banks in connection with facilities granted to an associated company in the amount of HK$13.5 million. (31 December 2006: HK$12.0 million).

b. Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK$231.5 million (31 December 2006: HK$29.7 million).

Pledge of Assets

At 31 December 2007, the Group has pledged the followings:

a.	Leasehold properties as security for general banking facilities granted to the Group.	HK$6.1 million
b.	Fixed deposits and bank balances as security for general banking facilities granted to the Group.	HK$614.7 million & USD17.0 million
c.	Properties under development and investment properties pledged to secure banking facilities granted to the Group, a former shareholder of a subsidiary acquired during the year and a related company of the Group's former joint venture partner.	RMB2,666.6 million

Exchange Risks

Sales and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars, Hong Kong dollars and/or RMB, while transactions for the property business are denominated in RMB. The exposure to foreign exchange risk is thus minimal.

Post Balance Sheet Event

On 3 January 2008, a Facility Agreement was signed with a consortium of international and local banks for a HK$1.95 billion 3-Year Term Credit Facility which carries interest at HIBOR + 1.4% per annum. The proceeds of the Facility will be used for general corporate funding requirements of the Group.

EMPLOYEES

At 31 December 2007, the Group had approximately 5,655 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme, in which the benefits are determined based on the performance of individual employees. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of Directors. Other benefits include contribution to a provident fund scheme or mandatory provident fund, and medical insurance.

During the year, options to subscribe for 29,360,000 shares in total at exercise prices of HK$4.81, HK$5.26, HK$5.37, HK$8.73, HK$15.22 and HK$15.34 per share respectively were granted on even dates under the share option scheme to certain directors and eligible employees (including certain employees joining after the balance sheet date) of the Group. Total fair value of these share options granted was approximately HK$98.0 million. An amount of HK$69.3 million was charged as equity-settled share option expense to the income statement for the year ended 31 December 2007.

The Company is committed to maintaining a high standard of corporate governance. The Board considers that sound corporate governance practices, including effective internal control measures, will always be essential to the Company's growth.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for deviation from Code Provision A.4.1 (tenure of non-executive directors) as explained in the relevant paragraph below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2007.

BOARD OF DIRECTORS

The board of directors (the "Board") currently consists of 9 executive directors (the number includes Dr. Wong Kim Wing who was appointed executive director subsequent to the balance sheet date), 1 non-executive director and 3 independent non-executive directors. Biographical details of members of the Board set out in "Profile of the Directors" on pages 21 to 23. The Board's membership shows a good balance of skills and experience as well as a strong independent element.

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and ensures good corporate governance practices of the Group. Daily operations and administration are delegated to the management.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are also established for every director to have access to board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

During 2007, four full regular board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended	Attendance rate
Executive Directors:		
Mr. Cheung Chung Kiu *(Chairman)*	4/4	100%
Dr. Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4	100%
Mr. Lam Hiu Lo	4/4	100%
Mr. Leung Chun Cheong	3/4	75%
Mr. Leung Wai Fai	4/4	100%
Ms. Poon Ho Yee Agnes	4/4	100%
Mr. Wu Hong Cho	4/4	100%
Mr. Tsang Wai Choi *(appointed on 14 May 2007)*	2/3	67%
Non-executive Director:		
Mr. Wong Yat Fai *(re-designated from Independent Non-executive Director on 1 October 2007)*	4/4	100%
Independent Non-executive Directors:		
Mr. Lam Kin Fung Jeffrey	3/4	75%
Mr. Leung Yu Ming Steven *(appointed on 1 October 2007)*	1/1	100%
Dr. Wong Lung Tak Patrick *(appointed on 1 October 2007)*	1/1	100%
Mr. Wong Wai Kwong David *(resigned on 26 July 2007)*	2/2	100%

CHAIRMAN AND MANAGING DIRECTOR

The positions of chairman and managing director are held by separate individual with defined roles of managing the Board and managing the affairs of the Company. Mr. Cheung Chung Kiu, Chairman of the Company, provides leadership for the Board and ensures the effective operation of the Board while Dr. Lam How Mun Peter, Deputy Chairman and Managing Director of the Company, is responsible for the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company deviated from Code Provision A.4.1, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. Instead, the tenure of non-executive directors is governed by Bye-law 87 of the Company's Bye-laws, which requires a director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules, and the Board has assessed their independence based on the contents of such confirmation and concluded that all of the independent non-executive directors are independent.

Following the resignation of Mr. Wong Wai Kwong David on 26 July 2007 as independent non-executive director, audit committee member and remuneration committee member of the Company, the number and qualification of independent non-executive director of the Company failed to meet the requirements under Rule 3.10 of the Listing Rules. Also, the composition of the Company's audit committee failed to meet the requirement under Rule 3.21 of the Listing Rules and a majority of members of the remuneration committee was temporarily not formed by independent non-executive directors. Nevertheless, on 1 October 2007, Dr. Wong Lung Tak Patrick and Mr. Leung Yu Ming Steven were each appointed as independent non-executive director, audit committee member and remuneration committee member of the Company. On the same date Mr. Wong Yat Fai was re-designated as non-executive director and ceased to be the member of both audit committee and remuneration committee of the Company. After the aforesaid appointments and change in directorship, the Company has fulfilled the requirements under the relevant Listing Rules.

BOARD COMMITTEES

The Board has set up two Committees in accordance with the Code, namely the Remuneration Committee and the Audit Committee. The Board has not set up a Nomination Committee, the establishment of which is a recommended best practice by The Stock Exchange of Hong Kong Limited, and the function of nomination of new directors is undertaken by the Board. Under the Company's Bye-laws, the Board has the power from time to time and at any time to appoint any person as a director either to fill a causal vacancy or an addition to the Board, subject to authorization by the shareholders in general meeting. Such power is also exercised by the full Board in accordance with the Company's Bye-laws. During the year, two meetings of the Board were held in connection therewith. All board members at the time of each meeting attended the said meetings respectively.

In addition to the Remuneration Committee and the Audit Committee, the Board has set up an Executive Committee comprising all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and formulating administrative guidelines.

REMUNERATION COMMITTEE

The major roles and functions of the Remuneration Committee of the Company are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to determine the specific remuneration packages of all executive directors;
3. to review and approve performance-based remuneration;
4. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
5. to ensure that no director or any of his associates is involved in deciding his own remuneration; and
6. to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules.

The Remuneration Committee currently comprises two executive directors namely Mr. Cheung Chung Kiu (Chairman) and Dr. Lam How Mun Peter and three independent non-executive directors namely Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. They met once during 2007 with attendance rate of 100%.

The Remuneration Committee of the Company has reviewed and discussed, among other things, on the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the independent non-executive directors, the existing share option policy, the retirement benefit schemes, and the long-term incentive arrangement. The Remuneration Committee also recommended to the Board the remuneration packages of the executive directors of the Company.

AUDIT COMMITTEE

The major roles and functions of the Audit Committee of the Company are as follows:

1. to review the annual report and half-year report before submission to the Board;
2. to review the Group's financial and accounting policies and practices;
3. to review the financial controls, internal control and risk management systems;
4. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
5. to be primarily responsible for making recommendation to the Board on the appointment, of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; and
6. to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the Code.

The Audit Committee currently comprises three independent non-executive directors. Three meetings were held in 2007 and the attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Mr. Lam Kin Fung Jeffrey *(Chairman)*	3/3	100%
Mr. Leung Yu Ming Steven *(appointed on 1 October 2007)*	1/1	100%
Dr. Wong Lung Tak Patrick *(appointed on 1 October 2007)*	1/1	100%
Mr. Wong Yat Fai *(ceased to be member from 1 October 2007)*	2/2	100%
Mr. Wong Wai Kwong David *(resigned on 26 July 2007)*	1/1	100%

Draft and final versions of minutes of the meetings of Audit Committee are sent to all members of the committee for their comment and records respectively under the reasonable time after the relevant meeting. The minutes of the meetings of Audit Committee were tabled to the Board for noting and for adoption by the Board where appropriate.

The Audit Committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's audited financial results for the year ended 31 December 2007. The Audit Committee reviews the financial statements before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young amounted to a total of HK$3,237,000, of which HK$2,800,000 was for audit services and HK$437,000 for non-audit services (including review, tax and consultancy services).

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$229,000, of which HK$208,000 was for audit services and HK$21,000 for non-audit services including tax services.

INTERNAL CONTROL

The Board is responsible for the system of internal control in the Company and for reviewing its effectiveness. The Company maintains an internal audit function which is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function forms part of the permanent establishment of the Group.

The internal audit function monitors the effectiveness of the internal control system that has been established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting as required for the type of business of subsidiaries are established for use within the Group. These procedures are designed to enable timely and reliable financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on areas of risk to the Group. The Management is responsible for ensuring that recommendations made by the internal audit function are implemented. Implementations are also followed up by the internal audit function.

The Board recognizes that the Group's system of internal control has a key role in business planning, the management of risks, and the assurance of continued law and regulatory compliance by the Group. The system of internal control is kept under review by the Audit Committee, and are reviewed annually by the directors in accordance with the code provisions as stipulated in the Code.

In the opinion of the directors throughout 2007, the Group complied with the code provisions on internal controls as stipulated in the Code. The directors are satisfied that the prevailing internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group are in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee are revealed.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The directors also ensure the timely publication of the financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 54.

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

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a general meeting of the Company held on 10 January 2007 and approved by the Registrar of Companies of Bermuda, the name of the Company was changed from Qualipak International Holdings Limited to C C Land Holdings Limited during the year.

The Chinese translation of the Company name for identification purposes was changed from "確利達國際控股有限公司" to "中渝置地控股有限公司".

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise investment holding and the provision of corporate management services. Details of the principal activities of the subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 55 to 131.

The directors recommend the payment of a final dividend of HK$0.05 per share in respect of the year to the shareholders on the register of members on 2 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 132. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment of the Company and of the Group and investment properties and properties under development of the Group during the year are set out in notes 15, 16 and 25.1 to the financial statements. Further details of the Group's major properties are on pages 7 to 13.

ASSOCIATES

Particulars of the Group's associates are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 41 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$317,653,000, of which HK$108,315,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$7,102,561,000, may be distributed in form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 46% of the total sales for the year and sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for 54% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

DIRECTORS

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

Executive directors:
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter *(Deputy Chairman and Managing Director)*
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Mr. Tsang Wai Choi *(appointed on 14 May 2007)*
Dr. Wong Kim Wing *(appointed on 25 January 2008)*
Mr. Wu Hong Cho

Non-executive director:
Mr. Wong Yat Fai *(re-designated from independent non-executive director on 1 October 2007)*

DIRECTORS *(Continued)*

Independent non-executive directors:
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven *(appointed on 1 October 2007)*
Dr. Wong Lung Tak Patrick, JP *(appointed on 1 October 2007)*
Mr. Wong Wai Kwong David *(resigned on 26 July 2007)*

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Tsang Wai Choi, Mr. Leung Yu Ming Steven, Dr. Wong Lung Tak Patrick and Dr. Wong Kim Wing will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Cheung Chung Kiu, Mr. Lam Hiu Lo and Ms. Poon Ho Yee Agnes will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors continue in office.

The Company has received annual confirmations of independence from Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and the Board has assessed their independence based on the contents of such confirmation and concluded that all of the independent non-executive directors are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 21 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by the Group within one year without compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's Remuneration Committee and the board of directors with reference to directors' duties and responsibilities and the prevailing market conditions, subject to shareholders' approval/authorisation at the annual general meetings.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company's Human Resources Department based on the merit, qualifications and competence of employees.

A Remuneration Committee is set up for reviewing the emolument policy and the structure of all remuneration of the executive directors of the Company, having regard to the Group's operating results, duties and responsibilities, and individual performance. The fee for the non-executive directors was determined and approved by the board of directors with reference to their duties and responsibilities with the Company. The remuneration of all directors is reviewed on an annual basis. The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in note 46 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the directors and chief executives of the Company and their associates 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 otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Interests in shares of the Company (long positions)

Name of director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate *(Notes 1 & 2)*	1,289,120,207	59.53%
Dr. Lam How Mun Peter	Personal	11,000	0.00%
Mr. Leung Chun Cheong	Personal	34,000	0.00%
Ms. Poon Ho Yee Agnes	Personal	104,000	0.01%

(b) Interests in convertible note of the Company (long positions)

A convertible note in the principal sum of HK$2,552,000,000 was issued on 7 November 2006 to Thrivertrade Limited ("Thrivertrade") in which Mr. Cheung Chung Kiu had a 100% beneficial interest. As at 31 December 2007, Thrivertrade had exercised the conversion right attached to the convertible note in an amount of HK$2,551,999,998.80 and accordingly a total number of 911,428,571 shares were issued by the Company to Thrivertrade. Such shares were part of the shares interested by Mr. Cheung Chung Kiu as disclosed under the paragraph headed "(a) Interests in shares of the Company (long positions)" above. As at 31 December 2007, HK$1.20 at the principal amount remained outstanding on the convertible note.

(c) Interests in share options of the Company (long positions)

Details of the directors' interests in the share options of the Company are set out in note 46 to the financial statements.

Notes:

1. 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang", which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu in aggregate as to 44.06%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

   1,034,880,571 of such shares were held through Thrivetrade, a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes: (Continued)

2. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest, respectively, in Chongqing. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung Chung Kiu and his family. Prize Winner Limited was beneficially owned by Mr. Cheung Chung Kiu and his associates. Mr. Cheung Chung Kiu had 100% beneficially interest in Timmex.

Save as disclosed above, as at 31 December 2007, the Company had not been notified of any interests or short positions in the shares, underlying shares and 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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Options" below, and in the share option scheme disclosures set out in note 46 to the financial statements, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

A summary of the existing share option scheme adopted on 29 April 2005 and details of the options to subscribe for shares of the Company granted under such scheme and their movements during the year are set out in note 46 to the financial statements.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the dates of grant of options:

Grantee	Number of options granted during the year	Theoretical value of share options *HK$*
Dr. Lam How Mun Peter	17,600,000	43,533,700
Mr. Leung Chun Cheong	1,000,000	3,948,250
Mr. Leung Wai Fai	1,000,000	3,948,250
Ms. Poon Ho Yee Agnes	1,000,000	3,948,250
Mr. Wu Hong Cho	1,000,000	3,948,250
Employees*	7,760,000	38,633,834
Others	1,500,000	5,922,375
	30,860,000	103,882,909

* *Include a director and certain employees joining the Group after the balance sheet date.*

SHARE OPTIONS *(Continued)*

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 31 December 2007, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (long position)		Approximate percentage of issued share capital of the Company
Regulator	Beneficial interest	254,239,636	*(Note 1)*	11.74%
Yugang International (B.V.I.) Limited (“Yugang-BVI”)	Interest of controlled corporation	254,239,636	*(Note 1)*	11.74%
Yugang	Interest of controlled corporation	254,239,636	*(Note 1)*	11.74%
Chongqing	Interest of controlled corporation	254,239,636	*(Note 1)*	11.74%
Palin Holdings Limited (“Palin”)	Interest of controlled corporation	254,239,636	*(Note 1)*	11.74%
Thrivetrade	Beneficial interest	1,034,880,571	*(Note 2)*	47.79%
Gandhara Master Fund Limited	Investment manager	108,694,000		5.02%
Indus Capital Partners, LLC	Investment manager	111,810,000		5.16%
David Nathan Kowitz	Interest of controlled corporation	111,810,000		5.16%
Sheldon Fenton Kasowitz	Interest of controlled corporation	111,810,000		5.16%
The Capital Group Companies, Inc.	Investment manager	128,658,700		5.94%

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO *(Continued)*

Notes:

1. The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI, Yugang-BVI is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung Chung Kiu in aggregate as to 44.06%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed in paragraph (a) "Interests in shares of the Company (long positions)" of the section headed "Director's and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed in paragraph (a) "Interests in shares of the Company (long positions)" of the section headed "Director's and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2007 as required under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of significant events which took place subsequent to the balance sheet date are set out in note 54 to the financial statements.

AUDITORS

Ernst & Young were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Deloitte Touche Tohmatsu with effect from 27 December 2006. Save as the aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

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

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 19 March 2008

ERNST & YOUNG

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of C C Land Holdings Limited set out on pages 55 to 131, 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 FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Hong Kong, 19 March 2008

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**910,759**	794,984
Cost of sales		**(770,813)**	(667,668)
Gross profit		**139,946**	127,316
Other income and gains	5	**547,763**	647,122
Selling and distribution costs		**(33,395)**	(17,438)
Administrative expenses		**(125,125)**	(59,611)
Other expenses	6	**(110,127)**	(54,781)
Finance costs	7	**(27,113)**	(13,554)
Share of profits and losses of associates		**3,032**	4,299
Share of profits and losses of jointly-controlled entities	19(a)	**(4,271)**	—
PROFIT BEFORE TAX	8	**390,710**	633,353
Tax	11	**512,901**	(2,436)
PROFIT FOR THE YEAR		**903,611**	630,917
Attributable to:			
Equity holders of the parent	12	**905,495**	627,871
Minority interests		**(1,884)**	3,046
		903,611	630,917
DIVIDEND			
Proposed final	13	**108,315**	90,269
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**46.10 HK cents**	112.40 HK cents
Diluted		**45.85 HK cents**	105.80 HK cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**284,911**	267,654
Investment properties	16	**197,250**	128,262
Prepaid lease payments	17	**25,061**	25,510
Goodwill	18	**39,259**	35,139
Interests in jointly-controlled entities	19(a)	**894,452**	—
Interests in associates	21	**36,333**	33,300
Convertible note receivable — loan portion	22	**32,859**	30,983
Available-for-sale equity investments	23	**426,174**	46,612
Properties under development	25.1	**7,804,480**	6,424,561
Interests in land use rights for property development	25.2	**2,060,442**	—
Pledged time deposits	32	**611,572**	—
Total non-current assets		**12,412,793**	6,992,021
CURRENT ASSETS			
Properties under development held for sale	25.1	**710,300**	82,689
Completed properties for sale	25.3	**158,871**	1,365
Land development rights	26	**290,358**	—
Prepaid lease payments	17	**657**	639
Inventories	27	**82,437**	90,463
Trade receivables	28	**147,842**	117,519
Prepayments, deposits and other receivables	29	**294,789**	79,565
Equity investments at fair value through profit or loss	24	**34,022**	40,581
Conversion option derivative	22	**1,858**	1,743
Loans to associates	21	**—**	8,976
Tax recoverable		**9,515**	2,486
Due from a joint venture partner	30	**—**	39,676
Deposits with brokerage companies	31	**12,748**	344
Pledged time deposits	32	**135,542**	160,756
Restricted bank balances	32	**28,594**	—
Cash and cash equivalents	32	**1,947,116**	1,151,788
Total current assets		**3,854,649**	1,778,590
CURRENT LIABILITIES			
Trade and bills payables	33	**213,899**	133,837
Other payables and accruals	34	**962,364**	117,740
Loans from minority shareholders of subsidiaries	35	**48,274**	8,000
Interest-bearing bank and other borrowings	36	**734,972**	591,689
Tax payable		**27,092**	52,128
Due to a related party	30	**19,970**	20,013
Consideration payable on acquisition of an associate	37	**—**	3,000
Consideration payable on acquisition of subsidiaries	38	**55,000**	255,000
Consideration payable on acquisition of group of assets	38	**542,372**	—
Total current liabilities		**2,603,943**	1,181,407
NET CURRENT ASSETS		**1,250,706**	597,183

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,663,499**	7,589,204
NON-CURRENT LIABILITIES			
Consideration payable on acquisition of a subsidiary	*38*	**2,000**	—
Interest-bearing bank and other borrowings	*36*	**918,639**	126,295
Deferred tax liabilities, net	*40*	**2,088,558**	2,029,474
Total non-current liabilities		**3,009,197**	2,155,769
Net assets		**10,654,302**	5,433,435
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*41*	**216,538**	180,538
Reserves	*42(a)*	**9,521,430**	5,155,951
Proposed final dividend	*13*	**108,315**	90,269
		9,846,283	5,426,758
Minority interests		**808,019**	6,677
Total equity		**10,654,302**	5,433,435

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		Attributable to equity holders of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Surplus account HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006		39,395	199,901	90,554	183	226,059	—	—	23,637	579,729	3,652	583,381
Exchange realignment recognised directly in equity		—	—	—	22,811	—	—	—	—	22,811	383	23,194
Profit for the year		—	—	—	—	627,871	—	—	—	627,871	3,046	630,917
Total income and expense for the year		—	—	—	22,811	627,871	—	—	—	650,682	3,429	654,111
Acquisition of shareholding of a subsidiary		—	—	—	—	—	—	—	—	—	(404)	(404)
Issue of shares	41	50,000	1,610,865	—	—	—	—	—	—	1,660,865	—	1,660,865
Issue of convertible note	39	—	—	—	—	—	1,230,341	—	—	1,230,341	—	1,230,341
Conversion of convertible note	41	91,143	2,466,004	—	—	—	(1,230,341)	—	—	1,326,806	—	1,326,806
Final 2005 dividend declared		—	—	—	—	—	—	—	(23,637)	(23,637)	—	(23,637)
Proposed final 2006 dividend	13	—	—	—	—	(90,269)	—	—	90,269	—	—	—
Equity-settled share option arrangements	46	—	—	—	—	—	—	1,972	—	1,972	—	1,972
At 31 December 2006		180,538	4,276,770*	90,554*	22,994*	763,661*	—*	1,972*	90,269	5,426,758	6,677	5,433,435

		Attributable to equity holders of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Surplus account HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007		180,538	4,276,770	90,554	22,994	—	763,661	1,972	90,269	5,426,758	6,677	5,433,435
Exchange realignment		—	—	—	385,371	—	—	—	—	385,371	2,947	388,318
Fair value changes on available-for-sale equity investments		—	—	—	—	282,203	—	—	—	282,203	—	282,203
Total income and expense recognised directly in equity		—	—	—	385,371	282,203	—	—	—	667,574	2,947	670,521
Profit for the year		—	—	—	—	—	905,495	—	—	905,495	(1,884)	903,611
Total income and expense for the year		—	—	—	385,371	282,203	905,495	—	—	1,573,069	1,063	1,574,132
Issue of shares	41	36,000	2,825,791	—	—	—	—	—	—	2,861,791	—	2,861,791
Acquisitions of shareholding of subsidiaries		—	—	—	—	—	—	—	—	—	676,466	676,466
Minority interests in group of assets acquired		—	—	—	—	—	—	—	—	—	123,813	123,813
Final 2006 dividend declared		—	—	—	—	—	—	—	(90,269)	(90,269)	—	(90,269)
Proposed final 2007 dividend	13	—	—	—	—	—	(108,315)	—	108,315	—	—	—
Equity-settled share option arrangements	46	—	—	—	—	—	—	74,934	—	74,934	—	74,934
At 31 December 2007		216,538	7,102,561*	90,554*	408,365*	282,203*	1,560,841*	76,906*	108,315	9,846,283	808,019	10,654,302

Note: The surplus account represents the aggregate of the reserves other than the retained profits of the subsidiaries at 1 April 1998 and the excess of the nominal value of the shares issued and issuable by the Company over the nominal value of the issued share capital of the subsidiaries acquired pursuant to the group reorganisation in 1998.

* *These reserve accounts comprise the consolidated reserves of HK$9,521,430,000 (2006: HK$5,155,951,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**390,710**	633,353
Adjustments for:			
Impairment of trade receivables	6	**442**	2,288
Impairment/(write-back of impairment) of other receivables	5,6	**(82,194)**	46,492
Impairment of goodwill arising from acquisition of subsidiaries	8	**4,848**	—
Interest income on bank deposits	5	**(54,664)**	(14,647)
Depreciation and amortisation	8	**16,939**	11,308
Finance costs	7	**27,113**	13,554
Share of profits and losses of associates		**(3,032)**	(4,299)
Share of profit and losses of jointly-controlled entities		**4,271**	—
Fair value gains on investments at fair value through profit or loss, net	5	**(2,177)**	(10,013)
Fair value loss/(gain) on conversion option derivative	5,6	**(115)**	1,383
Fair value gains on investment properties	5	**(28,555)**	(4,861)
Gain on disposal of a subsidiary	5	**—**	(3,082)
Gain arising from redemption of convertible note receivable	5	**—**	(1,334)
Gain on derecognition of a listed equity investment at fair value through profit or loss	5	**—**	(17,229)
Interest income from convertible note receivable	8	**(2,628)**	(454)
Loss/(gain) on disposal of items of property, plant and equipment	5,6	**(341)**	69
Excess over the cost of acquisition of subsidiaries	5	**(372,483)**	(605,038)
Equity-settled share option expense	6	**74,934**	1,972
Allowance for obsolete inventories	8	**1,453**	334
		(25,479)	49,796
Increase in properties under development		**(842,821)**	(3,895)
Increase in land development rights		**(285,701)**	—
Increase in interests in land use rights for property development		**(753,225)**	—
Decrease in completed properties held for sale		**42,875**	—
Decrease/(increase) in inventories		**6,684**	(4,718)
Decrease in due from related parties		**—**	14,926
Decrease in trade and other receivables, prepayments and deposits		**60,688**	264,032
Decrease/(increase) in equity investments at fair value through profit or loss		**8,736**	(1,607)
Decrease/(increase) in deposits with brokerage companies		**(12,404)**	33,292
Increase in restricted bank balances		**(28,594)**	—
Increase/(decrease) in trade, bills and other payables and accruals		**316,032**	(197,634)
Increase in consideration payable in respect of acquisition of group of assets		**542,372**	—
Redemption of convertible note receivable		**—**	16,000
Minority interests in group of assets acquired		**123,813**	—
Cash generated from/(used in) operations		**(847,024)**	170,192
Proceed from derecognition of a listed equity investment at fair value through profit or loss		**—**	4,825
Tax paid, net		**(10,495)**	(2,722)
Interest paid		**(62,697)**	(12,463)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**(920,216)**	159,832

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	43	**(257,790)**	(12,317)
Acquisition of minority interest of a subsidiary		**—**	(990)
Dividend received from associates		**4,657**	4,796
Investments in jointly-controlled entities		**(517,572)**	—
Loan to a jointly-controlled entity		**(373,750)**	—
Increase in pledged time deposits		**(575,227)**	(1,408)
Disposal of a subsidiary	45	**—**	49,000
Purchases of items of property, plant and equipment		**(24,164)**	(42,388)
Repayment from loans to associates		**8,976**	—
Interest received from bank deposits		**54,664**	14,647
Interest received from convertible note receivable		**750**	—
Proceeds from disposal of items of property, plant and equipment		**2,351**	211
Decrease in consideration payable on acquisition of an associate	21	**(3,000)**	—
Decrease in consideration payable on acquisition of subsidiaries	43	**(200,000)**	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(1,880,105)**	11,551
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(90,269)**	(23,637)
Proceeds from issue of shares	41	**2,861,791**	932,865
Loans from minority shareholders of subsidiaries		**40,274**	—
Additions/(repayments) of bank borrowings		**470,084**	(86,805)
Increase in other loan		**300,000**	—
NET CASH FROM FINANCING ACTIVITIES		**3,581,880**	822,423
NET INCREASE IN CASH AND CASH EQUIVALENTS		**781,559**	993,806
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,151,788**	160,049
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**13,769**	(2,067)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,947,116**	1,151,788
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**1,946,433**	215,577
Non-pledged time deposits with original maturity of less than three months when acquired	32	**683**	936,211
		1,947,116	1,151,788

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*20*	**161,533**	159,921
Property, plant and equipments	*15*	**1,957**	—
		163,490	159,921
CURRENT ASSETS			
Prepayments, deposits and other receivables	*29*	**573**	756
Due from subsidiaries	*20*	**7,655,792**	4,673,870
Tax recoverable		**763**	71
Cash and cash equivalents	*32*	**119**	33
		7,657,247	4,674,730
CURRENT LIABILITIES			
Other payables and accruals	*34*	**6,573**	7,400
Due to subsidiaries	*20*	**100,385**	76,769
Tax payable		**—**	223
		106,958	84,392
NET CURRENT ASSETS		**7,550,289**	4,590,338
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,713,779**	4,750,259
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*40*	**121**	—
Net assets		**7,713,658**	4,750,259
EQUITY			
Issued capital	*41*	**216,538**	180,538
Reserves	*42(b)*	**7,388,805**	4,479,452
Proposed final dividend	*13*	**108,315**	90,269
Total equity		**7,713,658**	4,750,259

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

1. CORPORATE INFORMATION

C C Land Holdings Limited is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was involved in the following principal activities:

(i) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(ii) manufacture and sale of soft luggage, travel bags, backpacks and brief cases;

(iii) treasury investment; and

(iv) property development and investment.

2.1 BASIS OF PREPARATION

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

Basic of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

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

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 52 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. The interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

HKAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Entities will need to consider whether to present the statement of comprehensive income as a single statement or two statements. This may also impact the information disclosed in other announcements by the entity, such as press releases.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

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

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

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

Jointly-controlled entities

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Jointly-controlled operations

The arrangements entered into by the Group with other parties for property development without establishing separate entities are considered to be jointly-controlled operations pursuant to HKAS 31 *Interests in Joint Ventures*. In respect of its interests in such operations, the Group recognises the land costs and other expenses incurred by the Group as properties under development. The Group's profit earned from the sale of properties under the operations is recognised upon the registration of property certificates by the purchasers, after netting off any related balance in properties under development at that time.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

Buildings	2% - 5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20% - 25%
Plant and machinery	10%
Moulds	15%

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

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

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

Construction in progress represents assets in the course of construction for production or administrative purposes. They are stated at cost less any impairment losses, and are not depreciated. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the balance sheet date are classified under current assets. On completion, the properties are transferred to completed properties for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices on an individual property basis.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivatives is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under contract.

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

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Dividends earned are reported as dividend income and are recognised in the income statement as “Revenue” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

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

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Convertible note

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

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instrument is first recognised.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and in selling and distribution.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 4.47% (2006: 6.71%) has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

Cash and cash equivalents

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

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

Provisions

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

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

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:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of properties, when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectibility of related receivables is reasonably assured;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(c) rental income from properties, in the period in which the properties are let and on the straight-line basis over the lease terms;

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

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) income from the sale of listed securities, on the trade date.

Dividends

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 46 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In the process of applying the Group's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements.

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

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying value of aged inventory items with their respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade receivables

In determining whether impairment loss on trade receivable is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant customers and reports to management on the recoverability. Impairment loss is only made for receivables that are unlikely to be collected.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2007, the carrying amount of goodwill arising from the acquisition of subsidiaries was HK$39,259,000 (2006: HK$35,139,000). Details of the recoverable amount calculations of subsidiaries are disclosed in note 18.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

The subsidiaries of the Group engaging in property development business in Mainland China are subject to land appreciation taxes. However, the implementation of these taxes varies amongst various cities in Mainland China and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement and the provision for land appreciation taxes in the period in which such determination is made.

4. SEGMENT INFORMATION

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

Sale of packaging products segment	—	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sale of travel bags segment	—	Manufacture and trading of soft luggage, travel bags, backpacks and brief cases
Treasury investment segment	—	Investments in securities and convertible notes, and provision of financial services
Property development and investment segment	—	Development and investment of properties located in Mainland China

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

		Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(i)	Income statement					
	Segment revenue	411,141	419,408	18,805	61,405	910,759
	Segment results	33,829	958	15,781	17,498	68,066
	Unallocated corporate expenses					(131,429)
	Unallocated corporate income					109,942
	Excess over the cost of acquisition of subsidiaries	—	—	—	372,483	372,483
	Share of profits and losses of associates					3,032
	Share of profits and losses of jointly-controlled entities					(4,271)
	Finance costs					(27,113)
	Profit before tax					390,710
	Tax					512,901
	Profit for the year					903,611

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2007 (Continued)

		Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(ii)	Balance sheet					
	ASSETS					
	Segment assets	253,259	185,860	70,379	14,728,292	15,237,790
	Interests in associates					36,333
	Interests in jointly-controlled entities					894,452
	Tax recoverable					9,515
	Unallocated corporate assets					89,352
	Total assets					16,267,442
	LIABILITIES					
	Segment liabilities	72,630	131,957	5,277	2,979,174	3,189,038
	Tax payable					27,092
	Deferred tax liabilities, net					2,088,558
	Unallocated corporate liabilities					308,452
	Total liabilities					5,613,140
(iii)	Other segment information					
	Capital expenditure					
	Property, plant and equipment	5,785	1,603	—	18,753	26,141
	Investment properties	—	—	—	31,630	31,630
	Depreciation of property, plant and equipment	7,763	2,449	73	5,997	16,282
	Amortisation of prepaid lease payments	575	67	—	15	657
	Fair value gains on investments at fair value through profit or loss, net	—	—	(2,177)	—	(2,177)
	Impairment/(write-back of impairment) of trade receivables	(927)	1,872	—	(503)	442
	Write-back of impairment of other receivables	—	—	—	(82,194)	(82,194)
	Fair value gains on investment properties	—	—	—	(28,555)	(28,555)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006

		Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(i)	Income statement					
	Segment revenue	316,324	446,517	31,860	283	794,984
	Segment results	32,159	10,189	47,042	(716)	88,674
	Unallocated corporate expenses					(62,458)
	Unallocated corporate income					11,354
	Excess over the cost of acquisition of subsidiaries	—	—	—	605,038	605,038
	Share of profits and losses of associates					4,299
	Finance costs					(13,554)
	Profit before tax					633,353
	Tax					(2,436)
	Profit for the year					630,917
(ii)	Balance sheet					
	ASSETS					
	Segment assets	1,124,472	194,959	100,895	7,225,291	8,645,617
	Interests in associates					33,300
	Tax recoverable					2,486
	Unallocated corporate assets					89,208
	Total assets					8,770,611
	LIABILITIES					
	Segment liabilities	49,773	143,883	252	1,084,373	1,278,281
	Tax payable					22,015
	Deferred tax liabilities, net					2,029,474
	Unallocated corporate liabilities					7,406
	Total liabilities					3,337,176

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006 (Continued)

	Sale of packaging products *HK$'000*	Sale of travel bags *HK$'000*	Treasury investment *HK$'000*	Property development and investment *HK$'000*	Total *HK$'000*
(iii) Other segment information					
Capital expenditure					
Property, plant and equipment	38,823	3,418	—	147	42,388
Depreciation of property, plant and equipment	7,869	2,237	73	490	10,669
Amortisation of prepaid lease payments	573	63	—	3	639
Fair value loss on conversion option derivative	1,383	—	—	—	1,383
Fair value gains on investments at fair value through profit or loss, net	—	—	(10,013)	—	(10,013)
Fair value gains on investment properties	—	—	—	(4,861)	(4,861)
Impairment of trade receivables	2,288	—	—	—	2,288
Impairment of other receivables	—	—	—	46,492	46,492

Geographical segments

The following table provides an analysis of the Group's revenue by geographical segments based on the location of customers, irrespective of the origin of goods:

	Segment revenue	
	2007 ***HK$'000***	2006 *HK$'000*
Hong Kong	**144,600**	97,254
Europe	**205,641**	201,106
North and South America	**409,338**	420,805
Others	**151,180**	75,819
	910,759	794,984

An analysis of the carrying amounts of segment assets and capital expenditure, analysed by the geographical areas in which the assets are located has not been presented, as more than 90% of the Group's assets are situated in the People's Republic of China (the "PRC"), including Hong Kong.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods, after allowances for returns and trade discounts, gross proceeds from sale of properties, net of business tax, gain on disposal and derecognition of trading securities and dividend income from listed and unlisted investments during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Revenue		
Sale of goods	**830,550**	762,841
Sale of properties	**43,752**	283
Gain on disposal of listed equity investments at fair value through profit or loss	**15,543**	11,860
Gain on derecognition of a listed equity investment at fair value through profit or loss	**—**	17,229
Dividend income from listed investments	**2,657**	2,317
Dividend income from unlisted investments	**1,756**	—
Others	**16,501**	454
	910,759	794,984

	Notes	2007 *HK$'000*	2006 *HK$'000*
Other income and gains			
Interest income on bank deposits		**54,664**	14,647
Excess over the cost of acquisition of subsidiaries	*43*	**372,483**	605,038
Fair value gains on investments at fair value through profit or loss, net		**2,177**	10,013
Gain on disposal of a subsidiary	*45*	**—**	3,082
Gain on disposal of items of property, plant and equipment		**341**	—
Gain arising from redemption of convertible note receivable		**—**	1,334
Write-back of impairment of other receivables	*29*	**82,194**	—
Fair value gains on investment properties	*16*	**28,555**	4,861
Fair value gain on conversion option derivative		**115**	—
Others		**7,234**	8,147
		547,763	647,122

6. OTHER EXPENSES

		Group	
	Notes	2007 *HK$'000*	2006 *HK$'000*
Exchange losses, net		**27,672**	2,099
Impairment of goodwill arising from acquisition of subsidiaries	*18*	**4,848**	—
Fair value loss on conversion option derivative		**—**	1,383
Impairment of trade receivables	*28*	**442**	2,288
Impairment of other receivables	*29*	**—**	46,492
Loss on disposal of items of property, plant and equipment		**—**	69
Equity-settled share option expense	*46*	**74,934**	1,972
Others		**2,231**	478
		110,127	54,781

7. FINANCE COSTS

	Group 2007 HK$'000	2006 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**62,684**	12,463
Interest on convertible note *(note 39)*	**—**	5,147
Imputed interest expense from consideration payable on acquisition of subsidiaries	**—**	343
Imputed interest expense from consideration payable on acquisition of associates	**13**	255
Total interest	**62,697**	18,208
Less: Interest capitalised	**(35,584)**	(4,654)
	27,113	13,554

8. PROFIT BEFORE TAX

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

	Notes	2007 HK$'000	2006 HK$'000
Cost of inventories sold		**538,084**	533,498
Cost of properties sold		**42,875**	—
Allowance for obsolete inventories		**1,453**	334
Depreciation	*15*	**16,282**	10,669
Amortisation on prepaid lease payments	*17*	**657**	639
Minimum lease payments under operating leases in respect of land and buildings		**3,044**	2,320
Shipping and handling costs (included in selling and distribution costs)		**14,022**	11,258
Auditors' remuneration		**3,008**	2,608
Employee benefits expense (including directors' remuneration *(note 9)*):			
Wages and salaries		**55,743**	31,258
Equity-settled share option expense		**69,250**	1,972
Net retirement benefits scheme contributions	*50*	**1,716**	1,011
		126,709	34,241
Foreign exchange differences, net		**27,672**	2,099
Impairment of goodwill arising from acquisition of associates*		**—**	1,900
Impairment of goodwill arising from acquisition of subsidiaries		**4,848**	—
Gross rental income, net of business tax		**(13,873)**	(2,934)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,646**	395
Interest income from convertible note receivable		**(2,628)**	(454)

* The impairment of goodwill arising from the acquisition of associates is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**950**	739
Other emoluments:		
Salaries, allowances and benefits in kind	**10,727**	6,397
Performance related bonuses*	**7,600**	7,970
Employee share option benefits	**52,682**	1,069
Retirement benefits scheme contributions	**465**	267
	72,424	16,442

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

During the year, certain directors were granted share options in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 46 to the financial statements. The fair values of such options which have been recognised in the income statement over the vesting periods were determined as at the dates of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the year, the Group also provided one of the leasehold properties in Hong Kong as quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, is HK$600,000 (2006: HK$600,000).

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Mr. Lam Kin Fung Jeffrey	**350**	300
Dr. Wong Lung Tak Patrick	**75**	—
Mr. Leung Yu Ming Steven	**75**	—
Mr. Lam Ping Cheung	**—**	118
Mr. Wong Wai Kwong David	**200**	250
Mr. Wong Yat Fai (re-designated as non-executive director on 1 October 2007)	**188**	71
	888	739

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Employee share option benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2007						
Executive directors:						
Mr. Cheung Chung Kiu	—	—	—	—	—	—
Dr. Lam How Mun Peter	—	4,500	5,000	38,512	180	48,192
Mr. Lam Hiu Lo	—	—	—	—	—	—
Mr. Leung Chun Cheong	—	1,365	500	3,173	63	5,101
Mr. Leung Wai Fai	—	1,040	1,000	5,022	48	7,110
Ms. Poon Ho Yee Agnes	—	1,365	300	3,173	63	4,901
Mr. Wu Hong Cho	—	1,170	300	2,802	54	4,326
Mr. Tsang Wai Choi	—	1,287	500	—	57	1,844
	—	10,727	7,600	52,682	465	71,474
Non-executive director:						
Mr. Wong Yat Fai	62	—	—	—	—	62
	62	10,727	7,600	52,682	465	71,536
2006						
Executive directors:						
Mr. Cheung Chung Kiu	—	—	—	—	—	—
Dr. Lam How Mun Peter	—	3,460	6,000	483	132	10,075
Mr. Lam Hiu Lo	—	—	—	—	—	—
Mr. Leung Chun Cheong	—	1,170	600	122	54	1,946
Mr. Leung Wai Fai	—	130	800	244	6	1,180
Ms. Poon Ho Yee Agnes	—	1,196	370	122	55	1,743
Mr. Wu Hong Cho	—	441	200	98	20	759
	—	6,397	7,970	1,069	267	15,703

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2006: one) non-director, highest paid employees for the year are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Salaries, allowances, and benefits in kind	**1,600**	650
Performance related incentive payments	**1,200**	90
Employee share option benefits	**10,414**	12
Retirement benefits scheme contributions	**73**	30
	13,287	782

During the year, the non-director, highest paid employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 46 to the financial statements. The fair values of such options which have been recognised in the income statement over the vesting periods were determined as at the dates of grant, and the amount included in the financial statements for the current year is included in the above remuneration disclosures.

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2007	2006
Nil to HK$1,000,000	**—**	1
HK$5,000,001 to HK$6,000,000	**1**	—
HK$7,000,001 to HK$8,000,000	**1**	—
	2	1

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	2007 **HK$'000**	2006 *HK$'000*
Group:		
Current charge for the year		
Hong Kong	**6,937**	9,880
Mainland China	**6**	—
	6,943	9,880
Overprovision in prior years		
Hong Kong	**228**	(7,136)
Mainland China	**(5,600)**	—
	(5,372)	(7,136)
Overprovision for land appreciation tax in prior years	**(13,928)**	—
Deferred tax *(note 40)*	**(500,544)**	(308)
	(512,901)	2,436

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate are as follows:

	Group	
	2007 ***HK$'000***	2006 *HK$'000*
Profit before tax	**390,710**	633,353
Tax at the statutory tax rate of 17.5% (2006: 17.5%)	**68,374**	110,837
Tax effect of Hong Kong profits tax at concessionary rate	**(2,667)**	—
Higher tax rate for specific provinces or local authority	**64,341**	(11,481)
Adjustments in respect of current tax of previous periods	**(5,372)**	(7,136)
Profits and losses attributable to associates	**(531)**	(752)
Profits and losses attributable to jointly-controlled entities	**1,410**	—
Income not subject to tax	**(161,318)**	(108,320)
Expenses not deductible for tax	**45,037**	17,107
Utilisation of tax losses brought forward from previous years	**(16)**	(206)
Tax losses not recognised	**582**	1,780
Effect on opening deferred tax of decrease in rate	**(506,271)**	—
Effect of PRC land appreciation tax	**(13,928)**	—
Others	**(2,542)**	607
Tax charge/(credit) at the Group's effective rate of 131% (2006: 0.38%)	**(512,901)**	2,436

The share of tax attributable to associates amounting to HK$725,000 (2006: HK$1,374,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a loss of HK$30,785,000 (2006: profit of HK$22,552,000) which has been dealt with in the financial statements of the Company (note 42(b)).

13. DIVIDEND

	2007 *HK$'000*	2006 *HK$'000*
Proposed final — HK$0.05 (2006: HK$0.05) per ordinary share	**108,315**	90,269

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of either year.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2007 *HK$'000*	2006 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**905,495**	627,871
Interest on convertible note	**—**	5,147
Profit attributable to ordinary equity holders of the parent before interest on convertible note	**905,495**	633,018

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,964,176,779**	558,409,969
Effect of dilution — weighted average number of ordinary shares:		
Share options	**10,623,238**	—
Convertible note	**—**	39,841,174
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**1,974,800,017**	598,251,143

The share options outstanding during the year ended 31 December 2006 had no diluting effect on the earnings per share for that year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007									
At 31 December 2006 and at 1 January 2007:									
Cost	250,009	5,296	2,729	21,015	4,772	33,921	10,475	—	328,217
Accumulated depreciation and impairment	(11,645)	(4,072)	(1,476)	(11,567)	(2,198)	(22,221)	(7,384)	—	(60,563)
Net carrying amount	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654
At 1 January 2007, net of accumulated depreciation and impairment	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654
Additions	4,019	1,943	—	4,200	12,606	2,131	518	724	26,141
Disposals	(1,165)	(167)	—	(236)	(183)	(10)	—	(249)	(2,010)
Acquisition of subsidiaries *(note 43)*	—	—	—	655	1,998	—	—	—	2,653
Depreciation provided during the year	(8,115)	(559)	(273)	(2,260)	(1,917)	(2,240)	(918)	—	(16,282)
Exchange realignment	6,158	—	—	199	127	269	—	2	6,755
At 31 December 2007, net of accumulated depreciation and impairment	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911
At 31 December 2007:									
Cost	258,890	7,023	2,729	25,645	18,910	36,484	10,993	477	361,151
Accumulated depreciation and impairment	(19,629)	(4,582)	(1,749)	(13,639)	(3,705)	(24,634)	(8,302)	—	(76,240)
Net carrying amount	239,261	2,441	980	12,006	15,205	11,850	2,691	477	284,911

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

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Con-struction in progress HK$'000	Total HK$'000
31 December 2006									
At 1 January 2006:									
Cost	140,383	4,552	2,729	18,569	3,258	31,984	9,986	190	211,651
Accumulated depreciation and impairment	(7,918)	(3,529)	(1,203)	(9,761)	(1,492)	(19,464)	(6,350)	—	(49,717)
Net carrying amount	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934
At 1 January 2006, net of accumulated depreciation and impairment	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934
Additions	37,029	744	—	1,680	672	1,774	489	—	42,388
Disposals	—	—	—	(37)	(243)	—	—	—	(280)
Acquisition of subsidiaries *(note 43)*	71,371	—	—	752	1,058	—	—	—	73,181
Depreciation provided during the year	(3,550)	(543)	(273)	(1,806)	(706)	(2,757)	(1,034)	—	(10,669)
Exchange realignment	859	—	—	51	27	163	—	—	1,100
Transfers	190	—	—	—	—	—	—	(190)	—
At 31 December 2006, net of accumulated depreciation and impairment	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654
At 31 December 2006:									
Cost	250,009	5,296	2,729	21,015	4,772	33,921	10,475	—	328,217
Accumulated depreciation and impairment	(11,645)	(4,072)	(1,476)	(11,567)	(2,198)	(22,221)	(7,384)	—	(60,563)
Net carrying amount	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654

Certain of the Group's leasehold buildings were pledged to banks to secure banking facilities granted to the Group (note 36).

Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as an allocation between the land and the buildings elements cannot be made reliably.

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

The carrying value of buildings shown above comprises:

	2007 HK$'000	2006 HK$'000
Buildings in Hong Kong:		
Held on long term leases	**85,418**	87,902
Held on medium term leases	**6,065**	6,222
	91,483	94,124
Buildings in Mainland China:		
Held on long term leases	**75,073**	71,318
Held on medium term leases	**72,705**	72,922
	239,261	238,364

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2007			
Additions	1,566	545	2,111
Depreciation provided during the year	(120)	(34)	(154)
At 31 December 2007, net of accumulated depreciation	1,446	511	1,957
At 31 December 2007:			
Cost	1,566	545	2,111
Accumulated depreciation	(120)	(34)	(154)
Net carrying amount	1,446	511	1,957

16. INVESTMENT PROPERTIES

	Group	
	2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	**128,262**	44,670
Additions	**31,630**	—
Acquisition of subsidiaries *(note 43)*	**—**	124,597
Transferred to completed properties held for sale *(note 25.3)*	**(897)**	—
Disposal of a subsidiary *(note 45)*	**—**	(46,000)
Net gain from a fair value adjustment	**28,555**	4,861
Exchange realignment	**9,700**	134
Carrying amount at 31 December	**197,250**	128,262

At 31 December 2007, the Group's investment properties were situated in Mainland China and were held under long term leases.

16. INVESTMENT PROPERTIES *(Continued)*

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis as at 31 December 2007. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 47(a).

At the balance sheet date, the Group's investment properties with carrying amounts of HK$77,447,000 (2006: HK$13,924,000) (note 36) and HK$17,061,000 (2006: Nil) were pledged to secure banking facilities granted to the Group and a related company of a former joint venture partner, respectively.

17. PREPAID LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**26,149**	25,849
Acquisition of subsidiaries *(note 43)*	**—**	827
Amortised during the year	**(657)**	(639)
Exchange realignment	**226**	112
Carrying amount at 31 December	**25,718**	26,149
Current portion	**(657)**	(639)
Non-current portion	**25,061**	25,510

The Group's leasehold interest in land and a property in Mainland China are held under the following lease terms:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Long term leases	**872**	829
Medium term leases	**24,846**	25,320
	25,718	26,149

18. GOODWILL

	Group
	HK$'000
Cost and carrying amount:	
At 1 January 2006	34,553
Acquisition of minority interest in a subsidiary during the year	586
At 31 December 2006 and 1 January 2007	35,139
Acquisition of interest in a subsidiary during the year *(note 43)*	8,968
Impairment of goodwill	(4,848)
At 31 December 2007	39,259
At 31 December 2007:	
Cost	44,107
Accumulated impairment	(4,848)
Net carrying amount	39,259

18. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill arising from the acquisition of subsidiaries has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Luggage products cash-generating unit; and
- Display products cash-generating unit.

Luggage products cash-generating unit

The recoverable amount of the luggage products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 4.96% (2006: 5.53%). The growth rate used to extrapolate the cash flows of the luggage products unit in the first year is 15.6% (2006: Nil) and no growth in subsequent years. The management of the luggage products unit believes that this growth rate is justified, given the enlargement of existing plant capacity during the year; therefore, the Group can reduce the cost of production, improve the luggage products quality and enhance the production quantity.

Display products cash-generating unit

The recoverable amount of the display products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 4.96%, assuming that the unit will not have any growth in business.

Key assumptions were made in the value in use calculation of the cash-generating unit of the manufacture and sale of luggage products as at 31 December 2007 and 2006. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is with reference to the average gross margins achieved in the year immediately before the budgeted year.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Luggage products		Display products		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amount of goodwill	**30,291**	35,139	**8,968**	—	**39,259**	35,139

19. INTERESTS IN JOINT VENTURES

(a) Interests in jointly-controlled entities

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**520,702**	—
Loan to a jointly-controlled entity	**373,750**	—
	894,452	—

The loan to a jointly-controlled entity is unsecured and interest-free and has no fixed terms of repayment. The carrying amount of the loan approximates to its fair value.

19. INTERESTS IN JOINT VENTURES *(Continued)*

(a) Interests in jointly-controlled entities *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2007 **HK$'000**	2006 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**194,083**	—
Non-current assets	**733,524**	—
Current liabilities	**(406,905)**	—
Net assets	**520,702**	—
Share of the jointly-controlled entities' results:		
Other income	**448**	—
Total expenses	**(4,719)**	—
Loss after tax	**(4,271)**	—

Particulars of the Group's principal jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Benefit East Investments Limited	Ordinary share of US$25	British Virgin Islands	25	25	25	Investment holding
Chongqing Sino Land Company Limited	Registered capital of HK$190 million	PRC	25	25	25	Property development and investment
Chongqing Champion Globe Company Limited	Registered capital of HK$20 million	PRC	25	25	25	Property development and investment
Chongqing Champion King Company Limited	Registered capital of HK$162.5 million	PRC	25	25	25	Property development and investment
Chengdu Guojia Cheer Gain Property Company Limited* (成都國嘉志得置業有限公司)	Registered capital of RMB400 million	PRC	50	50	50	Property development and investment
Sichuan Zhongyu Property Development Company Limited* (四川中渝物業發展有限公司)	Registered capital of RMB15 million	PRC	50	50	50	Property development and investment

* Direct translation from Chinese name and for identification purposes only.

The above table lists the jointly-controlled entities of the Group 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINT VENTURES *(Continued)*

(b) Interest in a jointly-controlled operation

The Group entered into an agreement with Chongqing Tongya Real Estate Company Limited (重慶通亞房地產開發有限公司) (the "joint venture partner") for the development of a property in Mainland China. Pursuant to the terms of the agreement, the Group contributed the subject development site and the joint venture partner bore all the other development costs. At the balance sheet date, the aggregate amount of assets and results recognised in the Group's financial statements in relation to the interest in the jointly-controlled operation are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Assets:		
Property under development	—	69,343
Due from a joint venture partner *(note 30)*	—	39,676
	—	109,019
Turnover	—	283
Profit before tax	—	28

The joint venture was terminated effective on 1 January 2007, pursuant to an agreement with the joint venture partner.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007 ***HK$'000***	2006 *HK$'000*
Unlisted shares, at cost	**159,921**	159,921
Capital contribution in respect of employee share-based compensation	**1,612**	—
	161,533	159,921

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured and interest-free, and have no fixed terms of repayment. The carrying amounts of these amounts approximate to their fair values.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Ample Win Limited	Hong Kong	Ordinary HK$1	100	Investment holding
C C Land Management Limited	Hong Kong	Ordinary HK$1	100	Corporate management
Charm Best Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Cheer Gain Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Dominio Mark International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Dragon Pioneer Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Empire New Assets Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Excel Sky (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Global Palace Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100	Property holding
Good Wave International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Grand Fortune Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Harbour Crest Holdings Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Ho Yeung Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Hoi Tin Universal Limited	Hong Kong	Ordinary HK$1,000,000	60	Sale of soft luggage, travel bags, backpacks and briefcases
Hoi Tin Universal Travel Goods (Suzhou) Limited## (海天環球旅游用品(蘇州)有限公司) *(note c)*	PRC/Mainland China (wholly-owned foreign enterprise)	Registered US$5,000,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and briefcases
Join Wise Enterprises Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Joyview Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Keen Star Limited#	British Virgin Islands	Ordinary US$2	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
King Place Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Marvel Leader Investments Limited# *(note a)*	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Massive Vast Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Mega Star International Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Merry Full Investments Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Qualipak Development Limited# *(note a)*	British Virgin Islands	Ordinary US$10,000	100	Investment holding
Qualipak Finance Limited	Hong Kong	Ordinary HK$2	100	Provision of financial services
Qualipak Manufacturing Limited *(note b)*	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857	100	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Starthigh International Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Theme Production House Limited*	Hong Kong	Ordinary HK$1,000,000	51	Trading of acrylic products and point of sales display units
Victor Shiny Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Wealthy New Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Win Peak Group Limited#	British Virgin Islands	Ordinary US$1	100	Investment holding
Winning Hand Management Limited	British Virgin Islands/ Mainland China	Ordinary US$1	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	100	Property holding
Worthwell Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	100	Investment holding
Young Comfort Development Limited* *(note c)*	Hong Kong	Ordinary HK$10,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases
Chongqing Lucky Boom Realty Company## (重慶瑞昌房地產有限公司)	PRC/Mainland China	Registered US$16,000,000	100	Property development and investment
Chongqing Top Construction Realty Company## (重慶卓建房地產有限公司)	PRC/Mainland China	Registered HK$700,000,000	100	Property development and investment

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Top Pioneer Realty Company## (重慶頂添置業有限公司)	PRC/Mainland China	Registered US$50,000,000	100	Property development and investment
Chongqing Victor Shiny Real Estate Development Company Limited## (重慶浚亮房地產開發有限公司)	PRC/Mainland China	Registered US$30,000,000	100	Property development and investment
Chongqing Zhongyu Property Development Company Limited## (重慶中渝物業發展有限公司)	PRC/Mainland China	Registered US$51,000,000	100	Property development and investment
Chongqing Shuaitong Property Development Company Limited**/## (重慶帥通物業發展有限公司)	PRC/Mainland China	Registered RMB10,000,000	100	Property development and investment
Chongqing Juxin Property Development (Group) Company Limited**/## (重慶聚信房地產開發(集團)有限公司)	PRC/Mainland China	Registered RMB100,000,000	100	Property development and investment
Chongqing Verakin Real Estate Company Limited**/### (重慶同景置業有限公司)	PRC/Mainland China	Registered RMB228,750,000	51	Property development and investment
Sichuan Hengchen Real Estate Development Company Limited**/### (四川恆辰房產開發有限公司)	PRC/Mainland China	Registered RMB50,000,000	60	Property development and investment
Sichuan Star Massive Realty Limited## (四川星浩置業有限公司)	PRC/Mainland China	Registered US$15,000,000	100	Property development and investment
Sichuan Jingdu Real Estate Company Limited**/### (四川經都置業有限公司)	PRC/Mainland China	Registered RMB82,000,000	60	Property development and investment
Sichuan Senxin Real Estate Company Limited**/## (四川森信置業有限公司)	PRC/Mainland China	Registered US$29,800,000	100	Property development and investment
Sichuan Yongqiao Land Company Limited**/### (四川雍橋置業有限公司)	PRC/Mainland China	Registered RMB70,000,000	95	Property development and investment
Yunnan Zhongyu Land Company Limited**/### (雲南中渝置地發展有限公司)	PRC/Mainland China	Registered RMB50,000,000	70	Property development and investment

20. INTERESTS IN SUBSIDIARIES *(Continued)*

These are investment holding companies which have no specific principal place of operations.

These companies are registered as wholly-owned foreign enterprises under PRC law.

These companies are registered as Sino-foreign joint ventures under PRC law.

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

** Direct translation from Chinese name and for identification purposes only.

Notes:

(a) Except for Qualipak Development Limited and Marvel Leader Investments Limited, the equity interests of all subsidiaries are indirectly held by the Company.

(b) The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting.

(c) Hoi Tin Universal Limited directly holds the entire interest in Hoi Tin Universal Travel Goods (Suzhou) Limited and Young Comfort Development Limited.

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.

21. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets — unlisted shares	**6,795**	3,762
Goodwill on acquisition	**29,538**	29,538
	36,333	33,300

The loans to associates in the prior year were unsecured and interest-free, and had no fixed terms of repayment.

The carrying amounts of these loans approximated to their fair values.

On 3 June 2005, the Group acquired 30% of the issued share capital of Technical International Holdings Limited ("Technical International"), a company incorporated in the British Virgin Islands with limited liability, for a cash consideration of HK$33,000,000, subject to adjustment, as described in the circular of the Company dated 27 June 2005. Technical International and its subsidiaries (collectively the "Technical Group") are principally engaged in the business of design, trading and marketing of knives, corkscrews and kitchenware in Hong Kong.

The consideration of HK$33,000,000 was satisfied in cash, of which HK$30,000,000 was paid during the year ended 31 December 2005 and the remaining balance of HK$3,000,000 was paid in the current year.

The movement of goodwill arising from the acquisition of associates is set out below.

	HK$'000
Cost:	
At 1 January 2006 and 31 December 2006 and 2007	31,438
Impairment:	
At 1 January 2006	—
Provided for during the year ended 31 December 2006	(1,900)
At 31 December 2006 and 2007	(1,900)
Carrying value:	
At 31 December 2007	29,538
At 31 December 2006	29,538

21. INTERESTS IN ASSOCIATES *(Continued)*

Impairment testing on goodwill arising from the acquisition of associates

During the year ended 31 December 2006, given the change in demand for knives, corkscrews and kitchenware in the current market, the Group revised its cash flow forecast for its associates. An impairment loss of HK$1,900,000 was recognised by the Group during that year, as the recoverable amount of the interests in associates determined from the value in use calculation was lower than the carrying amount of the interests in associates at 31 December 2006.

Particulars of the associates are as follows:

Name	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited	British Virgin Islands	Ordinary shares of US$1 each	30	Investment holding
T Plus Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrew, and kitchenware
Technical Development (HK) Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Technical (HK) Manufacturing Limited	Hong Kong	Ordinary shares of HK$1 each	30	Design, trading and marketing of corkscrews and kitchenware
Chongqing Technological City Stock Company Limited (重慶科技城有限責任公司)	PRC	Registered RMB100,000,000	30	Property development

All the above associates are held by wholly-owned subsidiaries of the Company, and were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network. They have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2007 **HK$'000**	2006 HK$'000
Assets	**48,378**	234,556
Liabilities	**(25,380)**	(222,015)
Revenue	**156,728**	178,878
Profit	**10,107**	20,675

22. CONVERTIBLE NOTE RECEIVABLE

	Group	
	2007 **HK$'000**	2006 HK$'000
Unlisted convertible note:		
Loan portion	**32,859**	30,983
Conversion option derivative, at fair value	**1,858**	1,743
	34,717	32,726

22. CONVERTIBLE NOTE RECEIVABLE *(Continued)*

At 31 December 2007, the Group held an unlisted convertible note with a principal amount of HK$37,500,000, which was issued by a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The convertible note conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the listed company at a conversion price of HK$0.67 per share in the defined period. The convertible note bears interest at a rate of 2% per annum.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note, and can only be redeemed by the Group at its face value upon maturity in June 2011 to the extent of the amount not previously converted.

The fair value of the loan portion of the convertible note is determined based on an effective interest rate of 6.47% on initial recognition and the fair value of the conversion option derivative is determined using the binomial model.

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed in Mainland China, at fair value	**408,309**	—
Unlisted, at cost	**17,865**	46,612
	426,174	46,612

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$282,203,000 (2006: Nil).

The above equity investments represent the equity shares held by the Group in entities established in Mainland China.

The fair value of the above listed shares was determined based on quoted price in the market.

The unlisted equity investments of the Group were stated at cost less any impairment losses and not at fair value because they did not have quoted market price in an active market, the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of them in the near future.

The market value of the Group's listed available-for-sale equity investment at the date of approval of these financial statements was approximately HK$280,263,000.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at market value	**34,022**	40,581

The above investments at 31 December 2006 and 2007 were classified as held for trading.

The fair values of the above investments were determined based on quoted prices in the market.

The market value of the Groups's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$29,726,000.

25.1 PROPERTIES UNDER DEVELOPMENT

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**6,507,250**	—
Acquisition of a subsidiary *(note 43)*	**679,906**	6,464,495
Additions (including development costs and capitalised interest)	**878,405**	8,549
Transferred to completed properties for sale *(note 25.3)*	**(10,132)**	—
Exchange realignment	**459,351**	34,206
At end of year	**8,514,780**	6,507,250
Properties under development classified as non-current assets	**7,804,480**	6,424,561
Properties under development held for sale classified as current assets	**710,300**	82,689
	8,514,780	6,507,250

The Group's properties under development are located in Mainland China and are held under the following leases:

	2007	2006
	HK$'000	*HK$'000*
Long term leases	**7,372,663**	6,507,250
Medium term leases	**1,142,117**	—
	8,514,780	6,507,250

At the balance sheet date, the Group's properties under development amounting to HK$2,650,065,000 (2006: HK$4,195,215,000) (note 36) and HK$98,837,000 (2006: Nil) were pledged to secure banking facilities granted to the Group and a former shareholder of a subsidiary acquired by the Group during the year, respectively.

25.2 INTERESTS IN LAND USE RIGHTS FOR PROPERTY DEVELOPMENT

	Group	
	2007	2006
	HK$'000	*HK$'000*
Acquisition of a subsidiary *(note 43)*	**1,306,827**	—
Additions	**753,225**	—
Exchange realignment	**390**	—
At end of year	**2,060,442**	—

The Group's interests in land use rights for property development are in respect of the rights to use certain land located in Mainland China over fixed periods, and are held under the following leases:

	2007	2006
	HK$'000	*HK$'000*
Long term leases	**493,222**	—
Medium term leases	**1,567,220**	—
	2,060,442	—

As at 31 December 2007, certificates of the above land use rights were still in the progress of being obtained.

25.3 COMPLETED PROPERTIES FOR SALE

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**1,365**	—
Acquisition of a subsidiary *(note 43)*	**181,128**	1,357
Transferred from properties under development *(note 25.1)*	**10,132**	—
Transferred from investment properties *(note 16)*	**897**	—
Additions	**7,091**	—
Properties sold during the year	**(42,875)**	—
Exchange realignment	**1,133**	8
At end of year	**158,871**	1,365

The Group's completed properties for sale are located in Mainland China and are held under the following leases:

	2007	2006
	HK$'000	*HK$'000*
Long term leases	**1,780**	1,365
Medium term leases	**157,091**	—
	158,871	1,365

26. LAND DEVELOPMENT RIGHTS

In February 2007, the Group acquired a 60% interest in the land development rights for two tracts of land in Chengdu, the PRC. The land development entails layout works and tenants relocation issues to bring the tracts of land to a condition ready for sale in land auctions. The Group will share 30% to 60% of the profit from the auctions.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Additions	**285,701**	—
Exchange realignment	**4,657**	—
At end of year	**290,358**	—

27. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**31,100**	32,545
Work in progress	**23,585**	36,854
Finished goods	**27,752**	21,064
	82,437	90,463

28. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the due date and net of provisions, is as follows:

	Group					
	2007			2006		
	Neither past due nor impaired	**Past due but not impaired**	**Total**	Neither past due nor impaired	Past due but not impaired	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	**107,052**	**21,995**	**129,047**	98,498	8,139	106,637
1 to 2 months	**—**	**6,360**	**6,360**	—	2,840	2,840
2 to 3 months	**—**	**3,809**	**3,809**	—	2,228	2,228
Over 3 months	**—**	**8,626**	**8,626**	—	5,814	5,814
	107,052	**40,790**	**147,842**	98,498	19,021	117,519

Trade receivables included discounted bills with recourse of HK$35,023,000 (2006: HK$34,509,000) at 31 December 2007. The maturity date of the discounted bills with recourse is within three months from the inception date of the discounted bills.

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**7,465**	5,298
Acquisition of subsidiaries	**—**	1,020
Impairment losses recognised	**442**	2,288
Written off during the year as uncollectible	**(6,315)**	(1,146)
Exchange realignment	**50**	5
At 31 December	**1,642**	7,465

The above provision for impairment of trade receivables represents provision for individually impaired trade receivables, which relates to customers that were in default. The Group does not hold any collateral or other credit enhancement over these balances.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**35,024**	4,789	**564**	752
Deposits and other receivables	**259,765**	74,776	**9**	4
	294,789	79,565	**573**	756

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

The business tax on deposits received from pre-sale of properties is imposed by the tax authorities and amounts to approximately HK$22,081,000. It is classified as "Prepayments, deposits and other receivables" in the consolidated balance sheet.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**107,217**	—
Acquisition of subsidiaries	**—**	60,406
Provision for/(reversal of provision for) impairment losses of other receivables	**(82,194)**	46,492
Exchange realignment	**5,280**	319
At 31 December	**30,303**	107,217

30. DUE FROM A JOINT VENTURE PARTNER/DUE TO A RELATED PARTY

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Due from a joint venture partner	*(i)*	**—**	39,676
Due to a related party	*(ii)*	**19,970**	20,013

Notes:

(i) The amount comprises cash advances to and the Group's share of sales proceeds from the jointly-controlled operation received on behalf by the joint venture partner. The prior year balance was settled in the current year. Details of the Group's jointly-controlled operation are set out in note 19(b) to the financial statements.

(ii) The related party is controlled by Mr. Cheung Chung Kiu, a director of the Company.

The above balances were unsecured and interest-free, and had no fixed terms of repayment. The carrying amounts of these balances approximated to their fair values.

31. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average fixed interest rate of 2.0%. The fair values of the deposits with brokerage companies approximate to their carrying amounts.

32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Notes	**2007 *HK$'000***	2006 *HK$'000*	**2007 *HK$'000***	2006 *HK$'000*
Cash and bank balances		**1,975,027**	215,577	**119**	33
Time deposits		**747,797**	1,096,967	**—**	—
		2,722,824	1,312,544	**119**	33
Less: Time deposits pledged:					
Non-current	*(a)*	**(611,572)**	—	**—**	—
Current	*(b)*	**(135,542)**	(160,756)	**—**	—
Restricted bank balances	*(c)*	**(28,594)**	—	**—**	—
Cash and cash equivalents		**1,947,116**	1,151,788	**119**	33

Note:

(a) The time deposits were pledged to secure long term bank loans granted to the Group (note 36).

(b) The time deposits were pledged to secure general banking facilities granted to the Group (note 36).

(c) Restricted bank balances represent deposits placed with certain PRC banks. The usages of the bank balance are restricted to PRC property development activities.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$639,267,000 (2006: HK$186,133,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

33. TRADE AND BILLS PAYABLES

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

	Group	
	2007 *HK$'000*	2006 *HK$'000*
Within 1 month	**131,220**	55,788
1 to 2 months	**36,704**	40,748
2 to 3 months	**19,750**	12,330
Over 3 months	**26,225**	24,971
	213,899	133,837

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

34. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits from customers	**568,888**	12,765	**—**	—
Other payables	**343,860**	61,262	**1**	82
Accruals	**49,616**	43,713	**6,572**	7,318
	962,364	117,740	**6,573**	7,400

Other payables are non-interest-bearing and have an average term of three months.

35. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The directors consider that the carrying amounts of the loans from minority shareholders of subsidiaries approximate to their fair values. The amounts are unsecured and interest-free, and have no fixed terms of repayment.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current						
Discounted bills with recourse	**5.6125% to 6.90%**	**2008**	**35,023**	5.56% to 7.13%	2007	34,509
Bank loans — secured	**6.12% to 7.29%**	**2008**	**399,949**	4.17% to 6.95%	2007	557,180
Other loan — unsecured	**8.75% to 9.00%**	**2008**	**300,000**	N/A	N/A	—
			734,972			591,689
Non-current						
Bank loans — secured	**6.318% to 7.938%**	**2009-2010**	**918,639**	5.85%	2009	126,295
			1,653,611			717,984
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			**734,972**			591,689
In the second year			**577,415**			—
In the third to fifth years, inclusive			**341,224**			126,295
			1,653,611			717,984

36. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Certain bank loans are secured by certain of the Group's assets with aggregate carrying amounts as listed below:

	Notes	**2007** **HK$'000**	2006 HK$'000
Property, plant and equipment	*15*	**6,065**	69,038
Investment properties	*16*	**77,447**	13,924
Leasehold interest in land and a property	*17*	**—**	2,839
Properties under development	*25.1*	**2,650,065**	4,195,215
Time deposits	*32*	**747,114**	160,756

Other interest rate information:

	2007 **HK$'000**	**2006** HK$'000
Fixed rate:		
Secured bank loans	**1,313,180**	683,475
Floating rate:		
Discounted bills with recourse	**35,023**	34,509
Secured bank loan	**5,408**	—
Other unsecured borrowings	**300,000**	—
	340,431	34,509
	1,653,611	717,984

The carrying amounts of the Group's bank borrowings approximate to their fair values.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2007 **HK$'000**	**2006** HK$'000
Hong Kong dollars ("HK$")	**305,408**	—
United States dollars ("U.S. dollars")	**35,023**	76,868
Renminbi ("RMB")	**1,313,180**	641,116
	1,653,611	717,984

37. CONSIDERATION PAYABLE ON ACQUISITION OF AN ASSOCIATE

The amount as at 31 December 2006 represented the consideration payable on acquisition of 30% issued share capital of an associate, Technical International, in the prior year (note 21). The amount bore interest at 1% per annum and was settled in the current year.

The fair value of the consideration payable on acquisition of an associate was determined based on an effective interest rate of 5.98% on initial recognition.

The fair value of the consideration payable on acquisition of an associate approximated to its carrying amount.

38. CONSIDERATION PAYABLE ON ACQUISITION OF SUBSIDIARIES/GROUP OF ASSETS

	2007 **HK$'000**	2006 HK$'000
Consideration payable on acquisition of subsidiaries:		
Starthigh International Limited *(note 43)*	**50,000**	250,000
Hoi Tin Universal Limited ("Hoi Tin") *(note (a))*	**5,000**	5,000
Theme Production House Limited *(note 43)*	**2,000**	—
	57,000	255,000
Classified as a non-current liability	**2,000**	—
Classified as current liabilities	**55,000**	255,000

Note:

(a) The amount represents the consideration payable on acquisition of a 60% issued share capital of Hoi Tin in 2005.

The consideration payable on acquisition of group of assets was in respect of the acquisition of a 100% equity interest in a PRC company which holds a piece of land in Chongqing, the PRC. Such acquisition was accounted for as an acquisition of group of assets that does not constitute a business under HKFRS 3.

The fair values of the considerations payable on acquisition of subsidiaries/group of assets approximate to their carrying amounts.

39. CONVERTIBLE NOTE

On 22 September 2006, Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Thrivetrade for the issue of a 10-year 2% convertible note of HK$2,552,000,000 (the "Note") (note 43). Thrivetrade is wholly and beneficially owned by Mr. Cheung Chung Kiu, a director of the Company. The Note conferred the right on its holder to convert the whole or part of its principal amount into ordinary shares of the Company any time from 7 November 2006 (the date of issuance) for a period of 10 years, at an initial conversion price of HK$0.28 per share. The Note will mature for principal repayment on 7 November 2016. The Note is interest-free in the first two years and carries interest thereafter which is accrued from the date of issue on a day-to-day basis at 2% per annum on its principal amount, and is payable annually in arrears.

During the year ended 31 December 2006, Thrivetrade exercised the conversion right of the Note in an aggregate amount of approximately HK$2,552,000,000, resulting in the issue of 9,114,285,710 new ordinary shares of the Company (note 41). As at 31 December 2007, HK$1.20 of the principal of the Note remained outstanding.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount of the Note is assigned to the equity component and was included in shareholders' equity.

The Note issued during the year ended 31 December 2006 was split as to the liability and equity components, as follows:

	HK$'000
Nominal value of the Note	2,552,000
Equity component	(1,230,341)
Liability component at the issuance date	1,321,659
Interest expense *(note 7)*	5,147
Conversion during the year ended 31 December 2006	(1,326,806)
Balance at 31 December 2006 and 2007	—

The effective interest rate on the liability component of the Note was 8.75%.

40. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties *HK$'000*	Depreciation allowance in excess of related depreciation *HK$'000*	Losses available for offset against future taxable profits *HK$'000*	Revaluation of available-for-sale equity investments *HK$'000*	Total *HK$'000*
At 1 January 2006	—	2,942	(192)	—	2,750
Acquisition of subsidiaries *(note 43)*	2,015,861	—	—	—	2,015,861
Disposal of a subsidiary *(note 45)*	—	(87)	—	—	(87)
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	1,024	—	(1,332)	—	(308)
Exchange realignment	11,258	—	—	—	11,258
At 31 December 2006 and 1 January 2007	2,028,143	2,855	(1,524)	—	2,029,474
Acquisition of a subsidiary *(note 43)*	342,132	—	—	—	342,132
Deferred tax debited to equity during the year	—	—	—	94,068	94,068
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	(500,542)	(217)	215	—	(500,544)
Exchange realignment	123,555	(47)	(80)	—	123,428
At 31 December 2007	1,993,288	2,591	(1,389)	94,068	2,088,558

The Company's deferred tax liabilities are in respect of deferred tax charged to the income statement during the year, arising from depreciation allowance in excess of related depreciation.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. Accordingly, the corporate income tax rate of the Group's subsidiaries operating in Mainland China will decrease from 33% to 25% starting from 1 January 2008. This reduction in the corporate income tax rate will directly reduce the Group's effective tax rate prospectively from 2008.

According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has increased tax credit of the year and decreased deferred tax liabilities, both by HK$506,271,000, for the year ended 31 December 2007.

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions in future periods as more detailed requirements are issued.

40. DEFERRED TAX *(Continued)*

The Group has tax losses arising in Hong Kong of HK$861,153 (2006: HK$463,000) and in Mainland China of HK$9,035,000 (2006: HK$11,399,000) that are available indefinitely and due to expire within four to five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

41. SHARE CAPITAL

Shares

	2007 **HK$'000**	2006 HK$'000
Authorised: 5,000,000,000 (2006: 50,000,000,000) ordinary shares of HK$0.10 (2006: HK$0.01) each	**500,000**	500,000
Issued and fully paid: 2,165,382,258 (2006: 18,053,822,580) ordinary shares of HK$0.10 (2006: HK$0.01) each	**216,538**	180,538

A summary of the transactions involving the Company's issued ordinary share capital during the year is as follows:

	Notes	Number of shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2006		3,939,536,870	39,395	199,901	239,296
Shares placing		3,400,000,000	34,000	898,865	932,865
Shares issued as part of the consideration for the acquisition of subsidiaries		1,600,000,000	16,000	712,000	728,000
Conversion of convertible note	*(a)*	9,114,285,710	91,143	2,466,004	2,557,147
At 31 December 2006 and 1 January 2007		18,053,822,580	180,538	4,276,770	4,457,308
Consolidation of shares	*(b)*	(16,248,440,322)	—	—	—
Shares placing		360,000,000	36,000	2,825,791	2,861,791
At 31 December 2007		2,165,382,258	216,538	7,102,561	7,319,099

Notes:

(a) During the year ended 31 December 2006, convertible note amounting to approximately HK$2,552,000,000 was converted into 9,114,285,710 shares of the Company at a conversion price of HK$0.28 per share. Further details relating to the convertible note are set out in note 39.

(b) Pursuant to a special resolution passed on 10 January 2007, every 10 shares of the Company of HK$0.01 each were consolidated into one share of HK$0.10 each, resulting in 1,805,382,258 shares of the Company being in issue on 11 January 2007.

Share options

Details of the Company's share option scheme are set out in note 46 to the financial statements.

42. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 58 to 59.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2006		199,901	158,331	110,096	—	—	468,328
Issue of shares	41	1,610,865	—	—	—	—	1,610,865
Issue of convertible note	39	—	—	—	1,230,341	—	1,230,341
Conversion of convertible note	41	2,466,004	—	—	(1,230,341)	—	1,235,663
Profit for the year		—	—	22,552	—	—	22,552
Proposed final 2006 dividend		—	—	(90,269)	—	—	(90,269)
Equity-settled share option arrangement	46	—	—	—	—	1,972	1,972
At 31 December 2006 and at 1 January 2007		4,276,770	158,331	42,379	—	1,972	4,479,452
Issue of shares	41	2,825,791	—	—	—	—	2,825,791
Profit for the year		—	—	116,943	—	—	116,943
Proposed final 2007 dividend		—	—	(108,315)	—	—	(108,315)
Equity-settled share option arrangement	46	—	—	—	—	74,934	74,934
At 31 December 2007		7,102,561	158,331	51,007	—	76,906	7,388,805

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Qualipak Development Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued and issuable for the acquisition.

43. BUSINESS COMBINATION

Year ended 31 December 2007

On 2 April 2007, the Group entered into a sale and purchase agreement to acquire 51% of the issued share capital of Theme Production House Limited ("Theme Production"), a company incorporated in Hong Kong, for a cash consideration of HK$10 million. The transaction was completed on 4 April 2007. Theme Production is engaged in the trading of acrylic products and point of sales display units.

The total consideration of HK$10 million was satisfied in cash, of which HK$8 million was paid during the period, and the remaining balance of HK$2 million shall be paid after finalisation of the adjustment as referred to in the sale and purchase agreement.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2007 *(Continued)*

The fair values of the identifiable assets and liabilities of Theme Production as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment		327	327
Inventories		111	111
Trade receivables		2,931	2,931
Tax receivables		201	201
Deposits		328	328
Cash and bank balances		3,001	3,001
Trade and other payables		(4,875)	(4,875)
		2,024	2,024
Minority interests		(992)	
Goodwill on acquisition	18	8,968	
Total consideration		10,000	
Satisfied by:			
Cash		8,000	
Consideration payable		2,000	
		10,000	

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

	HK$'000
Cash consideration paid	(8,000)
Cash and bank balances acquired	3,001
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(4,999)

Since its acquisition, Theme Production contributed HK$52,708,000 to the Group's consolidated turnover and a profit of HK$4,266,000 to the consolidated results for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year ended 31 December 2007 would have been HK$920,684,000 and HK$903,827,000, respectively.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2007 *(Continued)*

On 24 August 2007, the Group entered into an agreement to acquire 51% equity interest in Chongqing Verakin Real Estate Company Limited（重慶同景置業有限公司）("Chongqing Verakin") for a cash consideration of RMB310 million. Chongqing Verakin is currently developing a high-end, large-scale, multi-phased residential and commercial project, namely, Verakin New Park City, in the Chongqing Nanan Economic Development Zone.

The fair values of the identifiable assets and liabilities of Chongqing Verakin as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Previous carrying amount** *HK$'000*
Property, plant and equipment		2,326	2,326
Properties under development	*25.1*	679,906	302,924
Interests in land use rights for property development	*25.2*	1,306,827	344,212
Completed properties for sale	*25.3*	181,128	152,197
Tax recoverable		9,139	9,139
Prepayments, deposits and other receivables		176,133	176,133
Cash and bank balances		77,770	77,770
Trade and other payables		(595,156)	(595,156)
Tax payable		(127)	(127)
Bank borrowings		(117,296)	(117,296)
Deferred tax liabilities	*40*	(342,132)	—
		1,378,518	352,122
Minority interests		(675,474)	
Excess over the cost of acquisition of a subsidiary	*5*	(372,483)*	
Total consideration		330,561	
Satisfied by cash		330,561	

* The above excess over the cost of acquisition of a subsidiary was primarily due to a discount offered by the vendor over the purchase consideration.

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

	HK$'000
Cash consideration paid	(330,561)
Cash and bank balances acquired	77,770
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(252,791)

Since its acquisition, Chongqing Verakin contributed HK$23,929,000 to the Group's consolidated turnover and a loss of HK$5,526,000 to the consolidated results for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year ended 31 December 2007 would have been HK$1,021,496,000 and HK$895,235,000, respectively.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2006

On 22 September 2006, the Group entered into an agreement to acquire a 100% equity interest in Starthigh International Limited ("Starthigh") and its subsidiaries (collectively the "Starthigh Group") from Thrivetrade, a company wholly owned by Mr. Cheung Chung Kiu ("Mr. Cheung"), a director of the Company (note 51(b)). The purchase consideration per the agreement for the acquisition was HK$3,317,553,000, being:

(i) HK$448,000,000 to be satisfied by the issue of 1,600,000,000 new shares of the Company at completion of the acquisition;

(ii) HK$2,552,000,000 to be satisfied by the issue of a convertible note by the Company (note 39);

(iii) a sum representing certain receivables up to the equivalent of HK$250,000,000 as may be recovered by the Group, which will be due and payable by the Group to Thrivetrade on a dollar-for-dollar basis (net of all taxes, costs and expenses) within 30 days after the later of (a) the completion date of the acquisition and (b) the receipt of the receivables by the Starthigh Group from time to time; and

(iv) HK$67,553,000 to be satisfied by the assumption by the Group of certain obligations of Mr. Cheung payable to the Starthigh Group.

43. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of the Starthigh Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	*15*	73,181	46,248
Investment properties	*16*	124,597	124,597
Prepaid lease payments	*17*	827	827
Loan to an associate		5,945	5,945
Properties under development		6,383,237	402,014
Properties under development held for sale		81,258	8,640
Completed properties for sale	*25.3*	1,357	704
Available-for-sale equity investments		46,367	46,367
Trade receivables		454	454
Prepayments, deposits and other receivables		469,054	469,054
Due from related parties		54,602	54,602
Inventories		65	65
Pledged time deposits		157,348	157,348
Cash and bank balances		7,683	7,683
Trade and other payables		(21,220)	(21,220)
Other payables and accruals		(327,775)	(327,775)
Due to a related party		(20,080)	(20,080)
Tax payable		(9,107)	(9,107)
Bank borrowings		(789,341)	(789,341)
Deferred tax liabilities	*40*	(2,015,861)	(8,990)
		4,222,591	148,035
Excess over the cost of acquisition of subsidiaries	*5*	(605,038)	
Total consideration		3,617,553	

The above excess over the cost of acquisition of subsidiaries was primarily due to a discount offered by the vendor, Thrivetrade, over the purchase consideration.

43. BUSINESS COMBINATION *(Continued)*

	Fair value recognised on acquisition *HK$'000*
Satisfied by:	
Issue of shares *(note 41)*	728,000#
Issue of a convertible note *(note 39)*	2,552,000
Consideration payable *(note 38)*	250,000*
Assumption of the obligations of Mr. Cheung payable to the Starthigh Group	67,553
Direct expenses paid in connection with the acquisition	20,000
	3,617,553

\# Under HKFRS 3, the fair value of the Company's shares was measured at market price at the date of exchange on 7 November 2006. Such amount is different from the above share consideration per the agreement of HK$448,000,000, which was estimated based on the market price of the Company's shares at the date of agreement.

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

	2007 *HK$'000*	2006 *HK$'000*
Consideration paid	**(200,000)***	—
Direct expenses paid in connection with the acquisition	**—**	(20,000)
Cash and bank balances acquired	**—**	7,683
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(200,000)**	(12,317)

* A sum of HK$200,000,000 of the consideration was paid during the year ended 31 December 2007.

Since its acquisition, the Starthigh Group contributed HK$283,000 to the Group's consolidated turnover and a loss of HK$716,000 to the consolidated results for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year ended 31 December 2006 would have been HK$811,365,000 and HK$522,310,000, respectively.

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) Part of the consideration in respect of the acquisition of subsidiaries during the prior year was by way of issuance of new shares and a convertible note by the Company, details of which are set out in note 43 to the financial statements.

(ii) During the year ended 31 December 2006, convertible note amounting to HK$2,552,000,000 was converted into 9,114,285,710 shares of the Company at a conversion price of HK$0.28 per share (note 41).

(iii) During the year ended 31 December 2006, one of the Group's listed equity investments at fair value through profit or loss with a carrying amount of approximately HK$21,250,000 was converted into a convertible note receivable of another listed company with an initial fair value of approximately HK$33,654,000.

(iv) During the year, the Group's amount due from a joint venture partner was settled by property, plant and equipment, investment properties and completed properties held for sale of the joint venture partner amounting to HK$1,978,000, HK$31,630,000 and HK$7,091,000, respectively.

(b) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to banks to secure certain bank loans and general banking facilities granted to the Group, as further explained in notes 32 and 36.

45. DISPOSAL OF A SUBSIDIARY

	Notes	2006 *HK$'000*
Net assets disposed of:		
Investment property	*16*	46,000
Other receivables		5
Due to group companies, net		(43,689)
Deferred tax liabilities	*40*	(87)
		2,229
Assignment of amounts due to group companies, net, to the independent buyer		43,689
		45,918
Gain on disposal of a subsidiary	*5*	3,082
		49,000
Satisfied by:		
Cash		49,000

45. DISPOSAL OF A SUBSIDIARY *(Continued)*

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

	2006
	HK$000
Cash consideration	49,000
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	49,000

46. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting of the Company held on 29 April 2005. During the year, 30,860,000 (2006: 16,139,000) share options were granted under the Scheme.

Under the Scheme, share options may be granted to directors and employees of the Group and those who have contributed or will contribute to the Group, at any time within 10 years after its adoption, at the discretion of the board of directors of the Company (the "Board"). The following is a summary of the Scheme.

For the purpose of this section, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full-time or part-time employee (including any executive and non-executive director or proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group and to provide incentives and to help the Group retain its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the board of directors of the Company, has contributed or is expected to contribute to the Group.

Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

46. SHARE OPTION SCHEME *(Continued)*

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of shares as stated in daily quotation sheets of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

Life of the Scheme

The Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

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

Name or category of participant	Number of share options: At 1 January 2007	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date of options*** HK$ per share
Directors										
Lam How Mun Peter	2,000,000	–	–	–	–	2,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,939,000	–	–	–	–	1,939,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	6,000,000	–	–	–	6,000,000	16-02-2007	01-01-2008 to 31-12-2017	4.81	4.67
	–	2,000,000	–	–	–	2,000,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	–	2,000,000	–	–	–	2,000,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	–	4,000,000	–	–	–	4,000,000	27-04-2007	01-01-2008 to 31-12-2017	5.37	5.40
	–	1,800,000	–	–	–	1,800,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	1,800,000	–	–	–	1,800,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	3,939,000	17,600,000	–	–	–	21,539,000				
Leung Chun Cheong	500,000	–	–	–	–	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	1,000,000	1,000,000	–	–	–	2,000,000				
Leung Wai Fai	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	2,000,000	1,000,000	–	–	–	3,000,000				

46. SHARE OPTION SCHEME *(Continued)*

Name or category of participant	At 1 January 2007	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date of options*** HK$ per share
			Number of share options							
Poon Ho Yee	500,000	–	–	–	–	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
Agnes	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	1,000,000	1,000,000	–	–	–	2,000,000				
Wu Hong Cho	400,000	–	–	–	–	400,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	400,000	–	–	–	–	400,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	500,000	–	–	–	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	800,000	1,000,000	–	–	–	1,800,000				
Employees										
In aggregate	2,700,000	–	–	–	–	2,700,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	2,700,000	–	–	–	–	2,700,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	500,000	–	–	–	500,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	–	500,000	–	–	–	500,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	–	1,900,000	–	–	–	1,900,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	1,900,000	–	–	–	1,900,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	–	1,000,000[1]	–	–	–	1,000,000	29-10-2007	03-01-2009 to 02-01-2019	15.22	14.82
	–	1,000,000[1]	–	–	–	1,000,000	29-10-2007	03-01-2010 to 02-01-2020	15.22	14.82
	–	200,000[2]	–	–	–	200,000	29-10-2007	30-01-2009 to 29-01-2019	15.22	14.82
	–	200,000[2]	–	–	–	200,000	29-10-2007	30-01-2010 to 29-01-2020	15.22	14.82
	–	280,000[2]	–	–	–	280,000	02-11-2007	18-02-2009 to 17-02-2019	15.34	15.72
	–	280,000[2]	–	–	–	280,000	02-11-2007	18-02-2010 to 17-02-2020	15.34	15.72
	5,400,000	7,760,000	–	–	–	13,160,000				
Others										
In aggregate	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	–	750,000	–	–	–	750,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	–	750,000	–	–	–	750,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	2,000,000	1,500,000	–	–	–	3,500,000				
Total	16,139,000	30,860,000	–	–	–	46,999,000				

46. SHARE OPTION SCHEME *(Continued)*

[1] Granted to a director of the Company, Dr. Wong Kim Wing, who was appointed subsequent to the balance sheet date on 25 January 2008.

[2] Granted to certain employees joining the Group after the balance sheet date.

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

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

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

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The fair value of the share options granted during the year was HK$103,883,000 (2006: HK$40,765,000), and the Group recognised a share option expense of HK$74,934,000 (2006: HK$1,972,000) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the dates of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007	2006
Dividend yield *(%)*	**1.05**	1.41
Expected volatility *(%)*	**60.40 to 60.84**	67.85
Risk-free interest rate *(%)*	**3.778 to 4.599**	3.835

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 46,999,000 (2006: 16,139,000) share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 46,999,000 (2006: 16,139,000) additional ordinary shares of the Company and additional share capital of HK$4,699,900 (2006: HK$1,613,900) and share premium of 309,563,550 (2006: HK$78,274,150) (before issue expenses).

Subsequent to the balance sheet date, on 3 January 2008, a total of 1,600,000 share options were granted to an employee of the Company in respect of his services to the Group in the forthcoming years. These share options have an exercise price of HK$11.30 per share and an exercise period ranging either from 28 March 2009 to 27 March 2019 or from 28 March 2010 to 27 March 2020. The price of the Company's shares at the date of grant was HK$10.40 per share.

At the date of approval of these financial statements, the total number of shares of the Company available for issue pursuant to the Scheme was 148,078,225, which represented approximately 6.84% of the Company's shares in issue as at that date.

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**4,740**	4,754
In the second to fifth years, inclusive	**26,858**	16,405
	31,598	21,159

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**4,230**	1,668
In the second to fifth years, inclusive	**5,316**	3,580
	9,546	5,248

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group had the following commitments in respect of property development expenditure at the balance sheet date:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for	**1,461,191**	27,906

48. COMMITMENTS *(Continued)*

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the balance sheet date:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for	**1,593,591**	—

At the balance sheet date, the Company did not have any significant commitments.

49. CONTINGENT LIABILITIES

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

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to:					
Subsidiaries		**—**	—	**57,800**	57,800
Associates *(note 51(b)(ii))*		**13,500**	12,000	**13,500**	12,000
Guarantees in respect of mortgage facilities for certain customers	*(i)*	**231,467**	29,740	**—**	—
		244,967	41,740	**71,300**	69,800

Note:

(i) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

50. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

50. RETIREMENT BENEFITS SCHEMES *(Continued)*

In light of the introduction of the Mandatory Provident Fund ("MPF") Scheme, the Group has restructured its retirement arrangements to comply with the MPF legislation. The Group has secured MPF exemption status for the above defined contribution retirement benefits scheme and participated in an approved MPF scheme with HSBC Life (International) Limited effective 1 December 2000 to provide a scheme choice to existing employees. All employees joining the Group in Hong Kong after 1 December 2000 are required to participate in the MPF Scheme. Mandatory and voluntary benefits are being provided under the MPF Scheme.

The employees employed in Mainland China are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

Details of the retirement benefits scheme contributions for the Company's directors and the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group, are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Gross retirement benefits scheme contributions	**1,716**	1,073
Less: Forfeited contributions utilised to offset contributions	—	(62)
Net retirement benefits scheme contributions *(note 8)*	**1,716**	1,011

At 31 December 2007 and 2006, there were no forfeited contributions outstanding in the forfeiture accounts which were available to offset future employers' contributions to the schemes.

51. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Rental expense paid to a related company	*(i)*	**1,594**	—
Sale of goods to an associate	*(ii), (iii)*	**118**	112
Sale of goods to a minority shareholder of a subsidiary	*(iii)*	—	13,431
Acquisition of additional interest in a subsidiary from a minority shareholder of a subsidiary	*(iv)*	—	990

Notes:

(i) A wholly-owned subsidiary of the Company, C C Land Management Limited, entered into a sub-lease agreement with Chongqing Industrial Limited ("Chongqing"), a company controlled by Mr. Cheung Chung Kiu, to lease from Chongqing an office space. The rental paid was based on the floor area occupied by the Group and the market rental rates. The current sub-lease agreement commenced on 1 April 2007 and will expire on 31 July 2008.

(ii) The sale to an associate and a minority shareholder of a subsidiary was made according to the prices and conditions offered to the major customers of the Group.

51. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

(iii) The sale of goods was made between Hoi Tin Universal Limited, a subsidiary of the Company, and Thomas Wagner GmbH, a minority shareholder owning 25% of Young Comfort Development Limited ("Young Comfort"), a then indirectly-held and non-wholly-owned subsidiary of the Company, prior to the acquisition of the remaining interest in Young Comfort by the Group as set out in note (iii) below. These transactions constitute continuing connected transactions for the Company under the Listing Rules.

(iv) On 27 September 2006, the Group entered into an agreement with Thomas Wagner GmbH to acquire a 25% equity interest in Young Comfort for a cash consideration of approximately HK$990,000. The transaction was completed on 29 September 2006 and thereafter Young Comfort has become an indirect non-wholly-owned subsidiary of the Company.

(b) Other transactions with related parties

(i) On 7 November 2006, the Group completed the acquisition of Starthigh from Thrivetrade, a company wholly owned by a director, Mr. Cheung, for a consideration of HK$3,317,553,000 (note 43). This transaction also constitutes a connected transaction under the Listing Rules.

(ii) At 31 December 2007, the Group executed a guarantee amounting to HK$13,500,000 (2006: HK$12,000,000) (note 49) to a bank as securities for banking facilities granted to its associates, the Technical Group.

(iii) Details of the Group's loans to associates, and the amount due from a joint venture partner and amount due to a related party as at the balance sheet date are set out in notes 21 and 30, respectively.

(c) Provision of leasehold buildings to a related party for the operation of a school at nil rental

The Group's buildings and prepaid lease payments with an aggregate carrying amount of approximately RMB14,969,000 (2006: RMB15,787,000) were provided to a family member of a director of a subsidiary for the operation of a school at nil rental.

(d) Compensation of key management personnel of the Group

	2007 ***HK$'000***	2006 *HK$'000*
Short term employee benefits	**19,742**	15,373
Share-based payments	**52,682**	1,069
Total compensation paid to key management personnel	**72,424**	16,442

Further details of directors' emoluments are included in note 9 to the financial statements.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible note investments, trade and other receivables, trade and other payables, cash and bank balances, bank borrowings and short term deposits. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4.

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

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

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

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

	Increase/decrease in basis points	Effect on profit before tax *HK$'000*
2007		
HK$	+100	9,629
U.S. dollars	+100	(195)
RMB	+150	(10,109)
HK$	-100	(9,629)
U.S. dollars	-100	195
RMB	-150	10,109
2006		
HK$	+100	9,094
U.S. dollars	+100	1,713
RMB	+150	(7,288)
HK$	-100	(9,094)
U.S. dollars	-100	(1,713)
RMB	-150	7,288

Foreign currency risk

The Group has currency exposure as the majority of its sales were denominated in U.S. dollars, which are pegged to Hong Kong dollars ("HK$"). On the other hand, the expenses or expenditure incurred in the operations of manufacturing plants are denominated in Renminbi ("RMB"), which exposes the Group to foreign currency risk.

The Group's property development and investment business are located in Mainland China and all transactions are conducted in RMB. Most of the assets and liabilities of this business are denominated in RMB except for HK$ and U.S. dollar short term bank deposits and bank loans.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the operating results of the Group.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

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

Foreign currency risk *(Continued)*

	Increase/ decrease in rate	Effect on profit before tax *HK$'000*
2007		
If HK$ weakens against RMB	+7%	2,876
If HK$ strengthens against RMB	-7%	(2,876)
2006		
If HK$ weakens against RMB	+7%	(11,051)
If HK$ strengthens against RMB	-7%	11,051

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtor and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade receivables as disclosed in note 28 and of other receivables amounting to HK$51,676,000. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses have been made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 49.

Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investments (note 23) and equity investments at fair value through profit or loss (note 24) as at 31 December 2007. The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong — Hang Seng Index	27,812	31,638/ 18,664	19,964	20,001/ 14,944
Shanghai — A Share Index	5,521	6,395/ 2,744	2,815	2,815/ 1,241

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

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

	Carrying amount of equity investments *HK$'000*	Increase in profit before tax *HK$'000*	Increase in other components of equity *HK$'000*
2007			
Equity investments at fair value through profit or loss listed in Hong Kong	34,022	3,402	—
Available-for-sale investment listed in Shanghai	408,309	—	40,831
Total	442,331	3,402	40,831

	Carrying amount of equity investments *HK$'000*	Increase in profit before tax *HK$'000*
2006		
Equity investments at fair value through profit or loss listed in Hong Kong	40,581	4,058

The Group's management manages the above exposure by maintaining a well-diversified portfolio with different risk profiles and maintains a low value of beta of the investment portfolio.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its construction commitments and other business operations.

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

Group

	2007				
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	5,408	473,645	255,919	918,639	1,653,611
Loans from minority shareholders of subsidiaries	48,274	—	—	—	48,274
Trade and bills payables	—	187,674	26,225	—	213,899
Other payables	—	86,146	257,714	—	343,860
Due to a related party	19,970	—	—	—	19,970
Consideration payable on acquisition of subsidiaries	50,000	5,000	—	2,000	57,000
Consideration payable on acquisition of group of assets	542,372	—	—	—	542,372
	666,024	752,465	539,858	920,639	2,878,986

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

Liquidity risk *(Continued)*

	2006				
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	—	61,402	530,287	126,295	717,984
Loans from minority shareholders of subsidiaries	8,000	—	—	—	8,000
Trade and bills payables	—	108,866	24,971	—	133,837
Other payables	—	61,262	—	—	61,262
Due to a related party	20,013	—	—	—	20,013
Consideration payable on acquisition of an associate	—	—	3,000	—	3,000
Considerations payable on acquisition of subsidiaries	250,000	—	5,000	—	255,000
	278,013	231,530	563,258	126,295	1,199,096

All of the Company's financial liabilities as at the balance sheet date are repayable on demand.

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is debts divided by equity attributable to equity holders of the parent. Debts includes interest-bearing bank and other borrowings. The gearing ratio as at the balance sheet dates were as follow:

	Group	
	2007 ***HK$'000***	2006 *HK$'000*
Debts	**1,653,611**	717,984
Equity attributable to equity holders of the parent	**9,846,283**	5,426,758
Gearing ratio	**16.8%**	13.2%

53. FINANCIAL INSTRUMENTS BY CATEGORY

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

2007

Financial assets

	Group			
	Financial assets at fair value through profit or loss-held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Convertible note receivable — loan portion	—	32,859	—	32,859
Available-for-sale investments	—	—	426,174	426,174
Loan to a jointly-controlled entity *(note 19(a))*	—	373,750	—	373,750
Trade receivables	—	147,842	—	147,842
Financial assets included in prepayments, deposits and other receivables *(note 29)*	—	259,765	—	259,765
Equity investments at fair value through profit or loss	34,022	—	—	34,022
Conversion option derivative	1,858	—	—	1,858
Deposits with brokerage companies	—	12,748	—	12,748
Pledged time deposits and restricted bank balances *(note 32)*	—	775,708	—	775,708
Cash and cash equivalents *(note 32)*	—	1,947,116	—	1,947,116
	35,880	3,549,788	426,174	4,011,842

Financial liabilities

Group

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	213,899
Financial liabilities included in other payables and accruals *(note 34)*	343,860
Interest-bearing bank and other borrowings *(note 36)*	1,653,611
Due to a related party	19,970
Loans from minority shareholders of subsidiaries	48,274
Consideration payable on acquisition of subsidiaries	57,000
Consideration payable on acquisition of group of assets	542,372
	2,878,986

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2006

Financial assets

	Group			
	Financial assets at fair value through profit or loss-held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from a joint venture partner	—	39,676	—	39,676
Loans to associates	—	8,976	—	8,976
Convertible note receivable — loan portion	—	30,983	—	30,983
Available-for-sale investments	—	—	46,612	46,612
Trade receivables	—	117,519	—	117,519
Financial assets included in prepayments, deposits and other receivables *(note 29)*	—	74,776	—	74,776
Equity investments at fair value through profit or loss	40,581	—	—	40,581
Conversion option derivative	1,743	—	—	1,743
Deposits with brokerage companies	—	344	—	344
Pledged time deposits *(note 32)*	—	160,756	—	160,756
Cash and cash equivalents *(note 32)*	—	1,151,788	—	1,151,788
	42,324	1,584,818	46,612	1,673,754

Financial liabilities

Group

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	133,837
Financial liabilities included in other payables and accruals *(note 34)*	61,262
Interest-bearing bank and other borrowings (*note 36)*	717,984
Due to a related party	20,013
Loans from minority shareholders of subsidiaries	8,000
Consideration payable on acquisition of an associate	3,000
Considerations payable on acquisition of subsidiaries	255,000
	1,199,096

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	Loans and receivables	
	2007	2006
	HK$'000	*HK$'000*
Due from subsidiaries	**7,655,792**	4,673,870
Financial assets included in prepayments, deposits and other receivables *(note 29)*	**9**	4
Cash and cash equivalents *(note 32)*	**119**	33
	7,655,920	4,673,907

Financial liabilities

	Financial liabilities at amortised cost	
	2007	2006
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals *(note 34)*	**1**	82
Due to subsidiaries	**100,385**	76,769
	100,386	76,851

54. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2007:

(a) Subsequent to the balance sheet date, there were significant falls in many major international stock markets, including the exchanges on which the Group's listed equity investments are traded. Further details of the market values of the Group's listed equity investments are included in notes 23 and 24 to the financial statements. The decline in the carrying amounts of the equity investments subsequent to the balance sheet date and up to the date of approval of these financial statements has not been reflected in these financial statements.

(b) On 3 January 2008, the Group entered into a facility agreement with a consortium of international and local banks, where a term loan of HK$1,950 million which carries interest at HIBOR plus 1.4% per annum was made available to the Group. The term loan is repayable as to 10%, 10% and 80% on the days which are 12 months, 24 months and 36 months, respectively, from the date of the facility agreement. Under the facility agreement, a specific performance obligation is imposed on Mr. Cheung Chung Kiu, the chairman and a substantial shareholder of the Company, to control 35% or more of the beneficial shareholding interest in the issued capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. Non compliance of the aforesaid obligation by Mr. Cheung Chung Kiu will constitute an event of default under the facility agreement.

55. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements has been revised or included to comply with the new requirements.

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2008.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**910,759**	794,984	445,248	294,351	202,227
PROFIT FROM OPERATING ACTIVITIES	**391,949**	629,054	42,184	57,389	33,872
Share of profits and losses of associates	**3,032**	4,299	5,211	—	—
Share of profits and losses of jointly-controlled entities	**(4,271)**	—	—	—	—
PROFIT BEFORE TAX	**390,710**	633,353	47,395	57,389	33,872
Tax	**512,901**	(2,436)	(4,374)	(15,277)	(4,970)
PROFIT FOR THE YEAR	**903,611**	630,917	43,021	42,112	28,902
Attributable to:					
Equity holders of the parent	**905,495**	627,871	41,203	42,112	28,902
Minority interests	**(1,884)**	3,046	1,818	—	—
	903,611	630,917	43,021	42,112	28,902

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	**284,911**	267,654	161,934	100,036	101,393
Investment properties	**197,250**	128,262	—	—	—
Prepaid lease payments	**25,061**	25,510	25,213	22,832	23,404
Interests in jointly-controlled entities	**894,452**	—	—	—	—
Interests in associates	**36,333**	33,300	38,455	—	—
Properties under development	**7,804,480**	6,424,561	—	—	—
Other non-current assets	**3,170,306**	112,734	93,664	16,035	32,242
Current assets	**3,854,649**	1,778,590	439,399	473,004	406,140
Current liabilities	**(2,603,943)**	(1,181,407)	(165,087)	(54,562)	(36,220)
Net current assets	**1,250,706**	597,183	274,312	418,442	369,920
Non-current liabilities	**(3,009,197)**	(2,155,769)	(10,197)	(2,845)	(783)
Minority interests	**(808,019)**	(6,677)	(3,652)	—	—
Equity attributable to equity holders of the parent	**9,846,283**	5,426,758	579,729	554,500	526,176