

LEE HING DEVELOPMENT LIMITED

Stock Code: 68

ANNUAL REPORT 2007

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Corporate Information

Board of Directors

Executive Directors

Mr. Tan Boon Seng (*Chairman and Managing Director*)

Mr. Chan Kai Kwok

Non-executive Director

Mr. Ang Guan Seng

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Audit Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Remuneration Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Registered Office

Suites 1506-07, 15th Floor,
Nine Queen's Road Central,
Hong Kong

Share Registrars and Transfer Office

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

Secretary

Mr. Chan Kai Kwok

Auditors

H. C. Watt & Company Limited

Principal Bankers

Hang Seng Bank Limited

Chong Hing Bank Limited

Public Bank Berhad

Website: www.lhd.com.hk

Corporate Information (Cont'd)

Biographical Details of Directors and Senior Management **Board of Directors**

Mr. TAN Boon Seng, MA (Cantab)

Chairman and Managing Director, aged 52

Mr. Tan joined the Board of the Company on 19 January 1987 and was appointed Managing Director on 31 August 1989. He holds a Master of Arts from Cambridge University. He is also an Executive Director of IGB Corporation Berhad, a listed company in Malaysia and is a Director of Wo Kee Hong (Holdings) Limited and Star Cruises Limited, all listed on The Stock Exchange of Hong Kong Limited.

Mr. ANG Guan Seng

Non-executive Director, aged 69

Mr. Ang was appointed Director of the Company on 6 August 1985. He is the Managing Director of Petaling Garden Berhad, a listed company in Malaysia. He also holds directorships in many other companies in Singapore and Malaysia.

Mr. HO Hau Chong, Norman, B.A., A.C.A., F.C.P.A.

Independent Non-executive Director, aged 52

Mr. Ho joined the Board of the Company on 31 August 1988. Mr. Ho is also Director of many other companies including CITIC Pacific Limited, Taifook Securities Group Limited, Hong Kong Ferry (Holdings) Company Limited, Starlight International Holdings Limited, Miramar Hotel & Investment Company Limited, New World Mobile Holdings Limited and Shun Tak Holdings Limited, which are listed on The Stock Exchange of Hong Kong Limited. He is a member of The Institute of Chartered Accountants in England and Wales, and a fellow of The Hong Kong Institute of Certified Public Accountants.

Mr. YEUNG Chik Kin

Independent Non-executive Director, aged 56

Mr. Yeung joined the Board of the Company on 21 September 1998. He has extensive experience in business administration.

Mr. FUNG Ka Pun (alias K. B. FUNG)

Independent Non-executive Director, aged 62

Mr. Fung joined the Board of the Company on 3 July 2003. He is the Executive Director and Co-Chairman of E2-Capital (Holdings) Limited, an Independent Non-executive Director of GZI Transport Limited, Lei Shing Hong Limited, Denway Motors Limited and Deputy Chairman and an Independent Non-executive Director of Samling Global Limited, all of which are listed on Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fung is a fellow member of The Association of International Accountants and a member of The Institute of Chartered Secretaries and Administrators.

Mr. CHAN Kai Kwok, F.C.C.A., C.P.A.

Executive Director, aged 43

Mr. Chan joined the Company as Group Financial Controller and Company Secretary in 2001 and has been an Executive Director of the Company since 2003. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Letter to Shareholders

*“When the sea was calm
All ships alike
Showed mastership in floating.”*

*Shakespeare
(Coriolanus, Act IV, i, 6-7)*

A busy year of change

At the end of 2007, the net asset value of Lee Hing shares was HK\$8.12, which was up 43.46 percent from the close of 2006. By comparison the Hang Seng Index was up 39.31 percent.

For Lee Hing it was a busy year:

- (i) we bought back the Notes payable to Parkway at a discounted rate,
- (ii) increased our holdings in Padiberas to 22.2 percent,
- (iii) repurchased and cancelled 54.5 million shares from New World in consideration for our minority stakes in Renaissance Riverside Hotel Saigon and New Bei Fang Hotel, Harbin, and lastly, if not most significantly we,
- (iv) sold our stake in Amanresorts for US\$105 million. This transaction resulted in a gain of approximately HK\$460 million after write-back of provision for impairment losses of HK\$86 million, which will only be booked into our 2008 accounts.

Sources of Reported Profits

The following table shows the main sources of our operating profits:–

	2007 (HK\$ Million)	2006 (HK\$ Million)
Operating Profit:–		
Profit on sales of listed shares	6.5	24.5
Dividend income	21.9	16.4
Interest income	23.2	26.2
Others	11.1	1.1
	<hr/> 62.7	<hr/> 68.2
Corporate expenses – finance costs	–	(1.7)
– others	(13.6)	(12.0)
	<hr/> 49.1	<hr/> 54.5
Operating profit	49.1	54.5
Net gain on remeasurement of assets classified as held for sale	86.0	–
Provision for impairment losses on an associate	–	(17.8)
Unrealised gain on investments held for trading purpose	24.9	9.9
	<hr/> 160.0	<hr/> 46.6
	<hr/> <hr/>	<hr/> <hr/>

Letter to Shareholders (Cont'd)

	2007 (HK\$ Million)	2006 (HK\$ Million)
Discontinued Operation		
Profit for the year from discontinued operation	—	4.2

Listed Shares

Below we present our holdings in listed shares with a market value of more than HK\$30 million at 31 December 2007:—

	Original Investment Cost (HK\$ Million)	Market Value (HK\$ Million)
Malaysia		
Gold IS Berhad	71.8	114.9
Padiberas Nasional Berhad	383.7	520.9
	<u>455.5</u>	<u>635.8</u>

Looking Forward

Lee Hing is currently cashed-up: a good position in such turbulent markets.

We have started to deploy our funds in several undervalued listed shares and also looking at some properties. It is almost impossible to buy at the very bottom. Bernard Baruch, the legendary financier, once said he had become rich by “always selling too soon”. Lee Hing may prosper by not trying to buy at the absolute low point of the market. Our simple philosophy: buy low, sell high.

Walt Disney once said, “I think it’s important to have a good hard failure when you’re young.” I believe that Lee Hing and yours truly have had that “good hard failure”, and that we are well-positioned IN CASH to steer profitability in this current age of turbulence.

Tan Boon Seng
Chairman

Hong Kong, 15 April 2008

Management Discussion and Analysis

Results for the year

The Group recorded HK\$77 million turnover for the year ended 31 December 2007, a 39% decrease as compared with last year. The decrease was largely attributable to the decrease in sales of available-for-sale listed investments.

Operating profit after finance costs was HK\$160 million, an increase of HK\$113 million as compared with last year. The increase was mainly due to the net gain on remeasurement of assets classified as held for sale.

Share of results of associates turned from loss to profit owing to the decrease in share of loss of Silverlink Holdings Limited.

Business review

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's turnover was mainly attributable to sales of shares of IGB Corporation Berhad of HK\$15 million, dividend income of HK\$22 million and interest income of HK\$23 million. Dividend of HK\$21 million was from Padiberas Nasional Berhad. In 2007, the Group acquired shares in Padiberas Nasional Berhad with cost of HK\$170 million. The Group believes that this investment will generate considerable income in the future.

Financial resources and liquidity

During the year, the Group paid HK\$166.6 million to the holder of the Notes in settlement of the outstanding amount of HK\$171.4 million of Notes payable as at 31 December 2006. The redemption resulted in a gain of approximately HK\$4.8 million. At 31 December 2007, the Group did not have any outstanding borrowing.

Charges on Group's assets

The Group's leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of approximately HK\$637 million have been pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

At the balance sheet date, Silverlink Holdings Limited and Argent Holdings Ltd., an associate and a subsidiary of Sinonet Holdings Limited, were parties of litigation in the High Court of the Republic of Singapore. In view of the subsequent disposal of Sinonet Holdings Limited, the said litigation would not have material impact on the financial position of the Group.

Management Discussion and Analysis (Cont'd)

Significant investments

The Group had interests in Gold IS Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the listed shares as at 31 December 2007 were HK\$115 million and HK\$521 million respectively.

The Group also had interest in a subsidiary, Sinonet Holdings Limited, whose principal assets consisted of an associate, Silverlink Holdings Limited and 37.736% participation rights under a US\$79.5 million Note. Such interest was reclassified as assets classified as held for sale and its carrying value was HK\$517 million.

Material acquisitions and disposals

During the year, the Group acquired listed shares with cost of HK\$170 million and HK\$5 million in Padiberas Nasional Berhad and Gold IS Berhad respectively.

On 28 August 2007, the Company received a conditional irrevocable offer from New World Hotels (Holdings) Limited ("NWHL"), a substantial shareholder of the Company, to procure the sale to the Company of the 54,500,000 shares owned by Keep Silver Investments Limited ("Keep Silver"), a wholly-owned subsidiary of NWHL, representing NWHL's entire interest in the Company and approximately 25.55% of the issued share capital of the Company, at a total consideration of HK\$163.5 million, representing HK\$3 per share. Such consideration was satisfied in full by the transfer and assignment by the Group of its shares in and loan to Ichiban Properties Limited and Higrade Properties Limited, an associate and an available-for-sale investment of the Group, to Keep Silver and/or its nominee. Such disposals resulted in a gain of approximately HK\$5 million.

Employees

As at 31 December 2007, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Events after the balance sheet date

Details of events after the balance sheet date are set out in note 40 to the financial statements.

Directors' Report

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

Principal place of business

The Company is a limited company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Suites 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 19 and 20 to the financial statements respectively.

Commentary on annual results

A commentary on annual results is included in Management Discussion and Analysis on pages 6 to 7.

Financial statements

The profit of the Group for the financial year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 63.

Particulars of subsidiaries

Particulars regarding the subsidiaries of the Group are set out in note 19 to the financial statements.

Particulars of associates

Particulars regarding the associates of the Group are set out in note 20 to the financial statements.

Share capital

Particulars regarding the share capital are set out in note 30 to the financial statements.

Directors' right to acquire shares or debentures

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Reserves

The movements in reserves during the financial year are set out in note 31 to the financial statements and consolidated statement of changes in equity on page 24.

Dividends

In October 2007, an interim dividend of 1 HK cent per share (2006: 1 HK cent per share) was paid, amounting to HK\$2,133,000 (2006: HK\$2,133,000). The Directors now recommend the payment of a final dividend of 5 HK cents per share (2006: 1 HK cent per share), amounting to HK\$7,932,000 (2006: HK\$2,134,000).

Directors' Report (Cont'd)

Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$40,000 (2006: HK\$35,000).

Summary of financial information

A summary of the turnover, results and the assets and liabilities of the Group for the last five financial years is shown on page 64.

Group borrowings

Details of Notes payable are shown in note 28 to the financial statements.

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Property, plant and equipment, investment properties and leasehold land

Details of movements in property, plant and equipment, investment properties and leasehold land during the year are set out in notes 16 to 18 to the financial statements on pages 44 to 45.

Directors

1. The Directors during the financial year were:
 - Mr. Tan Boon Seng (Managing Director)
 - Mr. Ang Guan Seng
 - Mr. Ho Hau Chong, Norman
 - Mr. Yeung Chik Kin
 - Mr. Fung Ka Pun
 - Mr. Chan Kai Kwok
 - Mr. Seow Yung Liang, Richard (resigned on 17.7.2007)
 - Mr. Ashish Jaiprakash Shastry (resigned on 17.7.2007)
2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, they offer themselves for re-election.
 - Mr. Ang Guan Seng
 - Mr. Yeung Chik Kin

Biographical details of Directors and senior management

Biographical details of Directors and senior management are set out on page 3.

Service contracts of Directors

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

Directors' Report (Cont'd)

Directors' interests in contracts

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

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2007, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors	Personal interests	No. of ordinary shares		Total	Percentage holding
		Family interests	Corporate interests		
Mr. Tan Boon Seng	900,000	2,991,000(iii)(iv)	52,340,000(i)(ii)(v)	56,231,000	35.44
Mr. Ang Guan Seng	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Yeung Chik Kin	225,800	-	-	225,800	0.14
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Chan Kai Kwok	-	-	-	-	-
Mr. Seow Yung Liang, Richard (resigned on 17.7.2007)	-	-	-	-	-
Mr. Ashish Jaiprakash Shastry (resigned on 17.7.2007)	-	-	-	-	-

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interests in this company.
- (ii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.
- (iii) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.
- (iv) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (v) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

One nominee share in each of Lee Hing Investment Company, Limited and Wang Tak Company Limited which are both subsidiaries of the Company were held by Mr. Tan Boon Seng in trust for the Company or its subsidiaries.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 31 December 2007, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company or any of its associated corporations.

Directors' Report (Cont'd)

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2007 the Company had been notified of the following interest in the Company's shares:

	No. of ordinary shares	Percentage holding
Tan Boon Seng	56,231,000 (i)	35.44
Petaling Garden (S) Pte. Limited	29,006,000 (ii)	18.28

Notes:

- (i) The 56,231,000 shares were held as to 900,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by HK 1 Limited, as to 2,981,000 shares by TYMS Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd., HK 1 Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.
- (ii) The interest of Petaling Garden (S) Pte. Limited (54% owned by Hoe Seng Company Pte. Limited) was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.

Purchase, sale or redemption of listed securities

Details of repurchases by the Company of its own shares during the year are set out in note 30 to the financial statements on page 54. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, except for the following deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1

Under code provision A.2.1, the roles of the Chairman and Chief Executive Officer (CEO) are required to be separated and not to be performed by the same individual. During the year, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director (equivalent to CEO in this case). This constitutes a deviation from code provision A.2.1. The reason for such deviation is set out below.

The arrangement under which the roles of an Executive Director, Chairman and Managing Director are performed by the same individual is the extension of the Company's existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations, as well as to enhance the management of the Company.

Directors' Report (Cont'd)

Code on Corporate Governance Practices (Cont'd)

Code provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1. The reason for such deviation is set out below.

According to the Articles of Association of the Company, one-third of the Directors (Executive and Non-executive) will retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the code.

Corporate governance

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Report on Corporate Governance Practices on pages 14 to 17.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

Audit Committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Emolument policy

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards.

Independent Non-executive Directors

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors to be independent.

Directors' Report (Cont'd)

Connected transactions

Details of connected transactions disclosed under the Listing Rules are set out in note 37(d) to the financial statements.

Events after the balance sheet date

Details of events after the balance sheet date are set out in note 40 to the financial statements.

Sufficiency of public float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditors

The retiring auditors, H. C. Watt & Company Limited, have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be put to the annual general meeting.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Tan Boon Seng
Chairman

Hong Kong, 15 April 2008

Report on Corporate Governance Practices

Corporate governance practices

The Board of Directors of the Company (the “Board”) continues to achieve high standards of corporate governance which it believes is crucial to the development of the Company and to safeguard the interests of the Company’s shareholders. The Company has taken effective measures to ensure that it is in compliance with the principles and provisions of the Code on Corporate Governance Practices (the “Code”). In the opinion of the Board, except for the deviations as disclosed in this report, the Company, has, throughout the year ended 31 December 2007, complied with the Code.

Directors’ securities transactions

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and upon specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2007.

Board of Directors

To ensure objectivity and impartiality in the management of the Company, the Board is made up of a balance of Executive Directors and Non-executive Directors such that no individual or small group can dominate the Board’s decision making. The Board comprises a total of six members, with a Chairman, also the Managing Director, one Executive Director and four Non-executive Directors, of whom three are Independent Non-executive Directors. The Board, headed by Mr. Tan Boon Seng, is mainly responsible for overseeing the Company’s strategic development and monitoring the Company’s day-to-day management and operation. During the reporting period, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director. Although this arrangement constitutes a deviation from the Code, the Board considers that this structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for running the business of the Company. The Board further believes that vesting the roles of Chairman and Managing Director in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategies.

Details of the composition of the Board, relationship among members of the Board, and biographical information of the Directors are set out in the section “Corporate Information” of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Report on Corporate Governance Practices (Cont'd)

Board of Directors (Cont'd)

In accordance with the Company's Articles of Association, one-third of the Directors shall be subject to retirement by rotation at each annual general meeting of the Company. In the opinion of the Directors, this meets the principle set out in Code provision A.4.2. According to Code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. During the reporting period, none of the existing Non-executive Directors of the Company was appointed for a specific term. This constitutes a deviation from the Code but in the opinion of the Directors, since one-third of the Directors (Executive and Non-executive) will retire from office by rotation at each annual general meeting, this arrangement meets the same objective and is no less exacting than the Code. With respect to the appointment and removal of Directors, the Board considers such determination to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code to set up a Nomination Committee.

The Directors acknowledge their responsibilities for overseeing the preparation of financial statements of the Company. The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. The Board is satisfied that it has met this obligation.

Audit Committee

The Audit Committee comprises Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin, being all the three Independent Non-executive Directors. Mr. Ho Hau Chong, Norman is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference, which are in line with the Code. The Audit Committee met two times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Company's financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. Mr. Ho Hau Chong, Norman is the Chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference, which are in line with the Code. The Remuneration Committee is responsible for reviewing the remuneration policy and remuneration packages of the Executive Directors and members of the senior management.

Directors' interests and short positions in shares, along with Directors' interests in contracts, are listed in the section "Directors' Report" of this annual report. Directors' remuneration is listed in the "Notes to the Financial Statements" of this annual report.

Report on Corporate Governance Practices (Cont'd)

Attendance at meeting of the Board, the Audit Committee and the Remuneration Committee

Directors	Full Board	Audit Committee	Remuneration Committee
Chairman and Managing Director Mr. Tan Boon Seng	8/8	–	–
Executive Director Mr. Chan Kai Kwok	8/8	–	–
Non-executive Directors			
Mr. Ang Guan Seng	4/8	–	–
Mr. Seow Yung Liang, Richard (resigned on 17.7.2007)	3/8	–	–
Mr. Ashish Jaiprakash Shastry (resigned on 17.7.2007)	2/8	–	–
Independent Non-executive Directors			
Mr. Ho Hau Chong, Norman	6/8	2/2	1/1
Mr. Fung Ka Pun	6/8	2/2	1/1
Mr. Yeung Chik Kin	6/8	2/2	1/1

Nomination of Directors

The Board will meet to discuss nomination of Directors when circumstances required. Upon receipt of a nomination from members of the Board, a board meeting will then be convened to consider and discuss the nominated candidate(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirement under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

Fees for audit and non-audit services

During the year, the Company engaged H. C. Watt & Company Limited to perform audit and non-audit related services and incurred audit related service fees of approximately HK\$551,000 (2006: HK\$520,000) and non-audit service fees of approximately HK\$287,000 (2006: HK\$195,000).

Internal control

The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

Report on Corporate Governance Practices (Cont'd)

Corporate communication

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters. The Company's annual general meeting provides a further opportunity for investors to exchange views with the Board. The Chairman and the Chairman of the Audit Committee are available to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Director. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at annual general meetings, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

Looking forward

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by The Stock Exchange of Hong Kong Limited.

Independent Auditor's Report

TO THE SHAREHOLDERS OF LEE HING DEVELOPMENT LIMITED (Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Lee Hing Development Limited set out on pages 20 to 63, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report (Cont'd)

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 Hong Kong Companies Ordinance.

H. C. WATT & COMPANY LIMITED

Certified Public Accountants
Room 1903 New World Tower
18 Queen's Road Central
Hong Kong

HENRY C. H. CHUI, AUDITOR
Practising Certificate No. P599

15 April 2008

Consolidated Income Statement for the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	4	<u>76,562</u>	<u>124,716</u>
Revenue and income		87,713	78,158
Net gain on remeasurement of assets classified as held for sale	6	86,000	–
Provision for impairment losses on an associate		–	(17,764)
Other operating expenses		(13,606)	(12,036)
Operating profit before finance costs	7	160,107	48,358
Finance costs	10	(64)	(1,725)
Operating profit after finance costs		160,043	46,633
Share of results of associates		1,513	(2,787)
Profit before taxation		161,556	43,846
Taxation	11	84	(310)
Profit for the year from continuing operations		161,640	43,536
Discontinued operation	12	–	4,210
Profit for the year from discontinued operation		–	4,210
Profit for the year		<u>161,640</u>	<u>47,746</u>
Attributable to:			
Equity holders of the Company	13	154,017	54,029
Minority interests		7,623	(6,283)
		<u>161,640</u>	<u>47,746</u>
Dividends	14		
Interim dividend paid		2,133	2,133
Final dividend proposed		7,932	2,134
		<u>10,065</u>	<u>4,267</u>
Earnings per share (HK cents)	15		
From continuing and discontinued operations		<u>74.07</u>	<u>25.32</u>
From continuing operations		<u>74.07</u>	<u>23.35</u>

Consolidated Balance Sheet as at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment	16	3,114	3,413
Leasehold land	18	13,786	13,802
Associates	20	5,814	165,577
Investments	21	458,796	658,044
Other non-current assets	22	2,290	138,776
		<u>483,800</u>	<u>979,612</u>
Current assets			
Held for trading investments	23	226,348	38,885
Other assets	24	295	295
Debtors, deposits and prepayments	25	291	1,407
Time deposits and bank balances		65,453	363,953
		<u>292,387</u>	<u>404,540</u>
Assets classified as held for sale	26(a)	517,357	–
		<u>809,744</u>	<u>404,540</u>
Current liabilities			
Creditors, deposits and accruals	27	3,736	5,076
Notes payable	28	–	171,455
Other payable	29	348	348
Provision for taxation		–	636
		<u>4,084</u>	<u>177,515</u>
Liabilities associated with assets classified as held for sale	26(b)	469	–
		<u>4,553</u>	<u>177,515</u>
Net current assets		<u>805,191</u>	<u>227,025</u>
Net assets		<u>1,288,991</u>	<u>1,206,637</u>

Consolidated Balance Sheet as at 31 December 2007 (Cont'd)

	Note	2007 HK\$'000	2006 HK\$'000
Equity			
Share capital	30	158,647	213,336
Reserves	31	963,257	950,481
Proposed final dividend		7,932	2,134
		<u>1,129,836</u>	<u>1,165,951</u>
Amounts recognised directly in equity relating to assets classified as held for sale	26(c)	109,622	–
Equity attributable to equity holders of the Company		1,239,458	1,165,951
Minority interests		–	40,686
Minority interests relating to assets classified as held for sale		49,533	–
Total equity		<u>1,288,991</u>	<u>1,206,637</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Balance Sheet as at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Subsidiaries	19	4,657	4,657
Associates	20	–	238
Other non-current assets	22	606,931	1,231,760
		<u>611,588</u>	<u>1,236,655</u>
Current assets			
Debtors, deposits and prepayments	25	–	537
Bank balances		845	329
		<u>845</u>	<u>866</u>
Assets classified as held for sale	26(a)	786,999	–
		<u>787,844</u>	<u>866</u>
Current liabilities			
Creditors, deposits and accruals	27	2,358	3,030
Notes payable	28	–	171,455
		<u>2,358</u>	<u>174,485</u>
Net current assets (liabilities)		<u>785,486</u>	<u>(173,619)</u>
Net assets		<u>1,397,074</u>	<u>1,063,036</u>
Equity			
Share capital	30	158,647	213,336
Reserves	31	1,230,495	847,566
Proposed final dividend		7,932	2,134
Total equity		<u>1,397,074</u>	<u>1,063,036</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2007

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profit	Proposed dividend	Equity attributable to equity holders of the Company	Minority interests relating to assets classified as held for sale/Minority interests	Total equity
At 1.1.2007	213,336	134,881	316,006	53,585	119,402	87,264	(23,441)	262,784	2,134	1,165,951	40,686	1,206,637
Realised on disposals of available-for-sale listed investments	-	-	-	-	-	(6,233)	-	-	-	(6,233)	-	(6,233)
Fair value changes	-	-	-	-	-	84,907	-	-	-	84,907	-	84,907
Share of associate's reserves	-	-	-	-	9,695	-	3,966	-	-	13,661	1,224	14,885
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	-	-	(113,889)	-	(113,889)	-	(113,889)
Income and expense recognised directly in equity	-	-	-	-	9,695	78,674	3,966	(113,889)	-	(21,554)	1,224	(20,330)
Profit for the year	-	-	-	-	-	-	-	154,017	-	154,017	7,623	161,640
Total recognised income and expense for the year	-	-	-	-	9,695	78,674	3,966	40,128	-	132,463	8,847	141,310
2006 final dividend	-	-	-	-	-	-	-	(2,134)	(2,134)	-	(2,134)	(2,134)
2007 interim dividend	-	-	-	-	-	-	-	(2,133)	(2,133)	-	(2,133)	(2,133)
2007 final dividend	-	-	-	-	-	-	-	(7,932)	7,932	-	-	-
Repurchase of shares	(54,689)	-	-	-	-	-	-	-	-	(54,689)	-	(54,689)
Transfer to capital redemption reserve upon share repurchases	-	54,689	-	-	-	-	-	(54,689)	-	-	-	-
	(54,689)	54,689	-	-	9,695	78,674	3,966	(24,626)	5,798	73,507	8,847	82,354
At 31.12.2007	158,647	189,570	316,006	53,585	129,097	165,938	(19,475)	238,158	7,932	1,239,458	49,533	1,288,991

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profit	Proposed dividend	Equity attributable to equity holders of the Company	Minority interests relating to assets classified as held for sale/Minority interests	Total equity
At 1.1.2006	213,336	134,881	316,006	53,585	40,555	(1,401)	(391)	213,022	2,133	971,726	41,970	1,013,696
Realised on disposals of available-for-sale listed investments	-	-	-	-	-	(1,576)	-	-	-	(1,576)	-	(1,576)
Fair value changes	-	-	-	-	-	90,241	-	-	-	90,241	-	90,241
Share of associate's reserves	-	-	-	-	78,847	-	(23,050)	-	-	55,797	4,999	60,796
Income and expense recognised directly in equity	-	-	-	-	78,847	88,665	(23,050)	-	-	144,462	4,999	149,461
Profit for the year	-	-	-	-	-	-	-	54,029	-	54,029	(6,283)	47,746
Total recognised income and expense for the year	-	-	-	-	78,847	88,665	(23,050)	54,029	-	198,491	(1,284)	197,207
2005 final dividend	-	-	-	-	-	-	-	(2,133)	(2,133)	-	(2,133)	(2,133)
2006 interim dividend	-	-	-	-	-	-	-	(2,133)	(2,133)	-	(2,133)	(2,133)
2006 final dividend	-	-	-	-	-	-	-	(2,134)	2,134	-	-	-
	-	-	-	-	78,847	88,665	(23,050)	49,762	1	194,225	(1,284)	192,941
At 31.12.2006	213,336	134,881	316,006	53,585	119,402	87,264	(23,441)	262,784	2,134	1,165,951	40,686	1,206,637

Consolidated Cash Flow Statement for the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Net cash (used in) from operating activities	32(a)	(134,853)	15,671
Cash flows from investing activities			
Purchase of property, plant and equipment		(5)	(17)
Net proceeds on disposals of property investment operation		–	30,135
Repayment from associate		–	131,031
Purchase of available-for-sale investments		–	(166,057)
Decrease in bank deposits pledged to banks		16,616	16,373
Net proceeds on disposals of available-for-sale listed investments		15,005	106,105
Net cash from investing activities		31,616	117,570
Cash flows from financing activities			
Repurchase of shares		(189)	–
Premium and brokerage expenses paid on share repurchases		(4,889)	–
Dividend paid		(4,267)	(4,266)
Repayment of Notes payable		(166,576)	(28,575)
Advances from associate		–	1,625
Repayment to associate		–	(285)
Net cash used in financing activities		(175,921)	(31,501)
Net (decrease) increase in cash and cash equivalents		(279,158)	101,740
Cash and cash equivalents at beginning of year		336,309	232,642
Effect of foreign exchange rates changes		8	1,927
Cash and cash equivalents at end of year		57,159	336,309
Analysis of the balances of cash and cash equivalents			
Time deposits and bank balances		65,453	363,953
Time deposits and bank balances classified as held for sale		3,531	–
Bank deposits pledged to banks		(11,825)	(27,644)
		57,159	336,309

Notes to the Financial Statements

1. Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, investment holding, general investment and sales and purchases of securities.

2. Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale investments and held for trading investments which are stated at fair value.

The Group has adopted the following HKFRSs that are effective for accounting periods beginning on or after 1 January 2007:

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

The adoption of the new and revised HKFRSs does not have a significant impact on the Group's and the Company's results of operations and financial position for the financial years 2006 and 2007. The major changes are as follows:

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policy, so as to obtain benefits from their activities.

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

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management including participation in the financial and operating policy decisions.

Associates are accounted for using the equity method in the consolidated financial statements except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated income statement and consolidated reserves respectively.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

(e) Property, plant and equipment

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following annual rates.

Leasehold buildings	2% or over the remaining lease terms, if shorter
Equipment and motor vehicles	10% – 20%

The useful lives and residual values of the assets are reviewed and adjusted if appropriate, at each balance sheet date.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(f) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the income statement. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

(g) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and amortised over the period of the lease on a straight line basis to the income statement.

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

(i) Investments

Available-for-sale investments and held for trading investments

Investments other than investments in subsidiaries, associates and derivative financial instruments are classified either as available-for-sale investments or held for trading investments.

Purchases and sales of available-for-sale investments and held for trading investments are recognised and derecognised using trade date accounting. These investments are derecognised when the contractual rights to receive the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

The fair value of a listed investment is determined on the basis of its quoted market price at the balance sheet date. For an unlisted investment, the Group uses the market value determined by independent financial institutions or fund managers to estimate its fair value.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(i) Investments (Cont'd)

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. At each balance sheet date, the fair value is remeasured. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the income statement. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any accumulated fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

Available-for-sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment (such as a significant decline in the fair value of an investment in equity securities below its cost) . An impairment loss is removed from investment revaluation reserve where relevant, and recognised in the income statement. Impairment losses in respect of available-for-sale equity securities are not reversed through income statement.

Held for trading investments are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. At each balance sheet date, the fair value is remeasured. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the income statement. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently measured at their fair value. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined instruments are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined instruments are treated as held for trading.

The Group may conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument because the embedded derivative will be settled by an unquoted equity instrument whose fair value cannot be reliably measured. In that case, the combined instrument is measured at cost less any accumulated impairment losses.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(j) Impairment of assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the income statement. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement.

(k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(l) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment of receivables is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all amounts due according to the original terms of receivables. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts and short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(n) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Borrowings

Borrowings are initially recognised at the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(q) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Sales of available-for-sale investments, held for trading investments and derivative financial instruments are recognised on trade date.

Revenue from sales of properties is recognised on the transfer of risks and rewards of ownership.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

Rental income under operating lease is credited to income statement on a straight line basis over the term of lease.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(r) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the income statement and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to the Mandatory Provident Fund Scheme are recognised as an expense in the income statement as incurred.

(s) Financial guarantees issued and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors, deposits and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in creditors, deposits, and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(t) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the translation 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. On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

(u) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals (being members of key management personnel and significant shareholders, as well as close family members) and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(v) Segment reporting

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

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

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is determined on arm's length basis.

Unallocated items mainly comprise corporate assets, corporate liabilities, corporate and financing expenses.

4. Turnover

Analysis of the Group's turnover from continuing operations is as follows:

	2007 HK\$'000	2006 HK\$'000
Sales of available-for-sale listed investments	15,005	79,993
Sales of available-for-sale unlisted investments	4,059	–
Sales of held for trading listed investments	12,402	1,239
Sales of derivative financial instruments	–	877
Dividends from listed investments	21,877	13,625
Dividends from unlisted investments	–	2,730
Interest income on financial assets not at fair value through profit or loss – financial instrument with embedded derivative others	13,713 9,506	13,039 13,213
	<u>76,562</u>	<u>124,716</u>

Notes to the Financial Statements (Cont'd)

5. Segment reporting

(a) Business segments

The Group comprises the following business segments:

Share investment and dealing – investment in listed and unlisted securities, purchases and sales of listed securities

	Continuing operations		Discontinued operation		Consolidated	
	Share investment and dealing		Property investment			
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment Revenue						
Turnover	76,562	124,716	–	2,071	76,562	126,787
Revenue and income	77,712	78,158	–	4,210	77,712	82,368
Segment results	64,106	66,122	–	4,210	64,106	70,332
Net gain on disposal of an associate					5,122	–
Net gain on remeasurement of assets classified as held for sale					86,000	–
Gain on early redemption of Notes payable					4,879	–
Provision for impairment losses on an associate					–	(17,764)
Finance costs					(64)	(1,725)
Share of results of associates					1,513	(2,787)
Profit before taxation					161,556	48,056
Taxation					84	(310)
Profit for the year					161,640	47,746
Attributable to:						
Equity holders of the Company					154,017	54,029
Minority interests					7,623	(6,283)
					161,640	47,746
Segment assets	1,050,752	1,079,799	–	–	1,050,752	1,079,799
Associates					5,814	165,577
Other non-current assets					2,290	138,776
Associate classified as held for sale					234,688	–
Total assets					1,293,544	1,384,152
Segment liabilities	2,543	2,659	–	–	2,543	2,659
Unallocated liabilities					2,010	174,856
Total liabilities					4,553	177,515
Other segment information						
Capital expenditure	5	17	–	–	5	17
Depreciation	302	305	–	–	302	305
Amortisation of leasehold land	16	17	–	–	16	17

Notes to the Financial Statements (Cont'd)

5. Segment reporting (Cont'd)

(b) Geographical segments

Over 90% of the Group's revenue, assets and capital expenditure are derived from operations carried out in Hong Kong.

6. Net gain on remeasurement of assets classified as held for sale

Net gain represents write back of provision for impairment losses on an associate, Silverlink Holdings Limited (an associate of Sinonet Holdings Limited). During the year, the Group decided to dispose of its entire interest in a subsidiary, Sinonet Holdings Limited and reclassified it as assets classified as held for sale. On 16 November 2007, the Company entered into the Sale and Purchase Agreement with the purchaser in relation to the sale of its entire interest in Sinonet Holdings Limited for a consideration of US\$105.45 million (HK\$822.51 million). The disposal was approved by the shareholders of the Company on 21 January 2008 and resulted in a gain of approximately HK\$460 million. At 31 December 2007, the assets classified as held for sale were remeasured and a net gain of HK\$86 million was recognised in the income statement.

7. Operating profit before finance costs

	2007 HK\$'000	2006 HK\$'000
From continuing operations		
Operating profit before finance costs is stated after charging (crediting):		
Auditors' remuneration		
Audit services	471	520
Others	187	195
Staff costs	2,117	2,064
Depreciation	302	305
Amortisation of leasehold land	16	17
Loss on disposals of property, plant and equipment	2	–
Exchange gain	(905)	(1,076)
Net gain on disposal of an associate	(5,122)	–
Net gain on disposals of available-for-sale listed investments	(6,436)	(23,472)
Net gain on disposals of available-for-sale unlisted investments	(130)	–
Net gain on disposals of held for trading listed investments	(60)	(264)
Net gain on disposals of derivative financial instruments	–	(806)
Unrealised gain on held for trading investments	(24,975)	(9,891)
Gain on early redemption of Notes payable	(4,879)	–

Notes to the Financial Statements (Cont'd)

8. Directors' remuneration

The emoluments of the Directors are as follows:

2007

	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Contributions to retirement scheme HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Tan Boon Seng	80	4,190	142	4,412
Chan Kai Kwok	60	648	32	740
<i>Non-executive Directors</i>				
Ang Guan Seng	60	–	–	60
Seow Yung Liang, Richard (resigned on 17.7.2007)	32	–	–	32
Ashish Jaiprakash Shastry (resigned on 17.7.2007)	32	–	–	32
<i>Independent non-executive Directors</i>				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	464	4,838	174	5,476

2006

	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Contributions to retirement scheme HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Tan Boon Seng	80	4,110	138	4,328
Chan Kai Kwok	60	617	31	708
<i>Non-executive Directors</i>				
Ang Guan Seng	60	–	–	60
Seow Yung Liang, Richard (appointed on 28.2.2006)	50	–	–	50
Ashish Jaiprakash Shastry (appointed on 28.2.2006)	50	–	–	50
Tan Choon Keat, Tony (resigned on 28.2.2006)	10	–	–	10
Tan Kai Seng (resigned on 28.2.2006)	10	–	–	10
<i>Independent non-executive Directors</i>				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	520	4,727	169	5,416

Notes to the Financial Statements (Cont'd)

8. Directors' remuneration (Cont'd)

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration. Pursuant to an Annual Bonus Scheme approved by the Board, Mr. Tan Boon Seng was eligible to an annual cash bonus determinable under the terms of the Scheme. No such cash bonus was provided for the year (2006: Nil).

9. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2006: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2006: three) highest-paid non-director employees are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other emoluments	1,115	1,093
Contributions to retirement scheme	56	55
	<u>1,171</u>	<u>1,148</u>

The emoluments of each of the non-director employee were below HK\$1,000,000 for 2007 and 2006.

10. Finance costs

	2007 HK\$'000	2006 HK\$'000
From continuing operations		
Interest expenses on financial liabilities not at fair value through profit or loss – interest on Notes payable (wholly repayable within 5 years)	61	1,725
others	3	–
	<u>64</u>	<u>1,725</u>

Notes to the Financial Statements (Cont'd)

11. Taxation

(a) Income tax (income) expenses are made up as follows:

	2007 HK\$'000	2006 HK\$'000
Current tax relating to continuing operations		
Company and subsidiaries		
Overseas taxation	552	310
Overprovision in prior years	(636)	–
	<u>(84)</u>	<u>310</u>

No Hong Kong profits tax has been provided for the Company and its subsidiaries for the 2007/08 year of assessment (2006/07: no provision) as no assessable profit was earned during the year.

Overseas taxation represents withholding tax on dividend income received by the Group from overseas listed investments.

(b) The reconciliation between tax (income) expenses and accounting profit of the Group in the financial statements is as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation		
From continuing operations	161,556	43,846
From discontinued operation	–	4,210
Share of results of associates	(1,513)	2,787
	<u>160,043</u>	<u>50,843</u>
Tax at the domestic tax rate of 17.5%	28,007	8,897
Tax effect of net income that is not taxable in determining taxable profit	(29,797)	(10,410)
Tax effect of unrecognised tax losses in the year	1,790	1,513
Overprovision in prior years	(636)	–
Overseas withholding tax	552	310
Total tax (income) expenses	<u>(84)</u>	<u>310</u>

Notes to the Financial Statements (Cont'd)

11. Taxation (Cont'd)

(c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheet and the movement during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Group</u>			
At 1.1.2006	115	(115)	–
(Credit) charge to income statement for the year	(16)	16	–
At 31.12.2006	99	(99)	–
(Credit) charge to income statement for the year	(20)	20	–
At 31.12.2007	79	(79)	–

- (d) At the balance sheet date, the Group had unused tax losses of HK\$64,418,000 (2006: HK\$54,300,000) available for set off against future taxable profit. A deferred tax asset has been recognised in respect of HK\$450,000 (2006: HK\$563,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$63,968,000 (2006: HK\$53,737,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

12. Discontinued operation

During the year ended 31 December 2006, the Group disposed of its investment properties for HK\$30.5 million. The disposals represented the discontinuance of the Group's property investment operation.

The profit for the year from the discontinued operation is analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Profit of property investment operation for the year	–	2,075
Surplus on disposals of property investment operation	–	2,135
	–	4,210

Notes to the Financial Statements (Cont'd)

12. Discontinued operation (Cont'd)

The results of property investment operation for the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Turnover		
Rental income	–	422
Revenue from sales of properties	–	1,649
Other revenue and income	–	4
	<u>–</u>	<u>2,075</u>

No tax charge arose on surplus on disposals of property investment operation.

Details of cash flows from discontinued operation are as follows:

	2007 HK\$'000	2006 HK\$'000
Net cash from operating activities	–	1,731
Net cash from investing activities	–	30,135
Net cash flows	<u>–</u>	<u>31,866</u>

13. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company includes profit of HK\$506,883,000 (2006: HK\$110,317,000) which has been dealt with in the financial statements of the Company.

14. Dividends

	2007 HK\$'000	2006 HK\$'000
Interim dividend paid – 1 HK cent per share (2006: 1 HK cent per share)	2,133	2,133
Final dividend proposed – 5 HK cents per share (2006: 1 HK cent per share)	7,932	2,134
	<u>10,065</u>	<u>4,267</u>

Notes to the Financial Statements (Cont'd)

15. Earnings per share

From continuing and discontinued operations

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK\$154,017,000 (2006: HK\$54,029,000) and the weighted average of 207,947,797 shares (2006: 213,336,285 shares) of HK\$1 each in issue during the year.

From continuing operations

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

	2007 HK\$'000	2006 HK\$'000
Profit for the year attributable to equity holders of the Company	154,017	54,029
Profit for the year from discontinued operation	—	(4,210)
Profit for the purpose of earnings per share from continuing operations	<u>154,017</u>	<u>49,819</u>

The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

From discontinued operation

For the year ended 31 December 2006, earnings per share for discontinued operation was 1.97 HK cents which was based on the profit from discontinued operation of HK\$4,210,000. The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

Notes to the Financial Statements (Cont'd)

16. Property, plant and equipment

<u>Group</u>	Leasehold buildings in Hong Kong – long lease <u>HK\$'000</u>	Equipment and motor vehicles <u>HK\$'000</u>	<u>Total</u> <u>HK\$'000</u>
Cost			
At 1.1.2006	2,900	1,671	4,571
Additions	–	17	17
Disposals	–	(10)	(10)
At 31.12.2006	2,900	1,678	4,578
Additions	–	5	5
Disposals	–	(18)	(18)
At 31.12.2007	2,900	1,665	4,565
Accumulated depreciation			
At 1.1.2006	232	638	870
Provision	58	247	305
Write back	–	(10)	(10)
At 31.12.2006	290	875	1,165
Provision	58	244	302
Write back	–	(16)	(16)
At 31.12.2007	348	1,103	1,451
Net book amount			
At 31.12.2007	2,552	562	3,114
At 31.12.2006	2,610	803	3,413

Notes to the Financial Statements (Cont'd)

17. Investment properties

Group

	Investment properties in Hong Kong – long lease <u>HK\$'000</u>
Valuation at 1.1.2006	28,000
Disposals	(28,000)
Valuation at 31.12.2006 and 31.12.2007	<u>–</u>

18. Leasehold land

Group

	2007 HK\$'000	2006 HK\$'000
Cost		
At 1 January and at 31 December	13,884	13,884
Accumulated amortisation		
At 1 January	82	65
Amortisation for the year	16	17
At 31 December	98	82
Net book amount		
At 31 December	13,786	13,802

Leasehold land was held in Hong Kong under long lease.

Notes to the Financial Statements (Cont'd)

19. Subsidiaries

	<u>Company</u>	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	20,700	20,700
Less: Impairment losses	(16,043)	(16,043)
	<u>4,657</u>	<u>4,657</u>

Details of the subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held	
				by the Company	by the Group
HK 8 Limited	Investment holding	1 share of US\$1	Liberia	–	100
HK 12 Limited	Investment holding	1 share of US\$1	Liberia	–	100
HK 28 Limited	Sales and purchases of securities	1 share of US\$1	Liberia	–	100
HK 333 Limited	General investment	1 share of US\$1	Liberia	–	100
HK 368 Limited	Investment holding	1 share of US\$1	Liberia	–	100
HK 888 Limited	Investment holding and sales and purchases of securities	1 share of US\$1	Liberia	–	100
Lee Hing Investment Company, Limited	Property investment and investment holding	2,000 ordinary shares of HK\$1,000	Hong Kong	100	–
Wang Tak Company Limited	Sales and purchases of securities	1,000 ordinary shares of HK\$1,000	Hong Kong	100	–

As mentioned in note 6 to the financial statements, the Company's interest in subsidiary, Sinonet Holdings Limited was reclassified as assets classified as held for sale.

Notes to the Financial Statements (Cont'd)

20. Associates

	<u>Group</u>	
	2007	2006
	HK\$'000	HK\$'000
Unlisted investments		
Share of net assets	22,844	286,371
Less: Impairment losses	(17,030)	(120,794)
	<u>5,814</u>	<u>165,577</u>
	<u><u>5,814</u></u>	<u><u>165,577</u></u>
	<u>Company</u>	
	2007	2006
	HK\$'000	HK\$'000
Unlisted investments		
Shares, at cost	156	394
Less: Impairment losses	(156)	(156)
	<u>–</u>	<u>238</u>
	<u><u>–</u></u>	<u><u>238</u></u>

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

	2007	2006
	HK\$'000	HK\$'000
Total assets	24,089	3,248,029
Total liabilities	(1,830)	(2,449,049)
Revenue	1,999	487,685
Profit for the year	2,265	182,326

- (a) As mentioned in note 37(d) to the financial statements, the Group's associate, Ichiban Properties Limited was disposed of during the year.
- (b) As mentioned in note 6 to the financial statements, the Group's interest in an associate, Silverlink Holdings Limited was reclassified as assets classified as held for sale.

Notes to the Financial Statements (Cont'd)

20. Associates (Cont'd)

Details of associates are as follows:

Unlisted companies	Principal activities	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Percentage of equity interest held	
				by the Company	by the Group
Cheer Star Development Limited*	Hotel operation	Hong Kong	10,000 ordinary shares of HK\$1	-	28
Double Golden Sdn. Bhd.*	Dormant	Malaysia	RM2	-	50
Infinity Goal Limited*	Property development	Hong Kong	10,000 ordinary shares of HK\$1	-	35
Key Finance Limited*	Investment holding	British Virgin Islands	81,591,755 'A' shares of HK\$0.01 and 81,591,755 'B' shares of HK\$0.01	-	-
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US\$1	-	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US\$1	20	20
Start Hold Limited*	Investment holding	Hong Kong	6 ordinary shares of HK\$1	-	33

* Companies not audited by H. C. Watt & Company Limited.

Notes to the Financial Statements (Cont'd)

21. Investments

	<u>Group</u>	
	2007	2006
	HK\$'000	HK\$'000
(a) Available-for-sale investments		
Listed equity securities, at market value		
Overseas	446,936	376,976
	-----	-----
Unlisted equity securities		
At cost	57,644	88,770
Less: Impairment losses	(47,167)	(74,364)
	-----	-----
	10,477	14,406
	-----	-----
At fair value	1,383	1,238
	-----	-----
	458,796	392,620
	-----	-----
(b) Financial instrument with embedded derivative		
Unlisted investment, at cost	-	265,424
	-----	-----
	458,796	658,044
	-----	-----

(a) Details of the significant available-for-sale investments are as follows:

<u>Listed companies</u>	<u>Place of incorporation</u>	<u>Class of shares</u>	<u>Equity interest held</u>
Padiberas Nasional Berhad	Malaysia	Ordinary shares of RM1	14.34%
Gold IS Berhad	Malaysia	Ordinary shares of RM1	6.60% (2006: 6.64%)

The Group's total interests in Padiberas Nasional Berhad are in excess of 20%. As the Group does not have any representative in board of directors of Padiberas Nasional Berhad, the Group's investment in Padiberas Nasional Berhad is not accounted for as an associate.

The unlisted equity securities do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. They are therefore stated at cost and are subject to review for impairment loss.

Notes to the Financial Statements (Cont'd)

21. Investments (Cont'd)

(b) Financial instrument with embedded derivative

Financial instrument with embedded derivative represents 37.736% participation rights under the US\$79.5 million Note issued by Silverlink Holdings Limited ("Silverlink") on 27 November 2002.

The US\$79.5 million Note is secured, convertible, interest-bearing at 5% per annum and with premium at 10% per annum on the principal amount outstanding payable in arrears on the date of repayment, 30 June 2008, calculated from the date of the issue of US\$79.5 million Note up to the date of repayment. The Noteholder can convert the principal amount into shares of Silverlink by a formula up to the maximum shareholding of 99.99% of the issued share capital of Silverlink. The Note is neither past due nor impaired.

The participation rights include but not limited to the right to interests payable on the US\$79.5 million Note at the rate of 5% per annum payable quarterly and Silverlink shares upon conversion of the principal amount outstanding at the time of conversion. As a participant, the Group only participates in the rights upon the exercise of such rights by the Noteholder and cannot exercise any of the rights under the US\$79.5 million Note independently. The Group will receive payments due under the US\$79.5 million Note or Silverlink shares through the Noteholder, instead of from Silverlink directly.

As mentioned in note 6 to the financial statements, the Group's financial instrument with embedded derivative was reclassified as assets classified as held for sale.

22. Other non-current assets

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from subsidiaries	–	–	1,024,591	1,956,098
Provision for impairment losses	–	–	(417,660)	(860,825)
	–	–	606,931	1,095,273
Amounts due from associates	4,893	141,379	2,044	138,531
Provision for impairment losses	(2,603)	(2,603)	(2,044)	(2,044)
	2,290	138,776	–	136,487
	2,290	138,776	606,931	1,231,760

Amounts due from subsidiaries and amounts due from associates are unsecured, non-interest bearing with no fixed term of repayment and not past due. As mentioned in note 6 to the financial statements, amount due from subsidiary, Sinonet Holdings Limited was reclassified as assets classified as held for sale.

Notes to the Financial Statements (Cont'd)

22. Other non-current assets (Cont'd)

Company

Subsidiaries
HK\$'000

Movements of provision for impairment losses are as follows:

At 1.1.2006	956,307
Write back	(95,482)
At 31.12.2006	860,825
Write back	(24,780)
Reclassified	(418,385)
At 31.12.2007	417,660

23. Held for trading investments

	<u>Group</u>	
	2007 HK\$'000	2006 HK\$'000
Listed equity securities, at cost – overseas	177,491	12,930
Unrealised gain	48,857	25,955
At market value	226,348	38,885

Details of the significant held for trading investments are as follows:

Listed companies	Place of incorporation	Class of shares	Equity interest held
Padiberas Nasional Berhad	Malaysia	Ordinary shares of RM1	7.86% (2006: Nil)
Gold IS Berhad	Malaysia	Ordinary shares of RM1	0.26% (2006: Nil)

Notes to the Financial Statements (Cont'd)

24. Other assets

	<u>Group</u>	
	2007	2006
	HK\$'000	HK\$'000
Club debenture	295	295

25. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors				
Below 30 days	85	717	–	–
Other debtors, deposits and prepayments	206	690	–	537
	291	1,407	–	537

26. Assets classified as held for sale

(a) Assets classified as held for sale comprise:

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subsidiary (1 share of US\$1)	–	–	–	–
Associate	234,688	–	–	–
Financial instrument with embedded derivative	265,424	–	–	–
Amount due from subsidiary	–	–	786,999	–
Debtors, deposits and prepayments	13,714	–	–	–
Time deposits and bank balances	3,531	–	–	–
	517,357	–	786,999	–

(b) Liabilities associated with assets classified as held for sale comprise:

	<u>Group</u>	
	2007	2006
	HK\$'000	HK\$'000
Creditors, deposits and accruals	469	–

Notes to the Financial Statements (Cont'd)

26. Assets classified as held for sale (Cont'd)

(c) Amounts recognised directly in equity relating to assets classified as held for sale comprise:

	<u>Group</u>	
	2007 HK\$'000	2006 HK\$'000
Property revaluation reserve	129,097	–
Translation reserve	(19,475)	–
	<u>109,622</u>	<u>–</u>

As mentioned in note 6 to the financial statements, the classes of assets, liabilities and equity relating to Sinonet Holdings Limited have been reclassified as above. Minority interests relating to assets classified as held for sale have been separately disclosed in the consolidated balance sheet.

27. Creditors, deposits and accruals

	<u>Group</u>		<u>Company</u>	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade creditors	–	–	–	–
Other creditors, deposits and accruals	3,736	5,076	2,358	3,030
	<u>3,736</u>	<u>5,076</u>	<u>2,358</u>	<u>3,030</u>

28. Notes payable

	<u>Group and Company</u>	
	2007 HK\$'000	2006 HK\$'000
Notes payable	–	171,455
Repayment period – Within one year	–	171,455

During the year, the Group paid HK\$166.6 million to the holder of the Notes in settlement of the outstanding amount as at 31 December 2006. The redemption resulted in a gain of approximately HK\$4.8 million.

Notes to the Financial Statements (Cont'd)

29. Other payable

	<u>Group</u>	
	2007	2006
	HK\$'000	HK\$'000
Amount due to an investee company	<u>348</u>	<u>348</u>

Amount due to an investee company is unsecured, non-interest bearing and with no fixed term of repayment.

30. Share capital

	2007	2006
	HK\$'000	HK\$'000
Authorised		
Ordinary shares of HK\$1 each	<u>410,000</u>	<u>410,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each		
Balance at beginning of year	213,336	213,336
Repurchase of shares	(54,689)	–
Balance at end of year	<u>158,647</u>	<u>213,336</u>

Repurchase of shares

During the year, the Company repurchased 54,689,000 of its own shares in which 54,500,000 shares were repurchased off-market as announced on 28 August 2007 and 189,000 shares were repurchased on The Stock Exchange of Hong Kong Limited. The particulars of repurchases are as follows:

Month of repurchases	Number of shares	Price per share paid	Aggregate price paid
<u>2007</u>		HK\$	HK\$'000
November	54,500,000	3.00	163,500
December	189,000	4.00	756
	<u>54,689,000</u>		<u>164,256</u>

The above-mentioned shares were cancelled upon repurchases and, accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. The premium and brokerage expenses paid on repurchases were charged against retained profit and an amount equivalent to the nominal value of the shares cancelled was transferred from retained profit to the capital redemption reserve account as shown in note 31. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Notes to the Financial Statements (Cont'd)

31. Reserves

Group

	2007 HK\$'000	2006 HK\$'000
Capital redemption reserve	189,570	134,881
Share premium	316,006	316,006
Capital reserve	53,585	53,585
Property revaluation reserve	129,097	119,402
Investment revaluation reserve	165,938	87,264
Translation reserve	(19,475)	(23,441)
Retained profit	238,158	262,784
	<u>1,072,879</u>	<u>950,481</u>
Amounts recognised directly in equity relating to assets classified as held for sale	(109,622)	–
	<u>963,257</u>	<u>950,481</u>

The movements of the Group's reserves for the years ended 31 December 2007 and 31 December 2006 are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 3(i) to the financial statements.

Property revaluation reserve and translation reserve represent share of an associate's reserves.

Company

	Capital redemption reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1.1.2006	134,881	316,006	53,585	237,044	741,516
Profit for the year	–	–	–	110,317	110,317
Dividends	–	–	–	(4,267)	(4,267)
At 31.12.2006	<u>134,881</u>	<u>316,006</u>	<u>53,585</u>	<u>343,094</u>	<u>847,566</u>
Profit for the year	–	–	–	506,883	506,883
Dividends	–	–	–	(10,065)	(10,065)
Premium and brokerage expenses paid on share repurchases	–	–	–	(113,889)	(113,889)
Transfer to capital redemption reserve upon share repurchases	54,689	–	–	(54,689)	–
At 31.12.2007	<u>189,570</u>	<u>316,006</u>	<u>53,585</u>	<u>671,334</u>	<u>1,230,495</u>

Notes to the Financial Statements (Cont'd)

31. Reserves (Cont'd)

At balance sheet date, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$679,266,000 (2006: HK\$345,228,000), without taking into account of proposed final dividend for the year.

32. Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash (used in) from operating activities is set out below:

	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities		
Profit from continuing and discontinued operations before taxation	161,556	48,056
Adjustments for:		
Depreciation	302	305
Amortisation of leasehold land	16	17
Loss on disposals of property, plant and equipment	2	–
Share of results of associates	(1,513)	2,787
Net gain on disposals of available-for-sale listed investments	(6,436)	(23,472)
Net gain on remeasurement of assets classified as held for sale	(86,000)	–
Net gain on disposals of available-for-sale unlisted investments	(130)	–
Surplus on disposals of property investment operation	–	(2,135)
Unrealised gain on held for trading investments	(24,975)	(9,891)
Gain on early redemption of Notes payable	(4,879)	–
Net gain on disposal of an associate	(5,122)	–
Provision for impairment losses on an associate	–	17,764
Exchange gain	(805)	(1,927)
Finance costs	64	1,725
Interest income	(23,219)	(26,252)
Dividend income	(21,877)	(16,355)
Operating loss before working capital changes	(13,016)	(9,378)
Increase in held for trading investments	(162,488)	(10,269)
Decrease (increase) in debtors, deposits and prepayments	485	(521)
Decrease in creditors, deposits and accruals	(67)	(284)
Cash used in operations	(175,086)	(20,452)
Dividends received from associates	9,638	9,042
Dividends received	21,877	16,355
Interest received	10,137	12,895
Finance costs paid	(867)	(1,859)
Overseas tax paid	(552)	(310)
Net cash (used in) from operating activities	<u>(134,853)</u>	<u>15,671</u>

Notes to the Financial Statements (Cont'd)

32. Notes to consolidated cash flow statement (Cont'd)

(b) Non-cash transaction

During the year, the Company repurchased 54,500,000 of its own shares off-market as announced on 28 August 2007. The consideration was HK\$163,500,000 and was satisfied in full by the transfer and assignment by the Group of its shares in and loan to an associate and an available-for-sale investment.

33. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of HK\$637,000,000 (2006: HK\$402,000,000) as security for banking facilities extended to the Group in the sum of HK\$51,200,000 (2006: HK\$81,200,000).

34. Financial instruments

(a) Exposure to credit, currency, price, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below.

(i) Credit risk

The carrying amounts of financial assets represent the amounts of maximum exposure to credit risk. The Group's credit risk is primarily attributable to bank deposits and amounts due from associates as mentioned in note 22 to the financial statements. Except for those that are impaired, the management is satisfied with credit quality of financial assets. The Group has significant concentrations of credit risk on bank deposits placed in a bank. The credit risk is limited because the bank is an authorised financial institution with high credit rating. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(ii) Currency risk

The Group is exposed to currency risk on the following financial instruments denominated in Malaysian Ringgit. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

	2007 HK\$'000	2006 HK\$'000
Available-for-sale investments	446,936	376,976
Held for trading investments	188,891	12,341
Time deposits and bank balances	11,897	27,843
	<u>647,724</u>	<u>417,160</u>

Notes to the Financial Statements (Cont'd)

34. Financial instruments (Cont'd)

(ii) Currency risk (Cont'd)

At 31 December 2007, if the foreign currencies had strengthened/weakened 10% against Hong Kong dollars with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

	2007 HK\$'000	2006 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>20,079</u>	<u>4,018</u>
Increase/decrease in investment revaluation reserve	<u>44,694</u>	<u>37,698</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in exchange rates over the period until the next annual balance sheet date.

The Group is also exposed to currency risk on the following financial instruments denominated in United States dollars ("USD"). As USD are pegged to Hong Kong dollars ("HKD"), the Directors do not expect any significant movements in USD/HKD exchange rate.

	2007 HK\$'000	2006 HK\$'000
Available-for-sale investments	3,809	3,664
Financial instrument with embedded derivative	265,424	265,424
Held for trading investments	37,457	26,544
Debtors	13,755	–
Time deposits and bank balances	<u>13,542</u>	<u>81,153</u>
	<u>333,987</u>	<u>376,785</u>

(iii) Price risk

The following available-for-sale investments and held for trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investment with different risk profiles.

	2007 HK\$'000	2006 HK\$'000
Available-for-sale investments	448,319	378,214
Held for trading investments	<u>226,348</u>	<u>38,885</u>
	<u>674,667</u>	<u>417,099</u>

Notes to the Financial Statements (Cont'd)

34. Financial instruments (Cont'd)

(iii) Price risk (Cont'd)

At 31 December 2007, if the equity security price had increased/decreased 10% with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

	2007 HK\$'000	2006 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>22,635</u>	<u>3,889</u>
Increase/decrease in investment revaluation reserve	<u>44,832</u>	<u>37,821</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in security equity prices over the period until the next annual balance sheet date.

(iv) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group's policy is to obtain the most favourable interest rates available for its deposits and borrowing. The following financial instruments are exposed to interest rate risk:

	2007 HK\$'000	2006 HK\$'000
Fixed rate		
Financial instrument with embedded derivative	265,424	265,424
Time deposits and bank balances	67,690	356,042
Notes payable	—	(171,455)
Net carrying amount	<u>333,114</u>	<u>450,011</u>

At 31 December 2007, if the interest rate had increased/decreased by 100 basis points with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

	2007 HK\$'000	2006 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>677</u>	<u>3,560</u>

The 100 basis points increase/decrease represents management's assessment of the likely maximum change in interest rates over the period until the next annual balance sheet date.

Notes to the Financial Statements (Cont'd)

34. Financial instruments (Cont'd)

(v) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. The Group does not have any significant exposure to liquidity risk as the Group is in net current asset position. Maturities of the financial liabilities of the Group are as follows:

	2007 HK\$'000	2006 HK\$'000
Total amounts of contractual undiscounted cash flow		
Creditors, deposits and accruals	4,205	5,076
Notes payable	–	166,637
Other payable	348	348
	<u>4,553</u>	<u>172,061</u>
Due for payment within one year	<u>4,553</u>	<u>172,061</u>

Maturities of the financial liabilities of the Company are as follows:

	2007 HK\$'000	2006 HK\$'000
Total amounts of contractual undiscounted cash flow		
Creditors, deposits and accruals	2,358	3,030
Notes payable	–	166,637
	<u>2,358</u>	<u>169,667</u>
Due for payment within one year	<u>2,358</u>	<u>169,667</u>

(b) The Directors have considered that the carrying amounts of all financial assets and liabilities approximate their fair values at each balance sheet date except as follows:

- (i) Certain investments are stated at cost less any accumulated impairment losses as mentioned in note 21 to the financial statements.
- (ii) Amounts due from subsidiaries and amounts due from associates are unsecured, non-interest bearing and with no fixed term of repayment. Given these terms, it is not meaningful to disclose fair values.

Notes to the Financial Statements (Cont'd)

35. Capital management

The Group's objectives when managing capital are:

- (a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (b) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. During the year, the Group's strategy was unchanged. The debt-to-equity ratios for the years 2007 and 2006 are as follow:

	2007 HK\$'000	2006 HK\$'000
Current liabilities	4,553	177,515
Total debt	4,553	177,515
Total equity	1,288,991	1,206,637
Debt-to-equity ratio	0.004	0.15

The decrease was due to decrease in debt.

Notes to the Financial Statements (Cont'd)

36. Accounting judgement and estimates

Other than notes 20 and 22 to the financial statements, there is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

37. Related party transactions

Details of material related party transactions are as follows:

- (a) Directors' remuneration is disclosed in note 8 to the financial statements.
- (b) Amounts due from associates are disclosed in notes 22 to the financial statements.
- (c) During the year, the Group's pledge of assets and guarantee for bank loan granted to an associate were released and discharged by the bank.
- (d) On 28 August 2007, the Company received a conditional irrevocable offer from New World Hotels (Holdings) Limited ("NWHL"), a substantial shareholder of the Company, to procure the sale to the Company of the 54,500,000 shares owned by Keep Silver Investments Limited ("Keep Silver"), a wholly-owned subsidiary of NWHL, representing NWHL's entire interest in the Company and approximately 25.55% of the issued share capital of the Company, at a total consideration of HK\$163.5 million, representing HK\$3 per share. Such consideration was satisfied in full by the transfer and assignment by the Group of its shares in and loan to Ichiban Properties Limited and Higrade Properties Limited, an associate and an available-for-sale investment of the Group, to Keep Silver and/or its nominee. Such disposals resulted in a gain of approximately HK\$5 million.

38. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions charged to the income statement for the year was HK\$275,000 (2006: HK\$267,000).

39. Contingent liabilities

- (a) Guarantees

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for credit facilities granted to –				
subsidiaries	–	–	51,200	51,200
an associate	–	41,250	–	41,250
	<u>–</u>	<u>41,250</u>	<u>51,200</u>	<u>92,450</u>

During the year, the guarantee for credit facilities granted to an associate was released and discharged by the bank.

Notes to the Financial Statements (Cont'd)

39. Contingent liabilities (Cont'd)

(b) Litigation

At the balance sheet date, Silverlink Holdings Limited and Argent Holdings Ltd., an associate and a subsidiary of Sinonet Holdings Limited, were parties of litigation in the High Court of the Republic of Singapore. In view of the subsequent disposal of Sinonet Holdings Limited, the said litigation would not have material impact on the financial position of the Group.

40. Events after the balance sheet date

On 16 November 2007, the Company entered into the Sale and Purchase Agreement with the purchaser in relation to the sale of its entire interest in Sinonet Holdings Limited for a consideration of US\$105.45 million (HK\$822.51 million). The disposal was approved by the shareholders of the Company on 21 January 2008 and resulted in a gain of approximately HK\$460 million.

41. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

42. Approval of financial statements

The financial statements were approved by the Board of Directors on 15 April 2008.

Five Year Financial Summary

	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover					
Continuing operations	76,562	124,716	206,872	255,323	353,418
Discontinued operation	–	2,071	8,258	–	–
	<u>76,562</u>	<u>126,787</u>	<u>215,130</u>	<u>255,323</u>	<u>353,418</u>
Profit for the year					
Continuing operations	161,640	43,536	22,965	132,292	114,932
Discontinued operation	–	4,210	11,424	–	–
	<u>161,640</u>	<u>47,746</u>	<u>34,389</u>	<u>132,292</u>	<u>114,932</u>
Attributable to:					
Equity holders of the Company	154,017	54,029	42,880	132,956	117,009
Minority interests	7,623	(6,283)	(8,491)	(664)	(2,077)
	<u>161,640</u>	<u>47,746</u>	<u>34,389</u>	<u>132,292</u>	<u>114,932</u>
Dividends	<u>10,065</u>	<u>4,267</u>	<u>4,267</u>	<u>4,242</u>	<u>2,133</u>
Non-current assets	483,800	979,612	896,542	1,104,044	1,312,608
Current assets	809,744	404,540	325,544	175,927	176,539
Total assets	<u>1,293,544</u>	<u>1,384,152</u>	<u>1,222,086</u>	<u>1,279,971</u>	<u>1,489,147</u>
Current liabilities	4,553	177,515	208,390	36,874	8,754
	<u>1,288,991</u>	<u>1,206,637</u>	<u>1,013,696</u>	<u>1,243,097</u>	<u>1,480,393</u>
Non-current liabilities	–	–	–	200,030	180,978
Net assets	<u>1,288,991</u>	<u>1,206,637</u>	<u>1,013,696</u>	<u>1,043,067</u>	<u>1,299,415</u>
Equity					
Share capital	158,647	213,336	213,336	213,336	338,765
Reserves	963,257	950,481	756,257	778,737	904,920
Proposed final dividend	7,932	2,134	2,133	2,133	2,133
	<u>1,129,836</u>	<u>1,165,951</u>	<u>971,726</u>	<u>994,206</u>	<u>1,245,818</u>
Amounts recognised directly in equity relating to assets classified as held for sale	<u>109,622</u>	–	–	–	–
Equity attributable to equity holders of the Company	<u>1,239,458</u>	<u>1,165,951</u>	<u>971,726</u>	<u>994,206</u>	<u>1,245,818</u>
Minority interests	–	40,686	41,970	48,861	53,597
Minority interests relating to assets classified as held for sale	<u>49,533</u>	–	–	–	–
Total equity	<u>1,288,991</u>	<u>1,206,637</u>	<u>1,013,696</u>	<u>1,043,067</u>	<u>1,299,415</u>
Earnings per share (HK cents)					
From continuing and discontinued operations	<u>74.07</u>	<u>25.32</u>	<u>20.10</u>	<u>61.05</u>	<u>34.54</u>
From continuing operations	<u>74.07</u>	<u>23.35</u>	<u>14.74</u>	<u>61.05</u>	<u>34.54</u>
Dividends per share (HK cents)	6.00	2.00	2.00	2.00	1.00