中國興業控股有限公司

China Investments Holdings Limited | Annual Report 2007

(Incorporated in Bermuda with limited liability)
(Stock Code: 132)

Contents

Corporate Information

Executive Directors	Leung Siu Fai *(Chairman)* You Guang Wu *(Vice Chairman)* Kam Hung Chung *(Managing Director)* Wang Jin Yuan
Independent Non-executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal Place of Business	Unit 601, Tsim Sha Tsui Centre 66 Mody Road Tsimshatsui Kowloon Hong Kong
Registrars	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Registrars	Tricor Progressive Limited 26/F Tesbury Centre 28 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Wing Hang Bank Ltd.
Solicitors	Woo, Kwan, Lee & Lo Guangdong Weonline Law Firm Guangdong Zhongxin Zhicheng Law Office
Auditors	HLM & Co. *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132

BUSINESS REVIEW

During the year, despite the price surge of general commodities and raw materials in the People's Republic of China ("PRC"), the Group managed to minimize the impact and achieve satisfactory growth in operating results by implementing various measures in management, operation, production and quality control. For the year ended 31 December 2007, the Group's turnover was HK$497,834,000, an increase of 15.77% over last year. Operating profit of the Group for the year was HK$87,252,000, an increase of 22.99% over last year.

FIBREBOARD BUSINESS

In 2007, the fibreboard industry was significantly affected by the slowdown of the real estate markets in Europe, the United States ("US") and the PRC and the increase in the prices of raw materials. On one hand, the management endeavoured to reduce costs by improving its technology, minimizing energy consumption and increasing production. On the other hand, the management sought to improve profits by re-pricing its products and reducing its inventories based on latest market information. As a result, the gross profit margin of the fibreboard business maintained at a comfortable level of 17% while the production and operating profit recorded growths as compared with last year. For the year ended 31 December 2007, the total production and total sales of medium density fibreboards were 363,185 cubic metres and 357,371 cubic metres, up 4.74% and 3.60% from last year respectively. The total sales for the year amounted to HK$467,490,000, representing an increase of 15.77% over last year. The net operating profit for the year was HK$96,524,000, representing an increase of 35.04% over last year.

HOTEL BUSINESS

Guilin Plaza launched promotion campaign during the year to attract new customers from various sources by adopting flexible pricing strategy according to the market conditions and achieved remarkable results. The average occupancy rate of the Guilin Plaza in 2007 was 76.8%, up 7.1% from last year. In respect of cost control, Guilin Plaza employed a series of energy saving and cost control measures to effectively alleviate the impact of price surge of food and energy. When compared with 2006, Guilin Plaza's costs of food and beverage increased by only 3.8% while energy expenses were even reduced by 2.8% during the year. For the year ended 31 December 2007, Guilin Plaza's turnover and operating profit were HK$29,073,000 and HK$7,798,000, representing an increase of 17.92% and 693.29% over last year respectively.

PROPERTY INVESTMENT

In March 2007, the Group disposed of Kwun Tong Kiu Sun Factory Building of over 40 years at HK$30 million when the property market was robust and recorded a gain of HK$125,000 in 2007.

The transfer of the land lots located in district No. 18, in Huizhou was completed in October 2007 upon receipt of the proceeds of the transfer.

OUTSTANDING LITIGATION

As at the date of this Annual Report, the progress of the litigation regarding the Company's wholly-owned subsidiaries, Foshan City Nanhai Jia Shun Timber Company Limited ("Jia Shun") and Nanhai Heng Da Timber Company Limited ("Heng Da"), with Shenzhen Development Bank was as follows:

As mentioned at 2006 Annual Report, on 7 February 2007, Jia Shun received a "List of sealed and detained properties" issued by the Intermediate People's Court of Foshan, Guangdong (the "Court"), for the sealing of the machinery equipment and plants of Jia Shun, for which no disposals were allowed. During the year, the production and operation of Jia Shun was not affected. On 3 March 2008, each of Jia Shun and Heng Da received a "List of sealed and detained properties" issued by the Court. The plant, machinery and equipment of Jia Shun and Heng Da were continued to be detained and no disposals were allowed. According to the opinions of the PRC lawyers, the detention was to prohibit disposal of the relevant properties by Jia Shun and Heng Da. Jia Shun was allowed to use the properties in its normal operation and its production and operation was not affected. In addition, the PRC lawyers were of the view that the procedures of the detention did not comply with the relevant requirements. Jia Shun and Heng Da has filed a petition to the Court on 10 March 2008 for the withdrawal of the detention order.

As at the date of this Annual Report, the production and operation of Jia Shun was not affected by the detention and Jia Shun was operating as usual.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2007, the Group had total assets of HK$796,768,000 (31 December 2006: HK$764,171,000) and had no bank loans or other long-term debts (31 December 2006: bank loans and convertible notes of nil and HK$196,026,000 respectively). Net assets of the Group amounted to HK$556,983,000 (31 December 2006: HK$406,532,000). The gearing ratio was 0 (31 December 2006: 25.7%). Net assets per Share amounted to HK51.12 cents (31 December 2006: HK44.43 cents).

As at 31 December 2007, the Group's net current assets amounted to HK$190,053,000 (31 December 2006: HK$16,060,000), current ratio (being current assets divided by current liabilities) was approximately 1.79 times (31 December 2006: 1.04 times), while bank deposits and cash amounted to HK$223,932,000 (31 December 2006: HK$137,415,000), which is sufficient to meet the capital requirements of the Group's operations and development in the near future.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be offset each other in the business operation of the Group. In past several years, the exchange rates of Renminbi to Hong Kong Dollars kept on increasing. The directors expect that this trend of Renminbi's exchange rate will continue and have favourable effect on our Group's net Renminbi monetary assets. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

OUTLOOK

2008 will be a year full of challenges and opportunities. There is no sign of improvement of the sub-prime crisis in Europe and US and the austerity measures will still be in place in the PRC. Under such circumstances, the fibreboard industry will inevitably be affected. However, the management believes that the Group's fibreboard business has advantages in terms of market position and its highly-integrated facilities. They are confident that the Group can overcome the difficulties and challenges and will seek to expand when opportunity arises. The management remains cautiously optimistic about the Group's development in the coming year.

Leung Siu Fai
Chairman

Hong Kong, 26 March 2008

China Investments Holdings Limited (the "Company") puts great emphasis on corporate governance and is committed to maintaining the high standard of corporate governance which is reviewed and strengthened on a continued basis. The board of directors (the "Board") maintains and enhances the policies and practices of the Company in a timely, transparent, effective and responsible manner, so as to maintain good, solid and reasonable corporate governance. The Board believes that the Company and shareholders as a whole can derive maximum benefits from good corporate governance.

The Company has adopted all the provisions under the "Code on Corporate Governance Practice" (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code on corporate governance practice. For the year ended 31 December 2007, the Company has complied with all provisions under the Code.

GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and two committees under the Board, namely audit committee and remuneration committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

BOARD MEMBERS

The Board comprises seven directors, including four executive directors who have extensive experience in the Company's business, and three independent non-executive directors who possess appropriate professional qualifications.

Executive Directors
Mr. Leung Siu Fai *(Chairman)*
Mr. You Guang Wu *(Vice Chairman)*
Mr. Kam Hung Chung *(Managing Director)*
Mr. Wang Jin Yuan

Independent Non-executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The board has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is two years and will expire on 21 September 2008. The current term of office of Mr. Deng Hong Ping will expire on 5 April 2008 and has been renewed for two years until 5 April 2010. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

Individual information and responsibilities of all directors are contained in this annual report on pages 14 to 15.

There are no business, financial, family and other relevant interests among directors.

THE OPERATION OF THE BOARD

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the managing director, the management is responsible for implementing the strategies and plans developed by the Board.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

The Board convenes at least four regular meetings each year (approximately one each quarter) and will convene meetings when necessary. When a regular board meeting is convened, the Board documents will be sent to directors for review before the meeting pursuant to the Listing Rules and the Code Provisions so that directors can keep abreast of the information to perform their duties and responsibilities.

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened 7 meetings in 2007. The attendance of directors is as follows:

Director Name	Attendance	Attendance Rate
Executive directors		
Leung Siu Fai *(Chairman)*	7	100%
You Guang Wu *(Vice Chairman)*	6	86%
Kam Hung Chung *(Managing Director)*	7	100%
Wang Jin Yuan	7	100%
Independent non-executive directors		
Chan Kwok Wai	7	100%
Chen Da Cheng	7	100%
Deng Hong Ping	7	100%

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his own remuneration. The remuneration received by directors from the Group during the year is set out in note 10 of the financial statements.

The Board has set up an independent professional consulting procedure and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

ROLES AND DUTIES OF CHAIRMAN AND GENERAL MANAGER

The chairman and the general manager have different roles. The chairman is responsible for the operation of the Board and the general manager is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Mr. Leung Siu Fai is the chairman of the Board and is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The chairman shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for the reviewing structure, number of members and composition of the Board on a regular basis and makes recommendations to the Board on any intended changes. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

Mr. Kam Hung Chung, the managing director, is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, he is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for securities transactions by directors and has adopted written guidelines no less exacting than the Model Code for application to senior management and designated people who might have access to price sensitive information of the Group.

Following enquiries by the Company, all directors confirmed that that they have complied with the Model Code during the year ended 31 December 2007.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal matters. The audit committee is mainly responsible for reviewing the financial statements and annual reports and accounts of the Company, submitting relevant reports and recommendations to the Board, and making recommendations on the appointment and remuneration of the auditors of the Company and any matters related to the termination of appointment. Mr. Chan Kwok Wai is the chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the Board after each meeting.

In 2007, the audit committee convened two meetings. Members and their attendance are as follows:

Member Name	Attendance	Attendance Rate
Chan Kwok Wai *(Chairman of audit committee)*	2	100%
Chen Da Cheng	2	100%
Deng Hong Ping	2	100%

Tasks undertaken by the audit committee during the year included reviewing the 2006 audited financial statements and the annual results announcement, reviewing the interim report for the six months ended 30 June 2007 and the interim results announcement, considering the accounting standards adopted, overseeing the financial control, internal control and risk management system, reviewing the management letter about audit submitted by the auditors to the management and the response of the management, the basis of opinion made by the auditors in their report.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for reviewing and approving remuneration plans for directors and senior management, determining the remuneration package of executive directors and senior management, including benefits, pension interests and the payment of compensation. Mr. Chen Da Cheng is the chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the board after each meeting.

In 2007, the remuneration committee convened one meeting. Members and their attendance are as follows:

Member Name	Attendance	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	1	100%
Chan Kwok Wai	1	100%
Deng Hong Ping	1	100%
Leung Siu Fai	1	100%
Kam Hung Chung	1	100%

Tasks undertaken by the remuneration committee during the year included reviewing the remuneration structure, remuneration policy and bonus system of the Group, considering the incentive payment for the year and making recommendations to the board. The remuneration committee also ensures that no director or senior management member determines his own remuneration.

The remuneration policy of the Group is to determine the remuneration based on the responsibilities, qualifications and working performance of staff (including directors). In addition, the Group has adopted the share option scheme on 20 May 2003. Currently, the Group has not granted any share options.

DIRECTOR NOMINATION

Pursuant to the bye-laws of the Company, the Board is entitled to appoint any person as director from time to time or at any time to fill a casual vacancy or add a new board member. For nomination, the nominee's qualifications, capabilities and potential to make contribution to the Company shall be taken into consideration. The Board has not established the nomination committee at the moment. However, the Board will assess from time to time whether there is a need to establish the nomination committee to deal with the appointment, re-election and retirement of directors. In 2007, there is no change of directors for the Company.

INTERNAL CONTROL

The Board is responsible for maintaining a stable and effective internal control system for the Group. The system includes a management structure with terms of reference to protect its assets from misappropriation, and ensures keeping appropriate accounting records so as to provide reliable financial information for internal use or for dissemination, as well as ensuring compliance with the laws and regulations. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2007 were effective, and had submitted the results of the review and its recommendations and opinions for consideration by the audit committee and the Board. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The financial department of the Company is managed by a qualified accountant. With the assistance of the financial department, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

For the year ended 31 December 2007, the audit fee was approximately HK$1,100,000. There was no non-audit service fee for the year.

The statement of reporting responsibility issued by HLM & Co. , the auditors of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 20 to 21.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the Company so as to appoint their representatives or the chairman of the meeting as their proxies. The procedure for demanding voting by poll is set out in the circular to shareholders sent together with the notice of general meeting and will be read out by the chairman of the meeting at the general meeting.

At the 2007 annual general meeting, all directors were present to answer questions raised by shareholders and proposed separate resolutions in respect of each separate issue for shareholoolers to vote thereon. The Company appointed representatives of the share registrar and transfer office of the Company to act as scrutineers, to ensure that votes cast are properly counted and recorded. The numbers of votes for and against each resolution case by shareholders present and proxies were announced at the general meeting.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 30 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 22.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. The revaluation resulted in a surplus of HK$2,190,000 (2006: HK$18,500,000), which has been credited directly to the consolidated income statement. Details of such revaluation are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year of the Group's property, plant and equipment are set out in notes 14 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 79 to 80.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

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

DIRECTORS

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

Executive Directors

Mr. Leung Siu Fai
Mr. You Guang Wu
Mr. Kam Hung Chung
Mr. Wang Jin Yuan

Independent Non-Executive Directors

Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

In accordance with the provisions of the Company's Bye-laws, Mr. You Guang Wu, Mr. Kam Hung Chung and Mr. Deng Hong Ping shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The term of office of each Independent Non-Executive Director is two years.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Leung Siu Fai, aged 57, is the chairman of the Company. Mr. Leung was appointed as a director of the Company in July 1995. He graduated from Guangzhou Jinan University and has extensive experience in finance and business management.

You Guang Wu, aged 43, joined the Company as independent non-executive director of the Company in September 2004 and was redesignated as an executive director and was appointed vice chairman of the board of the Company on 6 April 2006. Mr. You is a senior accountant in the PRC. Mr. You holds a master degree in economics, and is now a doctorate candidate in finance of Zhongnan University of Economics and Law. He has accumulated extensive experience in investment, financing and financial management.

Kam Hung Chung, aged 60, joined the Company as an Assistant Managing Director in April 1998 and was appointed as managing director in September 2004. He has extensive experience in the enterprise management and property development both in Hong Kong and the PRC.

Wang Jin Yuan, aged 42, joined the Group in July 2003 and was appointed as Director of the Company in September 2004. Mr. Wang was graduated from Guangdong Academy of Social Sciences as a research fellow in economic management. Mr. Wang has many years of experience in enterprise and financial management and real estate.

Independent Non-Executive Directors

Chan Kwok Wai, aged 49, was appointed as Director of the Company in September 2004. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 20 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 5 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited, Far East Consortium International Limited and Junefield Department Store Group Limited.

Chen Da Cheng, aged 43, was appointed as Director of the Company in September 2004. Mr. Chen is a practicing solicitor in the PRC, and is the vice chairman of the Association of Lawyers in Foshan. Mr. Chen graduated from the Sun Yat-sen University, and has over 20 years of experience in legal services.

Deng Hong Ping, aged 34, was appointed as an independent non-executive director of the Company on 6 April 2006. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

Qualified Accountant

Ng Chun Hing, aged 43, was appointed the qualified accountant of the Company in July 2004. Mr. Ng holds a degree of Bachelor of Commerce (Accounting), and is an associate member of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant member of the CPA Australia. He has over 17 years of experience in the accounting and financing field.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2007, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance (the "SFO") are as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Name of Director	Number of shares	Capacity	Notes	% of total issued share capital as at 31 December 2007
Leung Siu Fai	151,610,779	Corporate	1	12.76%
Kam Hung Chung	58,971,428	Corporate	2	4.96%
Wang Jin Yuan	2,800,000	Beneficial owner		0.24%

Notes:

1. These shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

2. These shares were held by Sintex Investment Limited in which Mr. Kam Hung Chung had 50% interest.

Save as disclosed above, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, the shareholders who were interested in 5% or more of the issued share capital of the Company are as follows:

Name	Number of Shares	Notes	Capacity	Approximate percentage (in aggregate) of total issued share capital as at 31 December 2007
佛山市南海聯達投資（控股）有限公司 (Foshan City Nanhai Lian Da Investment (Holdings) Limited*)	203,703,703	1	Beneficial owner/ Corporate	17.14%
Leung Siu Fai	151,610,779	2	Corporate	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
Industrial and Commercial Bank of China	131,657,142		Beneficial owner	11.08%
Nam Keng Van Investment Co. Ltd.	121,864,487	3	—	10.26%

Notes:

1. These interests were disclosed by 佛山市南海聯達投資（控股）有限公司 (Foshan City Nanhai Lian Da Investment (Holdings) Limited*) and were held by Prize Rich Inc which was wholly-owned by 佛山市南海聯達投資(控股)有限公司 (Foshan City Nanhai Lian Da Investment (Holdings) Limited*).

2. These 151,610,779 shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

3. These 121,864,487 shares were held by Nam Keng Van Investment Co. Ltd. which was wholly-owned by 崔國堅 (Cui Guo Jian*), 陳桃源 (Chen Tao Yuan*) and 鍾寶國 (Mr. Zhong Baoguo).

4. The convertible notes issued by the Company were due on 9 May 2007. Most of them were either converted into shares of the Company or repaid in cash. These portion which were neither converted into shares nor repaid in cash was reflected as current liabilities in the balance sheet. The derivative interests in connection therewith as previously reported were accordingly ceased.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

* For identification purpose only.

SHARE OPTIONS

A share option scheme was adopted by the Company on 20 May, 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2006 and 2007, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any even such period shall not be longer than 2 years which shall commence on the expiry of 1 month after the date of grant.

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

The Scheme is for a term of 10 years from the date of adoption and will expire on 20 May 2013. No option has been granted since the adoption of the Scheme.

No charge is recognised in the income statement in respect of the value of options granted for both years.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the listing rules of The Hong Kong Stock Exchange Limited.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 10% of the Group's purchases and the five largest suppliers accounted for 27% of the Group's total purchases. The largest customer accounted for 13% of the Group's turnover and the five largest customers accounted for 52% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

EMPLOYEES

The total number of employees of the Group is approximately 1,135. The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to all the employees.

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.

AUDITORS

HLM & Co. will retire and will seek for re-election at the forthcoming annual general meeting.

On behalf of the Board

Leung Siu Fai
CHAIRMAN

Hong Kong, 26 March 2008

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 77, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY *(continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

HLM & Co.
Certified Public Accountants
Hong Kong

26 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Turnover	5	**497,834**	430,016
Cost of sales and services		**(382,714)**	(334,683)
Gross profit		**115,120**	95,333
Other operating income	6	**40,193**	35,154
Selling and distribution costs		**(590)**	(722)
Administrative expenses		**(46,397)**	(47,607)
Increase in fair value on investment properties		**2,190**	18,500
Impairment loss in respect of property held for sale/land use right		**(12,890)**	(11,444)
Finance costs	7	**(3,429)**	(8,527)
Profit before taxation		**94,197**	80,687
Income tax expense	8	**(6,945)**	(9,747)
Profit for the year	9	**87,252**	70,940
Earnings per share	12		
Basic		**8.01 cents**	7.75 cents
Diluted		**N/A**	4.81 cents

Consolidated Balance Sheet

At 31 December 2007

	NOTES	**2007 HK$'000**	2006 HK$'000
Non-current assets			
Investment properties	13	**10,090**	37,400
Property, plant and equipment	14	**253,001**	249,869
Land use rights	15	**13,959**	13,323
Goodwill	16	**89,880**	89,880
		366,930	390,472
Current assets			
Properties held for sale	18	**91,710**	104,600
Inventories	19	**91,444**	67,841
Trade and other receivables	20	**22,318**	63,840
Financial assets at fair value through profit or loss	21	**434**	3
Bank balances and cash		**223,932**	137,415
		429,838	373,699
Current liabilities			
Trade and other payables	22	**195,623**	110,754
Provision for loss in litigation		**38,000**	38,000
Tax payable		**6,162**	12,859
Convertible notes	25	**—**	196,026
		239,785	357,639
Net current assets		**190,053**	16,060
		556,983	406,532
Capital and reserves			
Share capital	23	**118,833**	91,500
Reserves		**438,150**	315,032
		556,983	406,532

The financial statements on pages 22 to 77 were approved and authorised for issue by the Board of Directors on 26 March 2008 and are signed on its behalf by:

LEUNG SIU FAI	**KAM HUNG CHUNG**
Director	Director

BALANCE SHEET

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current asset			
Investments in subsidiaries	17	**23,607**	23,607
Current assets			
Amounts due from subsidiaries		**359,023**	517,569
Deposits and other receivables		**633**	576
Bank balances and cash		**51,015**	477
		410,671	518,622
Current liabilities			
Other payables		**79,222**	9,456
Convertible notes	25	**—**	196,026
		79,222	205,482
Net current assets		**331,449**	313,140
		355,056	336,747
Capital and reserves			
Share capital	23	**118,833**	91,500
Reserves		**236,223**	245,247
		355,056	336,747

LEUNG SIU FAI
Director

KAM HUNG CHUNG
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Convertible notes equity reserve HK$'000	Hotel property revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP								
At 1 January 2006	91,500	426,372	—	30,545	93,542	(55,452)	(241,275)	345,232
Deficit on revaluation of hotel properties	—	—	—	—	(9,048)	—	—	(9,048)
Release of revaluation reserve of hotel properties	—	—	—	—	(4,550)	—	4,550	—
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(592)	—	(592)
Transfer to statutory reserve	—	—	17,839	—	—	—	(17,839)	—
Profit for the year	—	—	—	—	—	—	70,940	70,940
At 31 December 2006 and 1 January 2007	**91,500**	**426,372**	**17,839**	**30,545**	**79,944**	**(56,044)**	**(183,624)**	**406,532**
Shares issued on conversion of convertible notes	27,333	57,787	—	(11,339)	—	—	—	73,781
Release of convertible notes reserve upon redemption	—	—	—	(19,206)	—	—	19,206	—
Deficit on revaluation of hotel properties	—	—	—	—	(12,505)	—	—	(12,505)
Release of revaluation reserve of hotel properties	—	—	—	—	(4,049)	—	4,049	—
Exchange differences arising on translation of foreign operations	—	—	—	—	—	1,923	—	1,923
Transfer to statutory reserve	—	—	3,322	—	—	—	(3,322)	—
Profit for the year	—	—	—	—	—	—	87,252	87,252
At 31 December 2007	**118,833**	**484,159**	**21,161**	**—**	**63,390**	**(54,121)**	**(76,439)**	**556,983**

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2006	91,500	426,372	30,545	(515,182)	33,235
Profit for the year	—	—	—	303,512	303,512
At 31 December 2006 and 1 January 2007	**91,500**	**426,372**	**30,545**	**(211,670)**	**336,747**
Shares issued on conversion of convertible notes	27,333	57,787	(11,339)	—	73,781
Release of convertible notes reserve upon redemption	—	—	(19,206)	19,206	—
Loss for the year	—	—	—	(55,472)	(55,472)
At 31 December 2007	**118,833**	**484,159**	**—**	**(247,936)**	**355,056**

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	HK$'000
Operating activities		
Profit for the year	**87,252**	70,940
Adjustment for:		
Interest income	**(5,643)**	(1,568)
Interest expenses	**3,429**	8,527
Income tax expenses	**6,945**	9,747
Increase in fair value on investment properties	**(2,190)**	(18,500)
Impairment loss in respect of property held for sale/land use right	**12,890**	11,444
Exchange gain	**(11,501)**	(6,595)
Depreciation of property, plant and equipment	**15,883**	13,988
(Gain)/Loss on disposal of investment properties/ properties held for development	**(125)**	1,678
Amortisation of land use right	**319**	530
Unrealised holding gain on financial assets at fair value through profit or loss	**(431)**	(2)
Gain on disposal of property, plant and equipment	**(7)**	(67)
Operating cash flow before movements in working capital	**106,821**	90,122
Increase in inventories	**(23,603)**	(27,905)
Decrease/(Increase) in trade and other receivables	**18,512**	(28,683)
Increase in trade and other payables	**14,318**	17,229
Cash generated from operating activities	**116,048**	50,763
Tax paid	**(13,642)**	(4,169)
Interest paid	**(5,123)**	—
Net cash generated from operating activities	**97,283**	46,594
Investing activities		
Purchases of property, plant and equipment	**(22,556)**	(13,036)
Interest received	**5,880**	1,216
Net proceeds from disposal of investment properties	**29,625**	—
Net proceeds from disposal of properties held for development	**20,728**	19,020
Net proceeds from disposal of property, plant and equipment	**11**	184
Net cash generated from investing activities	**33,688**	7,384

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Financing activities		
Repayments of convertible notes	**(50,000)**	—
Net increase in cash and cash equivalents	**80,971**	53,978
Cash and cash equivalents at 1 January	**137,415**	81,505
Effect of foreign exchange rates changes	**5,546**	1,932
Cash and cash equivalents at 31 December	**223,932**	137,415
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	**223,932**	137,415

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, which is considered as the functional currency of the Group.

The principal activities of the Group are manufacturing and trading of fibreboards, property development and investment, hotel operation and investment holding.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on or before 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in the Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results of operations and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

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

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 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards or interpretations will not have any material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and financial assets at fair value through profit or loss, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

All significant intra-group transactions, balances, income and expenses have been eliminated on consolidation.

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

Goodwill

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For goodwill arising on acquisitions before 1 January 2005 previously capitalised, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

i. Hotel Property

Hotel properties are stated in the balance sheet at their open market value based on independent professional valuations at each balance sheet date. The Group has resolved to account for the hotel properties using the revaluation model.

ii. Property, plant and equipment (other than Hotel properties)

Property, plant and equipment (other than hotel properties) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than hotel properties) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in Hong Kong under medium-term leases	Over the lease term
Land and buildings outside Hong Kong under medium-term leases	2.5% to 4.5% or over the lease term, if shorter
Furniture, equipment and leasehold improvements	10% to 20%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

iii. Construction in progress

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Properties held for development

Properties held for development are stated at cost less any identified impairment loss.

Depreciation of these properties, on the same basis as other property, plant and equipment, commences when the assets are put into use.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Financial instruments

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. All regular purchases or sales of financial assets at fair value through profit or loss are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent years, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised, in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses (other than goodwill, (see the accounting policies in respect of goodwill above))

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

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

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

Turnover

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

(i) Hotel operations

Revenue arising from hotel operations is recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods other than properties are recognised when goods are delivered and title has passed.

(iii) Rental income

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

(iv) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Retirement benefits scheme

Payments to defined contribution retirement scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated cash flow statement, bank overdrafts or bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. FINANCIAL RISK MANAGEMENT

The Group's businesses are principally conducted in the PRC and Hong Kong and accordingly are subject to special considerations and several risks.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. In past several years, the exchange rates of Renminbi to Hong Kong Dollars kept on increasing. The directors expect that this trend of Renminbi's exchange rate will continue and have favourable effect on the Group's net Renminbi monetary assets. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Denominated in Renminbi	**100,787**	115,659	**—**	—
Denominated in US dollars	**61**	4,962	**—**	—
	100,848	120,621	**—**	—
Liabilities				
Denominated in Renminbi	**97,821**	94,302	**—**	—

4. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign Exchange Exposure *(continued)*

The following shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars. The sensitivity analysis includes only RMB dollars denominated monetary items and adjusts their translation at the year and for a 5% change in RMB dollars rates. If there is a 5% increase/decrease in RMB against the Hong Kong currencies, the effect in the profit for the year is as follows:

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit for the year	**9,823**	9,377	**—**	—

4. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

As at 31 December 2007, the Group's net current assets amounted to HK$190,053,000 (2006: HK$16,060,000), current ratio (being current assets divided by current liabilities) was approximately 1.79 times (2006: 1.04 times), while bank deposits and cash amounted to HK$223,932,000 (2006: HK$137,415,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

4. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value

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

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Fibreboards	—	manufacturing and trading of fibreboards
Hotel operations	—	hotel ownership and management
Property investment	—	holding investment properties, properties held for development and properties held for sale

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below.

2007	Fibreboards	Hotel operations	Property investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	467,490	29,073	1,271	497,834
RESULTS				
Segment result	103,168	8,282	(9,421)	102,029
Interest income				5,643
Net unrealized holding gain on financial assets at fair value through profit or loss				431
Unallocated corporate expenses				(10,477)
Finance costs				(3,429)
Profit before taxation				94,197
Income tax expense				(6,945)
Profit for the year				87,252

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

BALANCE SHEET

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	161,859	135,299	102,119	399,277
Goodwill	89,880			89,880
Financial assets at fair value through profit or loss				434
Bank balances and cash				223,932
Unallocated corporate assets				83,245
Consolidated total assets				796,768
LIABILITIES				
Segment liabilities	106,828	8,119	1,661	116,608
Unallocated corporate liabilities				123,177
Consolidated total liabilities				239,785

OTHER INFORMATION

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	22,867	392	—	1,342	24,601
Depreciation and amortisation	7,665	8,020	—	517	16,202
Increase in fair value on investment properties	—	2,190	—	—	2,190
Impairment loss in respect of properties held for sale	—	—	(12,890)	—	(12,890)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

2006

	Fibreboards	Hotel operations	Property investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	403,817	24,654	1,545	430,016
RESULTS				
Segment result	79,202	855	18,555	98,612
Interest income				1,568
Net unrealized holding gain on financial assets at fair value through profit or loss				2
Unallocated corporate expenses				(10,968)
Finance costs				(8,527)
Profit before taxation				80,687
Income tax expense				(9,747)
Profit for the year				70,940

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

BALANCE SHEET

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	179,784	155,654	163,053	498,491
Goodwill	89,880			89,880
Financial assets at fair value through profit or loss				3
Bank balances and cash				137,415
Unallocated corporate assets				38,382
Consolidated total assets				764,171
LIABILITIES				
Segment liabilities	129,331	6,007	4,947	140,285
Unallocated corporate liabilities				217,354
Consolidated total liabilities				357,639

OTHER INFORMATION

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	11,606	1,339	—	91	13,036
Depreciation and amortisation	5,726	8,378	—	414	14,518
Increase in fair value on investment properties	—	—	18,500	—	18,500
Impairment loss in respect of land use right	(11,444)	—	—	—	(11,444)
Loss on disposal of property held for development	—	—	—	(1,678)	(1,678)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's fibreboards and hotel operations are located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment and development are located in both PRC and Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		**Contribution to profit for the year**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**497,033**	428,865	**101,619**	79,502
Hong Kong	**801**	1,151	**410**	19,110
	497,834	430,016	**102,029**	98,612
Interest income			**5,643**	1,568
Net unrealised holding gain on financial assets at fair value through profit			**431**	2
Unallocated corporate expenses			**(10,477)**	(10,968)
Finance costs			**(3,429)**	(8,527)
Profit before taxation			**94,197**	80,687
Income tax expense			**(6,945)**	(9,747)
Profit for the year			**87,252**	70,940

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment and goodwill	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**497,764**	636,902	**23,259**	12,945
Hong Kong	**299,004**	127,269	**1,342**	91
	796,768	764,171	**24,601**	13,036

6. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Valued added tax refunded	**20,431**	26,338
Interest income	**5,643**	1,568
Exchange gain	**11,501**	6,595

7. FINANCE COSTS

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Interest on convertible notes	**3,429**	8,527

8. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current tax – Provision for PRC enterprises income tax	**6,945**	9,747

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

One of the Group's PRC subsidiaries operating in the PRC are eligible for certain tax holidays and concessions. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	**94,197**	80,687
Tax at the rates applicable to profits in the countries concerned	**30,011**	23,378
Tax effect of non deductible expenses	**469**	8,334
Tax effect of non taxable revenue	**(1,588)**	(4,609)
Tax effect of tax deductible not recognised	**(136)**	(644)
Effect of tax exemptions granted to PRC subsidiaries	**(21,889)**	(17,217)
Tax effect of tax loss for the year	**78**	505
Tax effect for the year	**6,945**	9,747

At the balance sheet date, the Group has unused estimated tax losses of HK$14,412,000 (2006: HK$14,412,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

The revaluation surplus for both years arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation surplus relating to properties.

9. PROFIT FOR THE YEAR

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Amortisation of land use rights	**319**	530
Depreciation of property, plant and equipment	**15,883**	13,988
Total depreciation and amortisation	**16,202**	14,518
Auditors' remuneration	**1,100**	1,000
Staff costs (including directors' remuneration and retirement benefit scheme contribution)	**39,377**	35,002
Unrealised holding gain on financial assets at fair value through profit or loss	**(431)**	(2)
Gain on disposal of property, plant and equipment	**(7)**	(67)
Net foreign exchange gains	**(11,501)**	(6,595)
Gross rental income from investment properties	**(1,271)**	(1,545)
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**154**	326
Direct operating expenses from investment properties that did not generated rental income during the year	**466**	217
	(651)	(1,002)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

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

2007	**Fees** HK$'000	**Salaries and other benefits** HK$'000	**Performance-based or discretionary bonus** HK$'000	**Retirement benefits scheme contributions** HK$'000	**Total** HK$'000
Mr. Leung Siu Fai	—	1,244	204	41	1,489
Mr. Kam Hung Chung	—	1,080	180	36	1,296
Mr. You Guang Wu	390	243	150	—	783
Mr. Wang Jin Yuan	50	122	609	—	781
Mr. Chan Kwok Wai	70	—	—	—	70
Mr. Chen Da Cheng	70	—	—	—	70
Mr. Deng Hong Ping	70	—	—	—	70

2006	**Fees** HK$'000	**Salaries and other benefits** HK$'000	**Performance-based or discretionary bonus** HK$'000	**Retirement benefits scheme contributions** HK$'000	**Total** HK$'000
Mr. Leung Siu Fai	—	1,244	178	41	1,463
Mr. Kam Hung Chung	—	1,080	178	36	1,294
Mr. You Guang Wu	313	195	132	—	640
Mr. Wang Jin Yuan	50	127	284	—	461
Mr. Chan Kwok Wai	70	—	—	—	70
Mr. Chen Da Cheng	70	—	—	—	70
Mr. Deng Hong Ping	52	—	—	—	52

No Directors had waived any emoluments for both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

b. Employees' emoluments

During the year, the six highest paid individuals included four Directors (2006: four Directors), details of whose emoluments are set out above. The emoluments of the other two individuals (2006: two individuals) were as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**1,278**	837
Retirement benefits scheme contributions	**—**	15
	1,278	852

The aggregate emoluments of each of these two (2006: two) highest paid individuals are less than HK$1,000,000.

11. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated income statement as incurred. The total contribution to the scheme amounted to HK$113,110 (2006: HK$112,080) for the year and has been charged to the consolidated income statement. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

At the balance sheet date, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees.

11. RETIREMENT BENEFIT SCHEME *(continued)*

The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated income statement amounted to HK$55,647 (2006: HK$51,363).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of HK$87,252,000 (2006: HK$70,940,000) and the weighted average number of 1,089,471,712 ordinary shares (2006: 914,995,817 ordinary shares) in issue during the year.

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

	2007	2006
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**87,252**	70,940
Interest on convertible notes	**—**	8,527
Effect of diluted potential ordinary shares:		
Earnings for the purpose of diluted earnings per share	**87,252**	79,467

	2007	2006
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**1,089,471**	914,996
Effect of dilutive potential ordinary shares – Convertible notes	**—**	736,296
Number of ordinary shares for the purposes of diluted earnings per share	**1,089,471**	1,651,292

No diluted earings per share has been presented for the year as there were no diluting events existing for the year ended 31 December 2007.

13. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases	In Hong Kong held under medium-term leases	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2006	900	18,000	18,900
Increase in fair value recognized in the income statement	—	18,500	18,500
As at 31 December 2006 and 1 January 2007	900	36,500	37,400
Disposal	—	(29,500)	(29,500)
Increase/(decrease) in fair value recognized in the income statement	(110)	2,300	2,190
As at 31 December 2007	**790**	**9,300**	**10,090**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties were revalued at their open market value at 31 December 2007 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation surplus of HK$2,190,000 (2006: HK$18,500,000), which has been credited to the consolidation income statement.

Associated Surveyors & Auctioneers Ltd is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

14. PROPERTY, PLANT AND EQUIPMENT

2007

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
At 1 January 2007	148,000	18,204	–	17,063	130,202	3,189	316,658
Exchange adjustments	–	1,832	–	1,322	11,084	73	14,311
Additions	–	–	4,198	370	17,730	2,303	24,601
Disposals and write off	–	–	–	(356)	(15)	(1,750)	(2,121)
Deficit on revaluation	(20,000)	–	–	–	–	–	(20,000)
At 31 December 2007	128,000	20,036	4,198	18,399	159,001	3,815	333,449
Comprising:							
At cost	–	20,036	4,198	18,399	159,001	3,815	205,449
At valuation – 2007	128,000	–	–	–	–	–	128,000
	128,000	20,036	4,198	18,399	159,001	3,815	333,449
DEPRECIATION							
At 1 January 2007	–	3,786	–	15,014	45,180	2,809	66,789
Exchange adjustments	–	820	–	1,338	5,180	50	7,388
Provided for the year	7,495	865	–	641	6,516	366	15,883
Eliminated on disposals and write off	–	–	–	(356)	(11)	(1,750)	(2,117)
Eliminated on revaluation	(7,495)	–	–	–	–	–	(7,495)
At 31 December 2007	–	5,471	–	16,637	56,865	1,475	80,448
NET BOOK VALUES							
At 31 December 2007	128,000	14,565	4,198	1,762	102,136	2,340	253,001

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

2006

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
At 1 January 2006	165,000	17,556	16,208	114,812	3,153	316,729
Exchange adjustments	—	648	639	4,235	36	5,558
Additions	—	—	741	12,295	—	13,036
Disposals and write off	—	—	(525)	(1,140)	—	(1,665)
Deficit on revaluation	(17,000)	—	—	—	—	(17,000)
At 31 December 2006	148,000	18,204	17,063	130,202	3,189	316,658
Comprising:						
At cost	—	18,204	17,063	130,202	3,189	168,658
At valuation – 2006	148,000	—	—	—	—	148,000
	148,000	18,204	17,063	130,202	3,189	316,658
DEPRECIATION						
At 1 January 2006	—	2,840	14,283	40,190	2,613	59,926
Exchange adjustments	—	124	646	1,584	21	2,375
Provided for the year	7,952	822	600	4,439	175	13,988
Eliminated on disposals and write off	—	—	(515)	(1,033)	—	(1,548)
Eliminated on revaluation	(7,952)	—	—	—	—	(7,952)
At 31 December 2006	—	3,786	15,014	45,180	2,809	66,789
NET BOOK VALUES						
At 31 December 2006	148,000	14,418	2,049	85,022	380	249,869

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

Hotel properties situated in the PRC were revalued on the basis of their open market value on 31 December 2007 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. This valuation gave rise to revaluation deficit of HK$12,505,000 (2006: HK$9,048,000), which has been directly charged to the hotel property revaluation reserve.

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK$64,610,000 (2006: HK$68,056,000).

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
In the PRC held under medium-term leases	**14,565**	14,418

15. LAND USE RIGHTS

The Group's interest in land use rights represent prepaid operating lease payments and their net book value are as follows:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
In the PRC held under medium-term leases	**13,959**	13,323

16. GOODWILL

	THE GROUP
	HK$'000
COST	
At 1 January 2006 and 31 December 2006, 1 January 2007 and 31 December 2007	97,484
IMPAIRMENT LOSS	
At 1 January 2006 and 31 December 2006, 1 January 2007 and 31 December 2007	7,604
CARRYING VALUES	
At 31 December 2007	**89,880**
At 31 December 2006	89,880

The goodwill is arose on acquisition of subsidiaries during 2002.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Unlisted investments, at cost	**1,096,607**	1,096,607
Less: Impairment loss	**(1,073,000)**	(1,073,000)
	23,607	23,607

Particulars of the Company's principal subsidiaries as at 31 December 2007 are set out in note 30.

18. PROPERTIES HELD FOR SALE

THE GROUP

Properties held for sale are stated at net realisable value.

19. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Fibreboards		
Raw materials	**75,164**	61,996
Work in progress	**2,815**	2,735
Finished goods	**11,760**	1,682
	89,739	66,413
Food, beverages and hotel supplies	**1,705**	1,428
	91,444	67,841

20. TRADE AND OTHER RECEIVABLES

THE GROUP

The Group allows an average credit period of 90 days to its trade customers.

The following is an aging analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0-60 days	**2,133**	2,948
61-90 days	**542**	1,051
91-120 days	**318**	418
over 120 days	**1,421**	2,017
Trade receivables	**4,414**	6,434
Other receivables	**17,904**	57,406
	22,318	63,840

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK$'000	2006 HK$'000
THE GROUP		
Listed shares in Hong Kong	**434**	3
Market value of listed shares	**434**	3
Carrying amount analysed for reporting purposes as:		
Current	**434**	3
Non current	**—**	—
Total	**434**	3

22. TRADE AND OTHER PAYABLES

THE GROUP

The following is an aging analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
0-60 days	**19,572**	3,949
61-90 days	**1,475**	2,141
91-120 days	**212**	7
over 120 days	**4,418**	6,720
Trade payables	**25,677**	12,817
Other payables	**169,946**	97,937
	195,623	110,754

The directors consider that the carrying amount of trade and other payable approximates their fair value.

23. SHARE CAPITAL

	Number of shares		Nominal value	
	2007	2006	**2007**	2006
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of the year	**914,995,817**	914,995,817	**91,500**	91,500
Shares issued on conversion of convertible notes	**273,333,325**	—	**27,333**	—
At end of the year	**1,188,329,142**	914,995,817	**118,833**	91,500

24. SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 20 May 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2006 and 2007, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

24. SHARE OPTION SCHEME *(continued)*

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

The Scheme is for a term of 10 years from the date of adoption and will expire on 20 May 2013. No option has been granted since the adoption of the Scheme. Therefore, no charge is recognised in the consolidated income statement in respect of the value of options granted for both years.

25. CONVERTIBLE NOTES

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "Notes") which were due on 9 May 2007 (the "Maturity Date"), bear interest at 1% per annum and in units of HK$1,000,000 each. The Notes were convertible at the discretion of the holders of the Notes, at any time upon the expiry of 6 months from the date of issue of the Notes up to an including its Maturity Date in whole or in part into shares of HK$0.10 each in the Company at an initial conversion price of HK$0.27 per share, subject to adjustment.

The fair value of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible note reserve.

The fair value of the liability component of the convertible notes is calculated using cash flows discounted at a rate based on the borrowing rate of 4.5%.

Interest expenses on the notes were calculated using the effective interest method by applying the effective interest rate of 4.5% to the liabilities component.

During the year, HK$73,781,000 (2006: HK$ Nil) value of the Notes were converted into shares of the Company.

25. CONVERTIBLE NOTES *(continued)*

The Company had repaid HK$50,000,000 of such principal moneys under the Notes to the holders of the Notes on the Maturity Date together with all interest accrued thereon up to and including the maturity date. The balance of HK$75,000,000 not converted was transfered to current liabilities and is repayable on demand.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2007	2006
	HK$'000	HK$'000
Liability component beginning of the year	**196,026**	189,487
Interest charge *(Note 7)*	**3,429**	8,527
Interest paid	**(674)**	(1,988)
Conversion during the year	**(73,781)**	—
Repayment in cash	**(50,000)**	—
Amount due but not converted transferred to current liabilities	**(75,000)**	—
Liability at the end of the year	**—**	196,026

26. CONTINGENT LIABILITIES

a. On 16 January 2004, the Company's subsidiaries Nanhai Heng Da Timber Company Limited ("Heng Da") and Nanhai Jia Shun Timber Company Limited ("Jia Shun") both received summons issued by the Intermediate People's Court of Foshan City, Guangdong Province, the People's Republic of China (the "Court") regarding a bank loan contract dated 23 May 2003 entered into between Nanhai Heng Yi Timber Company Limited ("Heng Yi"), an independent third party, as borrower and the Shenzhen Development Bank Foshan Branch (the "Claimant") as lender in relation to a loan facility in a sum of RMB40 million and that the Claimant has advanced such loan to Heng Yi. The summons also included a guarantee dated 23 May 2003 entered into by, among others, Jia Shun, Heng Da and Nanhai Hua Guang Decorative Board Company Limited ("Hua Guang") in favour of the Claimant in relation to such loan (the "Claims"). As the operations of Hua Guang were suspended and Hua Guang was one of the guarantors in relation to the bank loan, Jia Shun and Heng Da, among others, should make full repayment of the loan and interest thereon before maturity under the bank loan contract.

26. CONTINGENT LIABILITIES *(continued)*

Jia Shun and Heng Da had reported to the Public Securities Bureau in Nanhai, PRC on 23 March 2004 that, among other things:

i) without the knowledge of board of directors of the Company and the respective board of directors of Jia Shun and Heng Da, the company chops of Heng Da and Jia Shun, and the name chop of Mr. Sun Pak Fun, the then legal representative and chairman of board of directors of Jia Shun and Heng Da, were affixed to the aforesaid guarantees;

ii) neither Jia Shun nor Heng Da had any record recording any details of the aforesaid guarantees; and

iii) the claims were suspected to involve criminal offence.

Based on the above, the Group denies the liability and is contesting the Claims. The Directors consider that the Claimant does not have any valid claim against Heng Da and Jia Shun in relation to the Claims, and they believe that the Group can successfully defend against the Claims.

The legal proceedings in relation to the above claims were suspended by the Intermediate Court on 26 February 2004. As at the date hereof, the Group has not received any notice issued by any relevant PRC court to resume such legal proceedings.

b. The Court issued to each of Jia Shun and Heng Da a summons both dated 17 October 2005 to request Jia Shun and Heng Da to attend the interlocutory hearings which were held by the Court on 23 November 2005, in relation to two alleged claims initiated by the Claimant against Jia Shun and Heng Da as follows:

i) the Claimant alleged that a bank loan contract dated 11 October 2002 was entered into between Jia Shun as borrower and the Claimant as lender in relation to a loan amount in the sum of RMB30,000,000 ("First Alleged Claim"); and

ii) the Claimant alleged that a bank loan contract dated 11 October 2002 was entered into between Heng Da as borrower and the Claimant as lender in relation to a loan amount in the sum of RMB20,000,000 ("Second Alleged Claim").

26. CONTINGENT LIABILITIES *(continued)*

Based on the fact finding and investigation conducted by Jia Shun and Heng Da with the assistance of its PRC lawyers, it appeared that:

i) without the knowledge of the Board and the respective boards of directors of Jia Shun and Heng Da, the company chops of Jia Shun and Heng Da and a forged name chop of Mr. Sun Pak Fun (a former executive director of the Company and joint chairman of the Board who resigned on 26 November 2003, and the former legal representative and chairman of Jia Shun and Heng Da who resigned on 26 November 2003) were allegedly affixed to the aforesaid bank loan contracts;

ii) neither Jia Shun nor Heng Da had received any sum of money representing the RMB30,000,000 loan and RMB20,000,000 loan respectively, and the Claimant had not provided sufficient cogent evidence to show that such bank loans were in fact received by Jia Shun and Heng Da; and

iii) the aforesaid bank loan contracts and other related documents under the First Alleged Claim and the Second Alleged Claim were suspected to be falsified.

On 9 November 2005, Jia Shun and Heng Da reported to the Public Security Bureau in Nanhai, the PRC, among other things, that the respective subject loans of the First Alleged Claim and the Second Alleged Claim involved illegal appropriation by unknown third party of Jia Shun and Heng Da's names and Mr. Sun Pak Fun's name chop and signature. It was later found that, based on the confession to the police made by the Claimant's branch manager and certain people controlled by Mr. Feng that:

i) the First and the Second Alleged Claims were fictitious transactions created by the Claimant and an enterprise controlled by Mr. Feng,

ii) the documents for the loan application were forged by the Claimant, and

iii) the proceeds from the alleged loans were used to settle the then existing loans borrowed by enterprises controlled by Mr. Feng from the Claimant.

26. CONTINGENT LIABILITIES *(continued)*

The Company has engaged PRC lawyers who on behalf of Jia Shun and Heng Da, had:

i) obtained a statement from Mr. Sun Pak Fun dated 1 November 2005, which he confirmed, among other things, according to his knowledge, the aforesaid bank loan contracts did not exist and Jia Shun or Heng Da has never received the sum representing the alleged loans. Mr. Sun Pak Fun also confirmed that the signature and name chop that were allegedly affixed to the aforesaid bank loan contracts and appeared therein as his own were in fact forged;

ii) filed a defence to court in denying liability on 2 November 2005;

iii) applied to court for extension in period for obtaining further evidence and such application was granted to obtain further evidence as soon as possible with no specified due date; and

iv) attended the interlocutory hearings held by the Court on 23 November 2005.

Jia Shun and Heng Da received the respective written judgements of the first instance from the Intermediate Court on 28 August 2006, whereby the Intermediate Court held that both Jia Shun and Heng Da are liable to repay the alleged loans amount in the sum of RMB30,000,000 and RMB20,000,000 respectively together with accrued interest to the Claimant, which in aggregate amounted to an equivalent of HK$58,321,000. Upon receiving the judgments, Jia Shun and Heng Da had promptly engaged PRC lawyers to look into the matters and respective appeals were filed with the High Court on 11 September 2006 to appeal against such written judgments of first instance. Based on the legal opinion issued by PRC lawyers, according to the laws of the PRC as at the date hereof, a written judgment of the first instance is only a preliminary hearing and such a judgment cannot be enforced once an appeal is filed against such a judgment. The aforesaid written judgements of the first instance therefore become invalid.

26. CONTINGENT LIABILITIES *(continued)*

Based on the legal opinions of PRC lawyers engaged for each of the Claims, and the facts finding and investigations conducted so far by Jia Shun and Heng Da and PRC lawyers, it has appeared that:– i) the respective boards of directors of Jia Shun and Heng Da and the Board had never discussed or approved any of the alleged loans and the relevant guarantees; ii)without the knowledge of the respective boards of directors of Jia Shun and Heng Da and the Board, the alleged company chops of Jia Shun and Heng Da and the alleged Mr. Sun's name chop and signature (as the case may be), were affixed to certain bank loan contracts and guarantees. Mr. Sun has confirmed in his statements that his name chop and signature (as the case may be) that were allegedly affixed to certain bank loan contracts and guarantees were in facts forged. All such acts being suspected to involve forgery of documents; and iii) none of the alleged loans had ever been deposited into any of Jia Shun's and/or Heng Da's bank accounts. The Company is of the view that the Claims were in fact a conspiracy to defraud among certain staff of the Claimant and certain enterprises controlled by Mr. Feng. The Group is still contesting the Claims.

Based on the legal opinion of the PRC lawyers, the Directors consider that the Claimant may not have any valid claim against Jia Shun and Heng Da in relation to the First Alleged Claim and the Second Alleged Claim, and they believe that the Group may successfully defend against both claims. Thus, the Group has contested and is still contesting the First Alleged Claim and the Second Alleged Claim. Accordingly, the board will not make any provision on loss in litigation in respective on the Alleged Claims. At present, the Board anticipates that the respective Alleged Claims will not cause any material adverse impact on the business operations and financial position of the Group.

26. CONTINGENT LIABILITIES *(continued)*

c. The Group had a maximum contingent consideration of HK$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage. This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, namely Jia Shun, achieved an amount of HK$70,000,000 for the year ended 31 December 2002 and HK$80,000,000 for the year ended 31 December 2003.

However, the operation of Jia Shun was suspended during the period from 17 August 2003 to 10 October 2003 due to a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and a court order dated 19August 2003 to freeze Jia Shun's assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidences, and as the consolidated net profit of Can Manage and Jia Shun for the year ended 31 December 2003 did not reach HK$80,000,000, the directors consider that the Group is not liable to pay any contingent consideration.

However, as the vender is not contactable up to the date of this report, the Directors decide to reflect this amount as a contingent liability.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2007	2006
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**649**	1,626

27. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessee *(continued)*

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises and plant and machinery, which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**649**	977
In the second to fifth year inclusive	**—**	649
	649	1,626

Operating lease payments represent rentals payable by the Group for its office premises and plant and machinery. Leases are negotiated for an average terms of 3 years to 4 years, respectively.

The Group as lessor

The Group's property rental income earned during the year was approximately HK$1,271,000 (2006: HK$1,545,000). All of the properties held have committed tenants for one years.

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

	2007	2006
	HK$'000	HK$'000
Within one year	**406**	1,055
In the second to fifth year inclusive	**—**	324
	406	1,379

28. COMMITMENTS

	2007	2006
	HK$'000	HK$'000
Commitments for the acquisition of the property, plant and equipment	**4,476**	798
Commitments for the environmental renovation project	**—**	661
Commitments for hotel equipment renovation project	**—**	117
Total commitments	**4,476**	1,576

29. RELATED PARTY TRANSACTION

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**5,550**	3,781
Post-employment employee benefits	**77**	77
	5,627	3,858

The remuneration of directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

30. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
Direct subsidiary				
China Investments Limited	Hong Kong	HK$1,000	100	Investment holding
Indirect subsidiaries				
Airlane Development Limited	Hong Kong	HK$2	100	Property trading
Barmax Development Limited	Hong Kong	HK$2	100	Property trading
Botex Development Limited	Hong Kong	HK$2	100	Property trading
Centon Development Limited	Hong Kong	HK$2	100	Property trading
Charland Investment Limited	Hong Kong	HK$2	100	Property trading
China Alliance Industries Limited	Hong Kong	HK$2	100	Property trading
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK$2	100	Property trading
Fairwind International Limited	Hong Kong	HK$2	100	Property development
Greenswood Property Limited	Hong Kong	HK$2	100	Property investment
Guilin Plaza Hotel (formerly named as Guilin Sight-Seeing Hotel Company Limited) *(Note 2)*	PRC	RMB14,500,000	100	Hotel operations

30. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
			%	
Indirect subsidiaries				
Nanhai Heng Da Timber Company Limited 南海亨達木業有限公司 *(Note 2)*	PRC	RMB40,789,076	100	Manufacturing and trading of veneers
Jofra Company Limited	Hong Kong	HK$1,000	100	Investment holding
Nanhai Jia Shun Timber Company Limited 南海佳順木業有限公司 *(Note 2)*	PRC	RMB39,800,000	100	Manufacturing and trading of medium density fibreboards
Kawan (HK) Trading Company Limited	Hong Kong	HK$4,000,000	100	Trading of steels and other materials
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Skyway Limited	Hong Kong	HK$2	100	Property development
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading
Wise Lite Limited	Hong Kong	HK$2	100	Property development

30. PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

1. This is a sino-foreign co-operative joint venture.

2. This is a wholly foreign owned enterprise.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	196,782	375,602	339,865	430,016	**497,834**
Profit/(loss) for the year attributable to shareholders	(160,879)	(48,867)	10,869	70,940	**87,252**
Earnings/(loss) per share					
Basic	(17.6 cents)	(5.34 cents)	1.19 cents	7.75 cents	**8.01cents**
Diluted	N/A	N/A	1.16 cents	4.81 cents	**N/A**

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	690,404	640,897	678,111	764,171	**796,768**
Total liabilities	(339,183)	(300,824)	(332,879)	(357,639)	**(239,785)**
Shareholders' funds	351,221	340,073	345,232	406,532	**556,983**

Particulars of Major Properties

Particulars of major properties held by the Group as at 31 December 2007 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	21,708	Existing	N/A
Investment properties						
Kai Yip Factory Building Portion A on G/F, No. 15-17 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	459	Existing	N/A
Room 702, 703 and 704 of Block D of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Residential	291	Existing	N/A

Particulars of Major Properties (Continued)

Particulars of major properties held by the Group as at 31 December 2007 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province The PRC.	100	Medium	Commercial/ Residential	13,323	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A