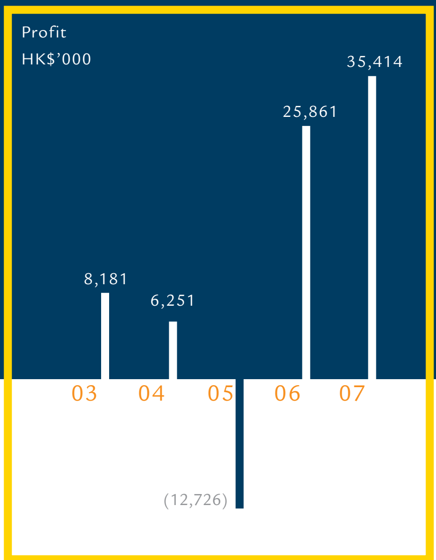
new capital

2007
ANNUAL REPORT

New Capital
International Investment Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code:1062)

Contents

Chairman's Statement



I am delighted to report another year of record results for New Capital. New Capital looks forward to the opportunities and challenges presented by the diversification of business. The Company continued to deliver value to all our stakeholders and to make strategic investments that will drive sustained, superior performance over the long term.

BUSINESS REVIEW

It is encouraging to report that New Capital faces the future from a strong and confident position. The current year profit shows a robust growth of 37% to reach HK$35.4 million after considering the gain in China Property Development (Holdings) Limited ("CPDH") from the divestment of the Richmond Park Project. Underlying earnings per share has improved to HK5.59 cents per share against HK4.13 cents in 2006. The good performance has reflected in an increase in dividend distribution for the year over the previous year. We have proposed dividends of HK2.0 cents per share, an increase of 25%.

CPDH

CPDH, one of the major investments of New Capital, in order to take full advantage of the excellent market conditions existed during 2007, sold its 100% subsidiary which owns a high-end residential development project in Beijing ("the Richmond Park Project"). CPDH completed the sale of the Richmond Park Project in December 2007 and generated an IRR return of over 24% for CPDH's investment in the project. The divestment allows CPDH to shorten investment period and realize its return without waiting for the completion of the whole project and thus the liquidation of the project company. The sale of the Richmond Park Project has contributed significant positive effect to the result of the Company.

BEIJING FAR EAST

+25%
dividend

Beijing Far East Instrument Company Limited, another long-term investment of New Capital, continues to deliver attractive return to the Company in 2007 resulting from the strong and growing demand for "Rosemount" products. In continuation of the pursuit to be the leading industrial measurement instrumentation manufacturer in China, Far East will expand further into "Rosemount" wireless products. This year, with a top line growth over previous year of over 27% and its profit before adjustment reached Rmb9.3 million, it is clearly shown that the business is well positioned for further growth. These exciting developments will allow the Company to benefit from collaborative initiatives, whilst the co-operative family of businesses should also see new opportunities arising from the resulting synergies.

WUHAN XING CHENG BUILDING

New Capital is also looking for the opportunities for growth and keen to explore all investment opportunities in the commercial property market as well as the second tier cities market. We anticipate needs for commercial property expansion in the near future to cater to the growing demand across different cities in China. With this in mind, the Company acquired two retail floors of Wuhan Xing Cheng Building, a 12-floor office tower located at the central areas in Wuhan. It is fully leased with 8% rental yield per annum and we expect a potential for capital appreciation in the medium term.

GOLD MINE PROJECT

The fundamental strength and diversity of our business give us confidence about the future. We continue to explore ways to enhance our performance consistently. In October 2007, we accepted an offer from Hong Ta Group to buy the development right of a gold mine in Yun Nan. Valuation of the mine is about Rmb605 million and our investment is expected to be HK$31.5 million. It would be a valuable investment opportunity for a foreign investor in the gold-mining business which has been properly approved by the government authority. Technical due diligence and legal formalities related to the transfer of share ownership were completed and it is now subject to the financial due diligence in the final stage.

+37%
profit

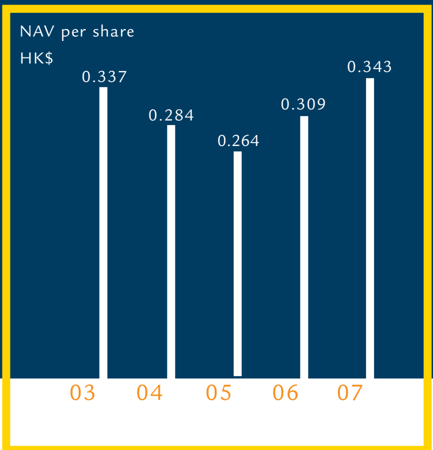
FUTURE PROSPECTS

It is the Company's intention to maintain a reasonable dividend distribution for our shareholders. We plan to reinvest profit of the Company in profitable operations to create substantial higher return for shareholders. This includes active positioning of the Company to take advantage of the market correction currently taking place in the stock market. With the substantial fall out of stock prices across the board, this will create an excellent opportunity for cash rich companies like us to enter the quoted investment market.

The government's effort to cool the property market has enabled the property sector to continue its development in a more healthy way and for a longer sustainable period. All cities except the highly speculated first tier cities have reported a healthy growth in property prices in the first quarter of 2008. The government's austerity measures have resulted in a consolidation of the industry. A number of developers have been under financial pressure and had to put existing projects on sale or to seek financial partners. This has provided excellent opportunity for New Capital to identify new real estate development opportunities with favorable investment terms for the year ahead. The management believes that the demand for property is underpinned by its vast population and the solid economic growth of the country. Investing in housing development projects in secondary cities, avoiding the speculative high end sector, will bring healthy return to the Company with limited risk exposure.

2008 may be a stormy year for most companies, but the Company has positioned itself to take advantage of such situation and confident that it will return another year of good result for all shareholders.

Management Discussion and Analysis



FOR THE YEAR ENDED 31 DECEMBER 2007, the audited net profit for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HK$35,414,291. The consolidated net asset value per share of the Company was HK$233,845,735 as at 31 December 2007. The Group's audited combined profit for the year up to 31 December 2006, and combined net asset value per share as at 31 December 2006 were HK$25,860,547 and HK$0.309 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group was in a good liquidity position, with cash and bank balances of HK$32,298,094 (31 December 2006: HK$33,461,172). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Group's exposure to exchange fluctuations is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 31 December 2007, the Group had net assets of HK$233,845,735 (31 December 2006: HK$191,665,423) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

The Group completed a share placement on 16 October 2007 and allotted 62,000,000 new shares to a subscriber, making the total number of issued share capital of the Group as at 31 December 2007 increased to 682,094,000.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2007, there were no charges on the Group's assets or any significant contingent liabilities (31 December 2006: nil).

PORTFOLIO REVIEW

China Property Development (Holdings) Limited ("CPDH")

The Group invested HK$78 million in CPDH in February 2002, representing an equity interest of 33.42%. CPDH holds 100% interest in a Beijing residential development project, the Richmond Park Project.

The project is a high-end residential development project located in the northeast corner of Beijing within the Lido Area of the Chaoyang District, it is situated in an up market district popular with foreigners and the diplomatic community, with total planned GFA of 340,000 sqm. The pre-sale of apartments was launched in late 2004 and all apartments were fully sold out before the construction completion and handover.

" generating an IRR return of over 24% for CPDH's investment "

To take full advantage of the excellent market conditions existing during the second half of 2007, CPDH completed sale of the Richmond Park Project in December 2007 generating an IRR return of over 24% for CPDH's investment in the project. The divestment allows CPDH to shorten investment period and improves return. The sale has contributed significant positive effect to the Group's 2007 result.

Beijing Far East Instrument Co., Ltd. ("Beijing Far East")

Beijing Far East is a leading industrial precision instrument manufacturer in China. It is a joint venture formed by the Group and Beijing Instrument Industry Holding Co. Ltd. (北京京儀集團有限責任公司) in 1994. The principal business of Beijing Far East is to manufacture meters and precision measuring instruments. Beijing Far East cooperates with Rosemount, the subsidiary of the US Emerson Group, in producing advanced industrial pressure transmitter instruments. It has explored into automated products and industrial integrated control system, it joined hand with other companies and property developers into sector of intelligent building control system and construction technology.

Based on the unaudited management account as at 31 December 2007, the revenue of Beijing Far East increased by 27% to Rmb337 million. In 2007, its gross profit margin was 11.6% and its profit before adjustment for the year reached Rmb9.3 million.

" the revenue of Beijing Far East increased by 27% "

In January 2008, Beijing Far East entered into an important agreement with a Chinese coal-chemical processing company for the supply of "Rosemount" Wireless Transmitter and Smart Wireless Solution, which is a self-organizing network system for measurement information, and would continue expanding the brand of "Rosemount" in the wireless measurement instrumentation market in China.

Up to 2007, "Rosemount" measurement products have shared about 80% in the market of newly produced electricity facilities. In light of the increasing demand within the chemical processing industry, pursuing diversified revenues is particularly important. The sale of "Rosemount" wireless products is just the latest example of Beijing Far East's continuing commitment to pursuing market prospects in China.

(RMB'm)	2007	2006	2005
Revenue	336.94	264.88	210.10
Net Profit	10.16	12.97	5.98
Extraordinary item			(22.88)
Net Profit after tax	9.27	12.97	(17.33)

Retail Floors of Wuhan Xing Cheng Building

Wuhan city is the capital of Hubei Province; it is a famous historical and cultural city in China, a central metropolitan in the middle reaches of Yangtze River, national pivotal industrial base, centre of finance, commerce, logistics, information, science and education in Central China, long being reputed as "Oriental Chicago". It has a population of over 8 million and its GDP is expected to reach Rmb310 billion in 2007, approximately 16% over 2006. The rapid increase was mainly driven by foreign investment and commercial activity.

Wuhan Xing Cheng Building is a commercial building situated at the prime location of the city centre of Jianghan District in Wuhan. It is adjacent to the Wuhan Mobile & Telecommunication Bureau Building in the east, China Southern Airline Building in the west, 70 metres north of the building is Hankou Railway Station and the five-star Oriental Hotel. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings.

The Group has acquired the beneficial interest of Profit Harbour Industrial Limited, a company registered in Hong Kong on June 2007, which holds 4424m sqm of the two retail floors of Wuhan Xing Cheng Building. The floors are fully leased out to CITIC Bank (中信實業銀行武漢分行) and Beijing Illinois (北京伊力諾依家品店) a nationwide high-end store for household items and furniture. There are 12 office floors above the building with more than 200 office units which provide a large customer base for the retail business.

“ rental income of 8% p.a. for 3 years ”

The acquisition will provide the Group a guaranteed rental income of 8% p.a. for 3 years and a potential for capital appreciation. The Group will seek to capture market opportunities to realize profit of the investment.

China Eco-hotel Investments Limited (“China Eco-hotel”)

In December 2006, the Group invested Rmb 10 million into China Eco-hotel to establish a joint venture company, Anyi (Sichuan) Hotel Development Company Limited (“Anyi”). Anyi is a cooperative joint venture of China Eco-hotel with Sichuan Mishan Investment Limited (“Mishan”) to operate and manage economic hotel business in China.

Though the government approval and the business license of the joint venture company had been obtained on 9 March 2007, the company has yet to start operations pending finalization of certain management arrangement with the local partner.

During 2007, competition in the economy hotel business has been severe. A survey shows that the occupation rate of economic hotels in Southwest China has fallen, while at the same time, the average hotel room rate has decreased. Management costs for economic hotels have also increased by 40% in 2007. In view of the less favorable operating environment, the Board of the Company has decided to withdraw its investment in the economic hotel project by putting the joint venture into liquidation. The total investment of Rmb20million are being deposited in a bank account in China has not been put into use and will be fully recoverable. The Group will not suffer any loss from the withdrawal of investment. The Group plans to put the additional cash resources to alternative investment opportunities for better investment return.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Liu Xiao Guang, aged 52, is the Chairman of the board of directors of the Company. He is also the chairman of the board of directors of Beijing Capital Land Ltd., which is a H-share company listed on the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. Mr. Liu has been appointed an Executive Director since April 2004. He was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. Mr. Liu has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing for Beijing Capital. He is currently the vice chairman and deputy general manager of Beijing Capital, a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government. Mr. Liu obtained a bachelor's degree in economics from Beijing Commerce College in 1983.

Mr. Lawrence H. Wood (also known as Wu Yuk Shing or Hu Xu Cheng), aged 46, has been appointed an Executive Director since August 2003. Mr. Wood graduated with a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 10 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing.

Mr. Cheng Bing Ren, aged 57, is the deputy general manager of the Beijing International Trust and Investment Corporation Limited ("BITIC"), a state-owned enterprise which is engaged in the provision of financial trust products and services. Since Mr. Cheng joined BITIC in 1987, he has been primarily responsible for managing BITIC's trust management business. Being a member of the senior management of BITIC's trust management business, Mr. Cheng has wide discretion and authority to make investment decisions for the discretionary trust clients of BITIC. Most of these clients have been assigned by the PRC government. Mr. Cheng is also responsible for the evaluation, monitoring and management of investments for BITIC itself. Mr. Cheng worked as a deputy chairman of China Security Corp. Limited since 2002, primarily responsible for human resource management and internal auditing issues and making significant strategy decision. In 2005, Mr. Cheng is appointed as the Chairman of the Auditing Committee, taking charge of routine duties of the committee. He obtained a graduate certificate from Beijing Normal College, a teachers' college in the PRC, in 1977. Mr. Cheng was appointed an Executive Director in April 2004.

Biographical Details of Directors

Mr. Liu Xue Min, aged 49, was appointed Executive Director of the Company in April 2004. Mr. Liu graduated with a master degree in currency and banking from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998. He is the chairman of First Capital Securities Co., Limited, which is a subsidiary of Beijing Capital and is engaged in the provision of financial services including securities consultation and asset management, and was the general manager of Beijing Jingfang Economic Development Company, a state-owned company which is engaged in the investment, securities and real estate development businesses in the PRC, from 1993 to 1997.

Mr. Shi Tao, aged 44, was appointed Executive Director of the Company in November, 2006. He holds a Bachelor degree in Engineering from Tsinghua University and a Master degree in Engineering from Wuhan Industrial University (now Wuhan University of Technology). Mr. Shi has years of business experience in the PRC. Mr. Shi is currently the President of Sense Control International Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Shi is also an Executive Director of China Haidian Holdings Limited, company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from April 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei, aged 41, has over 10 years of experience in accounting and financial management. He was the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to 2004. Prior to joining this private company in 2001, he worked as the financial controller of Kiu Lok Service Management Co., Ltd., a subsidiary of New World Property Holdings Limited, from 2000 to 2001. He also worked as a senior accountant in Hop Hing Holdings Limited, the shares of which are listed on the Stock Exchange, during 1994 to 2000. Mr. To graduated from the University of Western Sydney, Australia and has a bachelor degree in business administration. He is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of International Accountants. Mr. To was appointed an Independent Non-executive Director in April 2004.

Dr. Kwong Chun Wai Michael, aged 43, is a fellow of the International Institute of Management, a fellow of the Hong Kong Institute of Marketing and a member of the Institute of Supply Chain Management. He is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. Dr. Kwong obtained a bachelor of arts degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987 and a doctor degree in business administration from Newport University in the United States in 2001. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and council member of the Hong Kong Institute of Marketing. Dr. Kwong was appointed an Independent Non-executive Director in April 2004.

Biographical Details of Directors

Mr. Fung Tze Wa, aged 51, is a certified public accountant. He has been a director of World Link CPA Limited, a professional accounting firm in Hong Kong since 2007 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 10 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited and Jiwa Bio-Pharm Holdings Limited, companies whose shares are listed on the Stock Exchange and is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. He obtained a master degree in professional accounting from Hong Kong Polytechnic University in 2000. Mr. Fung was appointed an Independent Non-executive Director in April 2004.

Corporation Information

DIRECTORS

Executive directors

Mr. Liu Xiao Guang, *Chairman*
Mr. Lawrence H. Wood, *Chief Executive Officer*
(also known as Wu Yuk Shing or Hu Xu Cheng)
Mr. Cheng Bing Ren
Mr. Liu Xue Min
Mr. Shi Tao

Independent non-executive directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

COMPANY SECRETARY

Ms. Lo Wing Suet, Anita

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

MEMBERS OF THE AUDIT COMMITTEE

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited
Ground Floor
The Bank of East Asia Building
10 Des Voeux Road Central
Hong Kong

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

ZY International Project Management Limited
P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong) Limited
35th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

WEBSITE

www.newcapital.com.hk

COMPANY TELEPHONE NO.

2973 6883

STOCK CODE

1062

Report of the Directors

The directors present their report to the shareholders together with the audited consolidated financial statements for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the holding of equity investments primarily in companies or other entities with significant business interests or involvement in the People's Republic of China ("PRC").

SUBSIDIARIES AND ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2007 are set out in notes 30, 13 and 14 to the consolidated financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2007 are set out in the consolidated income statement as set out on page 28 of the annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 70 of the annual report.

DIVIDENDS

A final dividend of HK2.0 cents (2006: HK1.6 cents) per share has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting. Subject to the approval by the shareholders of the final dividend at the Annual General Meeting of the Company, the final dividend will be paid on or about 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 13 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 May 2008 to 13 May 2008, both days inclusive. In order to qualify for the proposed final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, namely Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 8 May 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 21 to the consolidated financial statements on pages 55 to 56 of the annual report.

RESERVES

Movements in the reserves during the financial year are set out on pages 30 of the annual report.

DIRECTORS

The directors of the Company during the financial year were:

- Mr. Liu Xiao Guang, *Chairman*
- Mr. Lawrence H Wood, *Chief Executive officer*
  (also known as Wu Yuk Shing or Hu Xu Cheng)
  (also appointed as alternate director to Mr. Cheng Bing Ren on 13 December 2007)
- Mr. Cheng Bing Ren
- Mr. Liu Xue Min
- Mr. Shi Tao
- Dr. Kwong Chun Wai Michael
- Mr. To Chun Kei
- Mr. Fung Tze Wa

Mr. Liu Xiao Guang, Mr. Lawrence H Wood and Dr. Kwong Chun Wai Michael will retire by rotation from the board of directors in accordance with Article 88 of the Company's articles of association at the forthcoming annual general meeting. Mr. Liu Xiao Guang, Mr. Lawrence H Wood and Dr. Kwong Chun Wai Michael, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

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

As at 31 December 2007, none of the Directors of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2007, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate % of shareholding
Lin Si Yu *(Note 1)*	107,600,000	15.77
Sense Control International Limited *(Note 1)*	107,600,000	15.77
Dover VI Associates, LLC (Note 2)	105,800,000	15.51
Dover VI Associates, L.P. *(Note 2)*	105,800,000	15.51
Dover SPING GP LLC *(Note 2)*	85,140,000	12.48
Dover SPING L.P. *(Note 2)*	85,140,000	12.48
Dover Street VI L.P. *(Note 2)*	20,660,000	3.03
Xiong Wei *(Note 3)*	62,000,000	9.09
Econoworth Investments Limited *(Note 3)*	62,000,000	9.09

Notes:

1. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares held by Sense Control International Limited.

2. (a) The 85,140,000 shares were held by Dover SPING L.P., Dover SPING GP LLC, which has controlling interest in Dover SPING L.P., is therefore deemed to be interested in the same parcel of shares held by Dover SPING L.P..

   (b) The 20,660,000 shares were held by Dover Street VI L.P..

   (c) Dover VI Associates, LLC has controlling interest in Dover VI Associates L.P. and Dover VI Associates L.P. has controlling interest in Dover SPING GP LLC and Dover Street VI L.P.. Both Dover VI Associates, LLC and Dover VI Associates L.P. are therefore deemed to be interested in the 85,140,000 shares held by Dover SPING L.P. and the 20,660,000 shares held by Dover Street VI L.P..

3. Econoworth Investments Limited is beneficially and wholly owned by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the same parcel of shares held by Econoworth Investments Limited.

POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles of Association of the Company nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

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 had a material beneficial interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

SHARE OPTION SCHEME

As at 31 December 2007, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

• Purpose:	To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company
• Participants:	Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company
• Total number of ordinary shares available for issue and percentage of the issued share capital that it represents as at the date of the annual report:	64,711,400 ordinary shares and 10% of the issued share capital
• Maximum entitlement of each participant:	Not to exceed 1% of the issued share capital in any 12 month period
• Period within which the securities must be taken up under an option:	30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

• Minimum period for which an option must be held before it can be exercised:	6 calendar months after the offer date of the relevant option
• Amount payable on acceptance of an option:	HK$10
• Period within which payments/ calls/loans must be made/repaid:	Not applicable
• Basis of determining the exercise price:	The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher
• The remaining life of the share option scheme:	Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme

Since the adoption of the share option scheme of the Company, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

MANAGEMENT CONTRACT

Details of management contract made with ZY International Project Management Limited ("Project Manager") is as follows:

Under a project management agreement made between the Company and the Project Manager dated 27 September 2006 (the "Project Management Agreement"), the Project Manager agreed to provide project management services as defined in the Project Management Agreement includes the provision of assistance or procurement of information as may be reasonably required by the board of directors of the Company to carry out due diligence exercise on the potential projects, and assisting the Company in liaising with and supervising of PRC professional advisers; assisting in the execution of the investment and divestment decisions of the Company; responsible for the day-to-day management and supervision of the Company's investments; assisting the Company in completing all legal and statutory requirements in executing the investments of the Company, and providing coordination in obtaining all necessary approval of investments from relevant government authorities. The Project Management Agreement is for an initial term of three years and shall be automatically renewed thereafter for a further three-year period unless and until terminated by either party in accordance with the Project Management Agreement.

Pursuant to the Project Management Agreement, the Project Manager is entitled to a fee calculated at the rate of 1% p.a. of the net asset value of the Company as at the end of each month, payable quarterly in advance. The Project Manager is also entitled to receive an incentive fee calculated at (i) 10% of the realized profit of the Company for a financial year if the realized profit per issued share does not exceed 10%; (ii) 15% of the realized profit if the realized profit per issued share exceeds 10% but is below 15%, or (iii) 20% of the realized profit if the realized profit per issued share equals or exceeds 15%.

The project management fee paid to ZY International Project Management Limited was agreed with both parties in accordance with the terms as stated in the Project Management Agreement.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

(1) Under an investment management agreement made between the Company and Avanta Investment Management Limited ("Avanta") dated 21 August 2006, Avanta agreed to provide investment management advice and all matters relating to the Company's listing status and regulations in relation to Listing Rules and Corporate Governance to the Company for a period of three years from 1 September 2006. Avanta, in accordance with the terms of the agreement, is entitled to a fee for HK$400,000 per annum, payable quarterly in advance.

Avanta is regarded as connected persons of the Company and accordingly the investment management agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2007 was HK$300,000. The investment agreement with Avanta was terminated on 29 February 2008.

(2) Under a custodian agreement between the Company and ING Management (Hong Kong) Limited (renamed as Orangefield Management (Hong Kong) Limited) ("Orangefield") dated 20 September 2006, Orangefield shall be responsible for the safe-keeping of all the Documents of Title which may be delivered to it by the Company from time to time during the continuance of the custodian agreement. The custodian agreement has no fixed term but is subject to termination by either Orangefield or the Company giving to the other party not less than one month's prior notice of termination. Orangefield is entitled to receive a fixed fee of HK$60,000 per year payable in advance on quarterly basis.

Orangefield is regarded as connected person of the Company and accordingly the custodian agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2007 was HK$60,000.

The directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of continuing connected transactions of the Company. The procedures were performed solely to assist the directors of the Company to evaluate in accordance with Rules 14A.38 of the Listing Rules whether, the above continuing connected transactions:

(a) had received the approval of the directors of the Company;

(b) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) had not exceeded the relevant cap amounts for the financial year ended 31 December 2007.

The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the financial year, 120,000 shares of HK$0.01 each were repurchased by the Company at prices ranging from HK$0.182 to HK$0.185 per share through The Stock Exchange of Hong Kong Limited. As at the date of this report, all of the repurchased shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

INVESTMENTS

Details of the Group's investments as at 31 December 2007 are set out on page 54.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2007.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

EMPLOYEE

As at 31 December 2007, the Company has 7 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent. This Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2008 final results was reviewed and recommended to the Board for approval by this Committee on 8 April 2008.

DISTRIBUTABLE RESERVE

At 31 December 2007, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$171,081,153 (2006: HK$165,779,663).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITOR

The consolidated financial statements for the year were audited by Deloitte Touche Tohmatsu who will retire at the conclusion of the forthcoming AGM and, being eligible, will offer themselves for re-appointment.

By Order of the Board of Directors of
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 11 April 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In order to maintain high standards of corporate governance, the Company has applied the principles and complied with all the Code Provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2007 with the exception of the following:–

Provision A.4.1	Non-executive Directors of the Company are not appointed for as specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings.
Provision E.1.2	The chairman of the Board did not attend the annual general meeting held in May 2007 which is due to business commitment.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

Composition and role

The Board of Directors of the Company comprises:

Executive Directors:
Liu Xiao Guang, *Chairman*
Lawrence H Wood, *Chief Executive Officer*
(also known as Wu Yuk Shing or Hu Xu Cheng)
Cheng Bing Ren
Liu Xue Min
Shi Tao

Independent Non-executive Directors:
To Chun Kei
Kwong Chun Wai Michael
Fung Tze Wa

The Board comprises five executive directors (one of whom is the Chairman) and three independent non-executive directors. Of the three independent non-executive directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 9 to 11 of this Annual Report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these independent non-executive directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. Notice of at least 14 days for the regular meetings held in April, June, September and December and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, eight full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director	Number of board meetings attended	Attendance rate
Liu Xiao Guang	5/8	62.5%
Lawrence H. Wood	8/8	100%
Cheng Bing Ren	0/8	0%
Liu Xue Min	6/8	75%
Shi Tao	7/8	87.5%
To Chun Kei	8/8	100%
Kwong Chun Wai Michael	5/8	62.5%
Fung Tze Wa	6/8	75%

Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

Re-election of Directors

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of directors is considered by the board and they must stand for election by shareholders at the annual general meetings.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Company's Articles of Association.

Audit Committee

The Audit Committee comprises:

To Chun Kei – *Committee Chairman*
Kwong Chun Wai Michael
Fung Tze Wa

All of the Audit Committee members are independent non-executive directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2007.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director	Number of meetings attended	Attendance rate
To Chun Kei	2/2	100%
Kwong Chun Wai Michael	2/2	100%
Fung Tze Wa	2/2	100%

Remuneration Committee

The Remuneration Committee was established in 2006 and the current members include:

Liu Xiao Guang – *Committee Chairman*
To Chun Kei
Kwong Chun Wai Michael
Fung Tze Wa

The majority of the Remuneration Committee members are independent non-executive directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005 and revised in 2007.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

The Remuneration Committee held one meeting in 2007 which was attended by all the Remuneration Committee Members.

AUDITOR'S REMUNERATION

During the year 2007, the total amount of remuneration paid/payable to the auditor of the Company for the audit and non-audit services rendered to the Group is as follows:

	HK$
Annual audit services	950,000
Interim review services	300,000

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2007 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements and circulars.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report.

Independent Auditor's Report

TO THE MEMBERS OF
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED
新資本國際投資有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Capital International Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 69, which comprise the consolidated balance sheet 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007	2006
		HK$	HK$
Turnover	5	1,055,601	1,298,316
Other income and gains		1,178,419	12,067
Gain on disposal of available-for-sale securities	6	2,701,007	5,228,806
Gain on disposal of securities held for trading		188,686	1,625,604
Operating expenses	6	(29,071,466)	(9,902,629)
Share of profits of associates	6	58,184,024	27,598,383
Share of profits of jointly controlled entities	6	1,178,020	–
Profit for the year	6	35,414,291	25,860,547
Dividend proposed	10	2.0 cents	1.6 cents
Earnings per share			
Basic	11	5.59 cents	4.13 cents

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	12	**212,197**	365,687
Interest in associates	13	**148,521,008**	110,856,719
Interest in jointly controlled entities	14	**24,795,500**	–
Loan to a jointly controlled entity	15	**9,522,393**	–
Available-for-sale securities	16	–	6,636,300
Investment deposit	17	–	29,284,932
		183,051,098	147,143,638
Current assets			
Dividend receivables from an associate		**21,606,409**	–
Other receivables	18	**12,574,687**	12,713,975
Cash and cash equivalents	19	**32,298,094**	33,461,172
		66,479,190	46,175,147
Current liabilities			
Other payables	20	**15,684,553**	1,653,362
Net current assets		**50,794,637**	44,521,785
Net assets		**233,845,735**	191,665,423
Capital and reserves			
Share capital	21	**6,820,940**	6,202,140
Reserves	22	**227,024,795**	185,463,283
Total equity		**233,845,735**	191,665,423
Net asset value per share	24	**0.343**	0.309

The consolidated financial statements on pages 28 to 69 were approved by the Board of Directors on 11 April 2008 and are signed on its behalf by:

Liu Xiao Guang
DIRECTOR

Lawrence H. Wood
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company							
	Share capital HK$	Share premium HK$	Special reserve HK$	Exchange reserve HK$	Fair value reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2006	6,471,140	177,760,966	382,880,958	4,048,753	3,590,945	–	(403,747,290)	171,005,472
Changes in fair value of available-for-sale securities	–	–	–	–	1,464,700	–	–	1,464,700
Exchange differences on translation of associates	–	–	–	1,902,249	–	–	–	1,902,249
Total income for the year recognised directly in equity	–	–	–	1,902,249	1,464,700	–	–	3,366,949
Transfer to consolidated income statement upon disposal of available-for-sale securities	–	–	–	–	(2,764,145)	–	–	(2,764,145)
Profit for the year	–	–	–	–	–	–	25,860,547	25,860,547
Total recognised income and expense for the year	–	–	–	1,902,249	(1,299,445)	–	25,860,547	26,463,351
Repurchase of shares	(269,000)	–	–	–	–	269,000	(269,000)	(269,000)
Premium on repurchase of shares	–	–	–	–	–	–	(5,534,400)	(5,534,400)
At 31 December 2006 and 1 January 2007	6,202,140	177,760,966	382,880,958	5,951,002	2,291,500	269,000	(383,690,143)	191,665,423
Changes in fair value of available-for-sale securities	–	–	–	–	409,507	–	–	409,507
Exchange differences on translation of associates and jointly controlled entities	–	–	–	1,691,330	–	–	–	1,691,330
Total income for the year recognised directly in equity	–	–	–	1,691,330	409,507	–	–	2,100,837
Transfer to consolidated income statement upon disposal of available-for-sale securities	–	–	–	–	(2,701,007)	–	–	(2,701,007)
Profit for the year	–	–	–	–	–	–	35,414,291	35,414,291
Total recognised income and expense for the year	–	–	–	1,691,330	(2,291,500)	–	35,414,291	34,814,121
Repurchase of shares	(1,200)	–	–	–	–	1,200	(1,200)	(1,200)
Premium on repurchase of shares	–	–	–	–	–	–	(20,936)	(20,936)
Issue of shares	620,000	16,709,000	–	–	–	–	–	17,329,000
Issue of shares expenses	–	(19,169)	–	–	–	–	–	(19,169)
2006 final dividend *(note)*	–	(9,921,504)	–	–	–	–	–	(9,921,504)
At 31 December 2007	6,820,940	184,529,293	382,880,958	7,642,332	–	270,200	(348,297,988)	233,845,735

Note: Pursuant to a resolution passed in the annual general meeting dated 28 May 2007, a final dividend of HK1.6 cents per share, amounting to HK$9,921,504, for the year ended 31 December 2006, was paid and distributed out of the share premium account.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	NOTE	2007	2006
		HK$	HK$
Operating activities:			
Profit for the year		35,414,291	25,860,547
Adjustments for:			
Depreciation		190,725	177,787
Share of profits of associates		(58,184,024)	(27,598,383)
Share of profits of jointly controlled entities		(1,178,020)	–
Gain on disposal of available-for-sale securities		(2,701,007)	(5,228,806)
Operating loss before changes in working capital		(26,458,035)	(6,788,855)
Decrease (increase) in other receivables		5,874,142	(12,404,433)
Increase in other payables		14,031,191	274,140
Decrease in amount due to an associate		–	(8,094)
Cash generated used in operations		(6,552,702)	(18,927,242)
Investing activities			
Proceeds from disposal of available-for-sale securities, net of expenses		7,045,807	19,270,011
Repayment from a jointly controlled entity		1,114,861	–
Investment in a jointly controlled entity		(10,100,000)	–
Payment for purchase of property, plant and equipment		(37,235)	(45,450)
Net cash (used in) from investing activities		(1,976,567)	19,224,561
Financing activities			
Issue of shares		17,329,000	–
Dividend paid		(9,921,504)	–
Repurchase of shares		(22,136)	(5,803,400)
Expenses on issue of shares		(19,169)	–
Net cash from (used in) financing activities		7,366,191	(5,803,400)
Net decrease in cash and cash equivalents		(1,163,078)	(5,506,081)
Cash and cash equivalents at 1 January		33,461,172	38,967,253
Cash and cash equivalents at 31 December	19	32,298,094	33,461,172

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company is incorporated in the Cayman Islands on 1 August 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Laws of 1961 as consolidated and revised) of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale securities and trading securities are stated at their fair values as explained in the accounting policy below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Associates and jointly controlled entities

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.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in associate or jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or jointly controlled entity's profit or loss and of change in equity, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates or jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in associates or jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Available-for-sale securities are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses which are recognised directly in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments in securities held for trading are initially recognised at fair value and are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investment in equity securities are recognised on the balance sheet when the Group becomes a party to the contractual provision of the instruments. Investment in equity securities are derecognised when the rights to receive cash flows from the investment in equity securities expire or, the Group has transferred substantially all the risks and rewards of the ownership. All regular way purchases or sales are recognised and derecognised on a trade date basis.

Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight line method over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture and fixtures	3 years

The useful life of an asset is reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

Amount due from a jointly controlled entity, dividend receivable from an associate and other receivables are initially recognised at fair value and thereafter stated at amortised cost as determined by the effective interest method less impairment losses for bad and doubtful debts.

Impairment of assets

Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

- significant financial difficulty of the counterparty;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Impairment of investments in equity securities and other receivables (Continued)

- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recgonised in respect of other receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against other receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment

  If any such indication exists, the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Other payables

Other payables are recognised or derecognised when the contracted obligations are incurred or extinguished.

Other payables are initially recognised at fair value and thereafter stated at amortised cost according to the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Employee benefits

Short term employee benefits and contributions to defined contribution plans

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

Taxation

Taxation for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profits (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is measured at fair value of the consideration received or receivable and recognised in profit or loss as follows:

Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of foreign currencies (Continued)

The results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Leases

Leases which transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, a number of revised and new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

In particular, the followings are the major effects on the presentation of the consolidated financial statements as a result of the adoption of new HKFRSs.

a. HKFRS 7 Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the consolidated financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (Continued)

b. HKAS 1 Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the consolidated financial statements.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of revised and new standards and interpretation which are not effective for the accounting period ended 31 December 2007 and which have not been adopted in these consolidated financial statements and the followings are the developments:

		Effective for accounting periods beginning 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

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (Continued)

The Group is in the process of making an assessment of what the impact of these revised and new standards and interpretations is expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REPORTING

The Group's principal activities are holding of securities and equity investments as a single business segment. No geographical segment information is presented as the results of the Group are mainly derived from its associates and jointly controlled entities.

5. TURNOVER

The Group's turnover represents interest income and dividend income from available-for-sale securities. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007 HK$	2006 HK$
Interest income from deposits with banks	**1,055,601**	1,032,629
Dividend income from available-for-sale securities	–	265,687
	1,055,601	1,298,316

6. PROFIT FOR THE YEAR

	2007	2006
	HK$	HK$
Profit for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plan	57,544	25,719
Salaries, wages and other benefits	3,248,868	1,867,947
	3,306,412	1,893,666
Operating expenses		
Administrative fees *(note a)*	–	598,356
Audit fee	1,250,000	950,000
Custodian fee *(note b)*	60,000	52,400
Depreciation	190,725	177,787
Operating lease charges for premises	835,610	831,435
Project management fee *(note c)*	15,147,309	945,866
Legal and secretarial fees	1,364,383	815,729
Investment management fees *(note d)*	300,000	1,527,494
Other operating expenses	9,923,439	4,003,562
	29,071,466	9,902,629

Notes:

(a) Administrative fees were paid to Orangefield Management (Hong Kong) Limited (formerly known as ING Management (Hong Kong) Limited), a wholly owned subsidiary of ING Groep N.V. until 30 June 2007. The administrative fee was charged at a fixed amount per annum. The Company terminated these administrative fees with Orangefield Management (Hong Kong) Limited in the previous year. ING Groep N.V. was a substantial shareholder of the Company until 29 December 2006.

(b) On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited. The Group paid custodian fee of HK$60,000 (2006: HK$15,000) in the current year.

(c) Project management fees are paid to ZY International Project Management Limited for project consultancy and management services. A director of the Company was the shareholder of ZY International Project Management Limited in 2006.

6. PROFIT FOR THE YEAR (Continued)

Notes (Continued):

(d) During the year ended 31 December 2006, included in investment management fees of HK$1,427,494 were paid to ING Real Estate (Asia) Limited, a wholly owned subsidiary of ING Groep N.V. On 21 August 2006, the Company entered into a new investment management agreement with an independent party, Avanta Investment Management Limited ("Avanta"), and the fee is charged at a fixed amount per annum. The new investment management agreement was effective on 1 September 2006 with an initial term of three years. The management fees paid to ING Real Estate (Asia) Limited was terminated on 31 August 2006.

Share of profits of associates

	2007 HK$	2006 HK$
Share of profits of associates	58,904,543	42,180,656
Share of associates' taxation	(720,519)	(14,582,273)
	58,184,024	27,598,383

Share of profits of jointly controlled entities

	2007 HK$	2006 HK$
Share of profits of jointly controlled entities	1,178,020	–

Gain on disposal of available-for-sale securities

	2007			2006		
	Skyworth Digital Holdings Limited ("Skyworth Digital") HK$	China Construction Bank Corporation ("CCB") HK$	Total HK$	Skyworth Digital HK$	CCB HK$	Total HK$
Sales proceeds, net of expenses	2,223,183	4,822,624	7,045,807	7,295,435	11,974,576	19,270,011
Original cost	(1,971,000)	(2,373,800)	(4,344,800)	(7,029,000)	(7,012,205)	(14,041,205)
	252,183	2,448,824	2,701,007	266,435	4,962,371	5,228,806

The gain on disposal for the year included HK$2,701,007 (2006: HK$2,764,145) which was transferred from the fair value reserve.

7. TAXATION

Reconciliation between taxation and accounting profit at applicable rate:

	2007 HK$	2006 HK$
Profit for the year	35,414,291	25,860,547
Taxation on profit for the year calculated at 17.5% (2006: 17.5%)	6,197,501	4,525,596
Tax effect of non-deductible expenses	793,003	31,113
Tax effect of non-taxable income	(657,406)	(1,142,246)
Tax effect of share of profits of associates and jointly controlled entities	(10,388,358)	(4,829,717)
Tax effect of tax losses not recognised	4,055,260	1,415,254
Taxation	–	–

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years.

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	2007 Total HK$
Executive directors			
Liu Xiao Guang	30,000	5,000	35,000
Cheng Bing Ren	30,000	5,000	35,000
Lawrence H Wood	690,000	115,000	805,000
Liu Xue Min	30,000	5,000	35,000
Shi Tao	30,000	5,000	35,000
Independent non-executive directors			
Fung Tze Wa	100,000	16,666	116,666
To Chun Kei	100,000	16,666	116,666
Kwong Chun Wai Michael	100,000	16,666	116,666
	1,110,000	184,998	1,294,998

8. DIRECTORS' REMUNERATION (Continued)

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	2006 Total HK$
Executive directors			
Liu Xiao Guang	30,000	–	30,000
Cheng Bing Ren	30,000	–	30,000
Lawrence H Wood	30,000	660,000	690,000
Liu Xue Min	30,000	–	30,000
Shi Tao	3,750	–	3,750
Independent non-executive directors			
Fung Tze Wa	100,000	–	100,000
To Chun Kei	100,000	–	100,000
Kwong Chun Wai Michael	100,000	–	100,000
	423,750	660,000	1,083,750

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2006: two) is director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2006: three) individual, are as follows:

	2007 HK$	2006 HK$
Salaries and other emoluments	**1,655,903**	558,352
Retirement scheme contributions	**45,204**	18,458
	1,701,107	576,810

The emoluments of the four (2006: three) individuals with the highest emoluments are within the band from nil to HK$1,000,000.

10. DIVIDENDS

A final dividend of HK2.0 cents (2006: HK1.6 cents) per share has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basis earnings per share attributable to the ordinary equity holders of the Company is as follows:

	2007 HK$	2006 HK$
Profit		
Profit for the purpose of earnings per share	**35,414,291**	25,860,547
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**633,177,068**	626,250,466

No diluted earnings per share has been presented as there were no potential ordinary shares for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
COST			
At 1 January 2006	401,733	110,520	512,253
Addition	–	45,450	45,450
At 31 December 2006 and 1 January 2007	401,733	155,970	557,703
Additions	–	37,235	37,235
At 31 December 2007	401,733	193,205	594,938
ACCUMULATED DEPRECIATION			
At 1 January 2006	11,159	3,070	14,229
Charge for the year	133,911	43,876	177,787
At 31 December 2006 and 1 January 2007	145,070	46,946	192,016
Charge for the year	133,911	56,814	190,725
At 31 December 2007	278,981	103,760	382,741
CARRYING VALUES			
At 31 December 2007	122,752	89,445	212,197
At 31 December 2006	256,663	109,024	365,687

13. INTEREST IN ASSOCIATES

	2007 HK$	2006 HK$
Share of net assets	148,521,008	110,856,719

The following list contains particulars of associates, all of which are unlisted companies, which principally affect the results or assets of the Group.

Name of the associate	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of interest held by the Group 2007 Voting	2007 Beneficial	2006 Voting	2006 Beneficial	Principal activity
China Property Development (Holdings) Limited ("CPDH")	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares; all shares are at US$0.01 each	20.49%	33.42%	20.49%	33.42%	Investment holding *(note (a)(i))*
Beijing Far East Instrument Company Limited ("Beijing Far East")	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB151,926,184	35%	35%	26%	35%	Electronic and electrical instrument *(note (b))*

13. INTEREST IN ASSOCIATES (Continued)

In particular, subsidiaries under CPDH are as follows:

Name of the company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest 2007	Proportion of ownership interest 2006	Principal activity
Sound Advantage Limited ("Sound Advantage")	Incorporated	British Virgin Islands ("BVI")	1 ordinary share of US$1	100%	100%	Investment holding
Choice Capital Limited ("Choice Capital")	Incorporated	BVI	1 ordinary share of US$1	100%	100%	Investment holding

Summarised financial information on associates:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2007					
100 per cent	780,912	(332,052)	448,860	326,241	161,497
2006					
100 per cent	1,172,242	(822,676)	349,566	960,166	81,757

Details of contingent liabilities of the associates are disclosed in note 28.

13. INTEREST IN ASSOCIATES (Continued)

Notes:

(a) CPDH

(i) CPDH, through its wholly owned subsidiaries, Sound Advantage and Choice Capital, acquired an 80% equity interest in World Lexus Pacific Limited ("World Lexus") in 2002. World Lexus's sole asset is a wholly owned PRC subsidiary, Beijing Pacific Palace Real Estate Development Co., Ltd. ("Beijing Pacific Palace"), which is engaged in a property development project at the Lido area of Jiangtai Town, Chaoyang District, Beijing, the PRC ("Pacific Town project").

(ii) CPDH acquired the remaining 20% equity interest in World Lexus from the former minority shareholders for a consideration of RMB40 million in November 2004. Pursuant to the equity transfer agreement ("20% Equity Transfer Agreement"), CPDH is also required to reimburse the preliminary costs amounting to RMB45 million of the Pacific Town project incurred by the minority shareholders prior to acquisition of the 80% equity interest in World Lexus by Sound Advantage and Choice Capital from the same minority shareholders in 2002.

CPDH has withheld part of the consideration and reimbursement costs as a result of not assisting CPDH in recovering RMB10 million recoverable under the 20% Equity Transfer Agreement, and other breaches of warranties, to cover certain contingent liabilities of Beijing Pacific Palace and World Lexus as set out in notes 28(a) and (b). Due to disputes between the minority shareholders over the proportion which should be received by each shareholder, the balance of the consideration and reimbursement after deducting the amount withheld was settled by a payment to the Hong Kong High Court pursuant to an interpleader relief filed by CPDH.

These claims are currently the subject of arbitration proceedings. The first hearing of arbitration proceedings ended on 20 April 2007 and the second hearing is adjourned.

The directors of the Company, after considering the status of the above litigations and claims and the information provided by the directors of CPDH, are of the opinion that no provision or additional impairment loss is required to be made in the consolidated financial statements of the Group's associates which are used for equity accounting in the consolidated financial statements of the Group. The directors of the Company are of the opinion that there will be no further contingent liabilities in respect of the arbitration proceedings.

(iii) In November 2007, CPDH disposed of its entire interest in World Lexus but excluding the relevant contingent liabilities as set out in note 28 (a) to (h). The gain on disposal of World Lexus was recognised in the current year income statement of CPDH. In accordance with the sale and purchase agreement, CPDH is entitled to 90% of the total consideration upon the completion of the disposal of World Lexus and the remaining 10% amounting to US$6,275,000 will be withheld within a year after the completion of disposal as guarantee for any contingent liabilities and undisclosed tax liabilities.

13. INTEREST IN ASSOCIATES (Continued)

Notes: (Continued):

(b) Beijing Far East

In March 2002, the Group entered into a conditional agreement with Beijing Capital Group pursuant to which, the Group agreed to sell an equity interest of 9% in Beijing Far East for a consideration of approximately RMB14 million, subject to the fulfilment of certain conditions. The consideration is payable over a period of 5 years. Up to 31 December 2007, the disposal has not been accounted for as the conditions have not been satisfied, including the settlement of the consideration. According to the agreement between the Group and Beijing Capital Group, Beijing Capital Group is required to transfer back the equity interest in Beijing Far East in relation to the unpaid portion of the consideration to the Group upon the expiry of the 5-year period ended 31 December 2006. The voting interest in Beijing Far East of 9% was transferred back to the Group during the year ended 31 December 2007. The Group has been accounting for the share of profit or loss attributable to the portion of equity interest for which consideration has not been settled. As such, although the conditional agreement expired during the year, the Group has accounted for 35% of the result of Beijing Far East for the year. The Group is in the process on the resolution of excessive voting right in Beijing Far East in compliance with Chapter 21 of the Listing Rules. No final resolution has been reached up to the date of the consolidated financial statements are authorised for issue by the directors. A director of the Company is also a member of the key management of Beijing Capital Group.

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

	2007 HK$	2006 HK$
Share of net assets	24,795,500	–

(a) Profit Harbour Industries Limited ("Profit Harbour")

During the year, the Group entered into an agreement ("Agreement") with the vendor of the investment deposit as set out in note 17 to settle the outstanding investment deposits by transfer of equity interest of Profit Harbour which holds certain investment properties in the PRC.

Profit Harbour has an authorised and issued share capital of HK$10,000 divided into 300 ordinary shares, 9,000 non-voting ordinary shares and 700 redeemable voting deferred shares of HK$1 each.

In accordance with the Agreement, the Group acquired 300 ordinary shares and 9,000 non-voting ordinary shares of HK$1 each of Profit Harbour and loan of principal amount of HK$10,637,254 due and owing by Profit Harbour to the vendor, and the considerations were fully and validly made by way of settlement against the sum of HK$29,284,932 of the investment deposit.

14. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(a) Profit Harbour Industries Limited ("Profit Harbour") (Continued)

The Group's profit sharing ratio and proportion of voting rights in Profit Harbour are 100% and 30% respectively.

The vendor then provided a minimum annual rental guarantee from the existing tenancies of those investment properties in the PRC. The vendor also granted the Group an option to require the vendor to purchase all of the Group's legal and beneficial interest in and loan due from Profit Harbour at any time from 1 January 2011 to 31 December 2011, at a pre-determined consideration set out in the Agreement.

The directors considered that the interest in jointly controlled entity would be recoverable from the Group's attributable interest derived from these investment properties in the PRC and accordingly, no impairment loss for the investment in and loan to a jointly controlled entity is recognised at 31 December 2007.

(b) China Eco-Hotel Investments Limited ("China Eco-Hotel")

The Group entered into an agreement to set up a jointly controlled entity, China Eco-Hotel to invest in Anyi (Sichuan) Hotel Development Co., Ltd. ("Anyi"). China Eco-Hotel was incorporated in January 2007 with authorised capital of HK$20,200,000 divided into 10,100,000 ordinary shares of HK$1 each and 10,100,000 non-voting shares of HK$1 each. The Group subscribed for 3,030,000 ordinary shares and 7,070,000 non voting shares for a total consideration of HK$10,100,000 while the Group is entitled to 50% of the equity interest in China Eco-Hotel with 30% voting rights in its shareholders' meetings.

Anyi is a sino foreign equity joint venture company incorporated in the PRC in March 2007 to operate and manage budget hotel businesses in the PRC. China Eco-Hotel subscribed for a equity interest of 90.9% in Anyi for a total consideration of RMB20,000,000.

Anyi has not commenced its business during the year. On 3 December 2007, the directors of China Eco-Hotel proposed to liquidate Anyi. The liquidation of Anyi is in progress and has not yet completed up to the consolidated financial are authorised for issue. The directors of the Company and China Eco-Hotel considered the underlying assets and liabilities of Anyi approximate to the net realisable values.

15. LOAN TO A JOINTLY CONTROLLED ENTITY

The amount is interest-free and unsecured. Details of the amount is set out in note 14.

16. AVAILABLE-FOR-SALE SECURITIES

	2007 HK$	2006 HK$
Securities listed in Hong Kong	–	4,344,800
Fair value adjustment	–	2,291,500
	–	6,636,300

The amount at 31 December 2006 represented the Group's investments in Skyworth Digital and CCB which shares are listed on the Stock Exchange. The shares of Skyworth Digital and CCB were disposed of in the current year.

17. INVESTMENT DEPOSIT

The amount represented the purchase consideration paid to acquire a 15% equity interest in a joint venture entity in the PRC in 2003 pursuant to a purchase agreement dated 10 November 2003. The PRC joint venture entity is engaged in the development of residential properties at the Taiyanggong Zone F in Beijing, the PRC. The purchase agreement has expired as the equity transfer was not effected by 31 October 2004 due to a delay.

According to a settlement agreement dated 10 May 2005, the investment deposit of HK$35 million plus compensation would be refunded by the vendor in two instalments on 30 June 2005 and 31 December 2005. The first instalment of HK$5.7 million was received in July 2006 and accounted for as a partial repayment of the investment deposit in the financial statements. The vendor did not pay the final instalment due on 31 December 2005.

During the year, the Group entered into an agreement with the vendor for the transfer of an equity interest in a jointly controlled entity which holds certain investment properties in the PRC to settle the remaining balance of the investment deposits.

Details of the jointly controlled entity are set out in note 14.

18. OTHER RECEIVABLES

All of the other receivables are expected to be recovered within one year.

Included in other receivables represented advance of HK$5,050,000 to the venture partner of China Eco-Hotel. The advance is pledged by 5,050,000 ordinary shares of China Eco-Hotel held by that venture partner. Such concentration of credit risks have been reduced by the collateral held by the Group.

19. CASH AND CASH EQUIVALENTS

	2007 HK$	2006 HK$
Deposits with banks	29,038,453	15,500,976
Cash at bank and in hand	3,259,641	17,960,196
	32,298,094	33,461,172

The effective interest rates of the deposits range from 1.88% to 4.91% (2006: 2.82% to 4.78%) per annum and all of them have a maturity within three months from initial inception.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entities to which they related.

	2007 HK$	2006 HK$
United States dollars	2,771,691	2,699,370

20. OTHER PAYABLES

All of the other payables are expected to be settled within one year.

21. SHARE CAPITAL

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	12,000,000,000	120,000,000
Issued and fully paid:		
At 1 January 2006	647,114,000	6,471,140
Repurchase of shares *(note a)*	(26,900,000)	(269,000)
At 31 December 2006 and 1 January 2007	620,214,000	6,202,140
Repurchase of shares *(note a)*	(120,000)	(1,200)
Increase in shares upon the Subscription *(note b)*	62,000,000	620,000
At 31 December 2007	682,094,000	6,820,940

21. SHARE CAPITAL (Continued)

Notes:

(a) The Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of shares	Price per share Lowest	Price per share Highest	Aggregate consideration
		HK$	HK$	HK$
2007				
January 2007	120,000	0.182	0.185	22,136
2006				
February 2006	13,940,000	0.158	0.255	1,156,440
March 2006	9,890,000	0.220	0.225	3,973,950
October 2006	3,070,000	0.219	0.220	673,010
	26,900,000			5,803,400

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against accumulated losses. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated losses to the capital redemption reserve.

(b) Pursuant to a subscription agreement dated 19 September 2007 made between the Company and Econoworth Investments Limited ("the Subscriber"), the Subscriber agreed to subscribe for 62,000,000 shares in the Company and the Company agreed to issue 62,000,000 shares in the share capital of the Company to the Subscriber at a subscription price of HK$0.2795 per share.

On completion of the subscription on 16 October 2007, 62,000,000 shares of HK$0.01 each were issued and allotted to the Subscriber at a consideration of HK$0.2795 per share. There is no current definitive investment project in which the cash proceeds of the Subscription are proposed to be used. The shares issued rank pari passu in all respects with the then existing shares of the Company.

22. RESERVES

Nature and purposes of reserves

Share premium

The share premium of the Company represents aggregate of:

(i) The excess of the value of the shares of ING Beijing Investment Company Limited ("ING Beijing") acquired pursuant to the scheme of arrangement (the "Scheme") over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account. The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

22. RESERVES (Continued)

Nature and purposes of reserves (Continued)

Share premium (Continued)

(ii) 2006 final dividend payment as set out in consolidated statement of change of equity.

Details of the Scheme are set out in the circular dated 13 January 2005. ING Beijing liquidated in November 2005.

Special reserve

The special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to the Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statements of associates and jointly controlled entities. The reserves are dealt with in accordance with the accounting policy set out in note 2.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policy in note 2.

Capital redemption reserve

The capital redemption reserve represented the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

23. EQUITY COMPENSATION BENEFITS

The Company operates a share option scheme under which the Board of Directors of the Company may grant options to employees of the Company and its subsidiaries, including directors, to subscribe for shares of the Company. Each option gave the holder the right to subscribe for one share. The subscription price will be the higher of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day); and

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

There were no options granted under the new share option scheme of the Company during the years ended 31 December 2007 and 2006 or outstanding options as at the balance sheet dates.

24. NET ASSET VALUE PER SHARE

The net asset value per share is computed based on the consolidated net assets of HK$233,845,735 (2006: HK$191,665,423) and 682,094,000 ordinary shares in issue as at 31 December 2007 (2006: 620,214,000 ordinary shares).

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2007	2006
	HK$	HK$
Financial assets		
Loans and receivables		
Loan to a jointly controlled entity	9,522,393	–
Investment deposit	–	29,284,932
Dividend receivable from an associate	21,606,409	–
Other receivables	10,732,625	12,442,834
Cash and cash equivalents	32,298,094	33,461,172
	74,159,521	75,188,938
Financial liabilities		
At amortised cost		
Other payables	160,452	100,867

Financial risk management objectives and policies

The Group's major financial instruments include loan to a jointly controlled entity, dividend receivable from an associate, cash and cash equivalent and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At the respective balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on liquid funds is limited because the majority of the counterparty is a bank with high credit ratings assigned by international credit-rating agencies.

The Group have concentration risks for funds of approximately HK$5,623,689 (2006: HK$12,139,064) under a brokerage account included in other receivables. The risk associated is limited because the counter party is with sound credit-rating.

The Group have concentration risks for dividend receivables from an associate and loan to a jointly controlled entity. The directors carry a periodic review on the financial position and liquidity of the associate and jointly controlled entity, and considered the exposure to such credit risk is minimal.

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risks

The Group's activities expose it primarily to the market risks of changes in interest rate risk and foreign currency rate risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. The Company's market risk exposure is minimal. Details of each type of market risks are described as follows:

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and the Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently has not entered into interest rate swaps hedge against its exposure to interest rate risk. The Group currently does not have a interest rate hedge policy. However, the management will periodically monitor interest rate exposure. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Interest rate sensitivity

A 100 basis point is used and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity has been determined assuming the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date.

If interest rates had been 100 basis points higher and all other variables were held constant, the potential effect on profit for the year is as follows:

	2007	2006
	HK$	HK$
Increase in profit for the year	32,258	181,268

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risks (Continued)

Price risk

Equity price risk

Investments in securities are subjected to changes in market prices. The exposure to price change is managed by closely monitoring the changes in market conditions that may have an impact in the market prices or factors affecting the value of these investments in securities.

The Group disposed all investments in securities during the year and the Group is no longer exposed to equity price risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Other payables are the only financial liability of the Group and all amounts are expected to be settled within one year.

Fair values

All financial instruments are carried at amortised cost not materially different from their fair values at 31 December 2007 and 2006.

Estimation of fair values

Fair value of securities is based on quoted bid market prices at the balance sheet date without any deduction for transaction costs.

Fair value of other financial assets and financial liabilities is determined by discounting future cash flows using market interest rates for similar instruments.

27. COMMITMENTS

Capital commitments

At the balance sheet date, the Group did not have any capital commitment. At 31 December 2006, the Group's share of the capital commitments of a former associate, Beijing Pacific Palace, outstanding not provided for in the financial statements was as follows:

	HK$
Authorised and contracted for	146,648,000
Authorised but not contracted for	441,546,000
	588,194,000

Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007 HK$	2006 HK$
Within 1 year	**534,040**	801,060
After 1 year but within 5 years	–	534,040
	534,040	1,335,100

The Group leases a property under an operating lease. The lease runs for an initial period of three years for fixed rentals, with an option to renew the lease upon expiry when all terms are renegotiated. The lease does not include any contingent rentals.

28. CONTINGENT LIABILITIES

The Group's former associates, Beijing Pacific Palace and World Lexus, had the following contingent liabilities. The Group's interests in these former associates is disclosed in note 13.

(a) In July 2004, Beijing Pacific Palace commenced legal proceedings against a consultancy company to recover a deposit paid of RMB14 million in relation to the Pacific Town project plus compensation of RMB34 million for the delay in resettlement work of Phase I. The consultancy company has made a counter claim of RMB20 million against Beijing Pacific Palace for breach of contract.

According to the first judgement delivered in July 2005, the court dismissed the counter claim of the consultancy company and ordered it to repay RMB9 million to Beijing Pacific Palace plus interest for the period from May 2002 to July 2005. Beijing Pacific Palace did not agree with the first judgement and filed an appeal with the court in August 2005. The final judgement was delivered in December 2005 whereby the court ordered the consultancy company to repay the entire amount of the deposit paid of RMB14 million plus interest for the period from May 2002 to the date of repayment. However, the claim of the compensation of RMB34 million by Beijing Pacific Palace was dismissed.

Beijing Pacific Palace had provided for an impairment loss of RMB4 million against the deposit in prior years. The remaining amount of RMB10 million is recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement and has been deducted from the consideration payable to the minority shareholders. As the consultancy company may not have the ability to repay the entire amount of the deposit and only RMB10 million is recoverable under the 20% Equity Transfer Agreement, CPDH has withheld and will claim such amount of RMB10 million together with unrecovered costs in the arbitration proceedings as set out in note (e) below.

(b) In April 2005, a third party made a claim of RMB5.3 million plus interest and damages against World Lexus for services rendered pursuant to certain agreements which amounted to a total of RMB9.4 million. As these agreements were not disclosed in the 20% Equity Transfer Agreement, this constitutes a breach of warranties included in the 20% Equity Transfer Agreement and CPDH has deducted the amount claimed by the third party from the consideration payable to the minority shareholders. In September 2005, the third party commenced legal proceedings in the Hong Kong High Court against World Lexus and subsequently, the former minority shareholders of World Lexus have filed an application to the court for an intervention to the litigation.
In December 2006, World Lexus paid the third party RMB2.2 million and such third party's claim against World Lexus was dismissed. World Lexus has withheld and claimed such payment of RMB2.2 million together with other unrecovered costs in this action in the arbitration proceedings as set out in note (e) below.

28. CONTINGENT LIABILITIES (Continued)

(c) In July 2005, another third party made a claim of approximately RMB53 million against World Lexus pursuant to an agreement entered into by the third party and World Lexus in 2001 for services rendered in connection with the Pacific Town project. This agreement was also not disclosed in the 20% Equity Transfer Agreement and constitutes a breach of warranties.

In July 2006, World Lexus was provided with a confirmation from the third party confirming that the third party has waived the rights under the alleged agreement and has withdrawn the claim. The directors of CPDH consider that no provision is required as any loss will be recoverable from the former minority shareholders under the terms of the 20% Equity Transfer Agreement. CPDH has included the claim of unrecovered costs in relation to the arbitration proceedings in (e) below.

(d) As a result of the breach of the 20% Equity Transfer Agreement and other litigations as set out in notes (a) to (c) above, CPDH withheld approximately RMB15,700,000 and HK$24,000,000, in which it included failure to provide tax invoices of approximately RMB4.95 million to Beijing Pacific Palace; share of stamp duty of approximately HK$79,754; payment of RMB20 million arising out of failure of payment of RMB18.1 million by a contracted party to Beijing Pacific Palace; and other unrecovered costs of the litigations arising out of the breach of the 20% Equity Transfer Agreement.

(e) In April 2005, CPDH, and the related contracted parties under the 20% Equity Transfer Agreement commenced arbitration proceedings in respect of the deductions involving the matters referred to in (a) and (d) above as well as certain other deductions which CPDH has made under the terms of the 20% Equity Transfer Agreement.

The first hearing of arbitration proceedings ended on 20 April 2007 and a second hearing was originally scheduled in May 2008. The arbitration proceedings is adjourned pending for the resolution of the matter referred to in (g) below.

(f) In serving the legal documents for the arbitration proceedings as related to (e) above, some parties of the respondents made a counter claim in respect of loss of the development right relating to part of the Pacific Town project in the arbitration proceedings. The counter claim on the loss in the development right in part of the Pacific Town project by these parties is with reference to the business valuation conducted by their valuer, whereas the compensation of such loss of development right is RMB20,000,000 in accordance with the 20% Equity Transfer Agreement. In June 2007, another party of the respondents objected the counterclaim against CPDH and Beijing Pacific Palace in the arbitration proceedings.

(g) On September 2007, a former minority shareholder of World Lexus and other independent third parties seek for an inter alia a declaration from the Hong Kong High Court to bring a counterclaim by way of a derivative action. CPDH applied for an intervention on the counterclaim and a hearing is scheduled in April 2008. The hearing of the application will be held on May 2008.

28. CONTINGENT LIABILITIES (Continued)

(h) In accordance with the sale and agreement of disposal of World Lexus, CPDH would have to reimburse the buyer for any shortfall if the resettlement for the last unit in a particular pre-determined land lots included in Pacific Town Project exceeding RMB10,000,000.

29. RELATED PARTY TRANSACTIONS

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

During the year, the Group paid HK$360,000 (2006: HK$30,000) to a director of CPDH, who resigned as a director of CPDH on 2 February 2008, for consultancy services.

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group paid key management personnel compensation as follows:

	2007 HK$	2006 HK$
Salaries and other short-term employee benefits	2,391,625	1,503,601
Retirement scheme contributions	24,000	9,824
	2,415,625	1,513,425

30. FINANCIAL INFORMATION OF THE COMPANY

	2007	2006
	HK$	HK$
Non-current assets		
Property, plant and equipment *(note 12)*	212,197	365,687
Investments in subsidiaries *(note a)*	48	40
Investment in an associate	78,000,008	78,000,008
Amounts due from subsidiaries	63,055,054	49,695,180
Available-for-sale securities	–	4,950,000
	141,267,307	133,010,915
Current assets		
Other receivables	6,122,544	12,655,951
Dividend receivable from an associate	21,606,409	–
Cash and cash equivalents	32,290,180	33,335,217
	60,019,133	45,991,168
Current liabilities		
Other payables	15,678,703	1,652,956
Amount due to a subsidiary	7,705,644	5,367,324
	23,384,347	7,020,280
Net current assets	36,634,786	38,970,888
Net assets	177,902,093	171,981,803
Capital and reserves		
Share capital *(note 19)*	6,820,940	6,202,140
Reserves *(note b)*	171,081,153	165,779,663
Total equity	177,902,093	171,981,803

30. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

(a) Subsidiaries

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

Name of subsidiary	Place of incorporation	Issued and paid up capital held by the Company	Proportion of ownership interest held 2007	Proportion of ownership interest held 2006	Principal activity
Kencheers Investments Ltd.	BVI	1 share of US$1	**100%**	100%	Investment holding
Pacific Equity Venture Inc.	BVI	1 share of HK$1	**100%**	100%	Investment holding
Success Journey Ltd.	BVI	1 share of US$1	**100%**	100%	Investment holding
Great Progress Ltd.	Mauritius	2 shares of US$1 each	**100%**	100%	Investment holding
Grow Reach Investment Ltd.	BVI	2 shares of US$1 each	**100%**	100%	Investment holding
Charm Jumbo Group Limited	BVI	1 share of US$1 each	**100%**	N/A#	Investment holding

\# Newly incorporated in 2007

During the year, Great Progress Ltd. commenced deregistration and the process has not yet completed up to the consolidated financial statements are authorised for issue.

30. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes: (Continued)

(b) Reserve

	Share premium HK$	Fair value reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2006	177,760,966	1,190,945	–	(7,611,788)	171,340,123
Changes in fair value of available-for-sale securities	–	2,275,000	–	–	2,275,000
Expenses for the year recognised directly in equity	–	2,275,000	–	–	2,275,000
Transfer to income statement upon disposal of available-for-sale securities	–	(889,745)	–	–	(889,745)
Loss for the year	–	–	–	(1,411,315)	(1,411,315)
Total recognised income and expense for the year	–	1,385,255	–	(1,411,315)	(26,060)
Repurchase of shares	–	–	269,000	(269,000)	–
Premium on repurchase of shares	–	–	–	(5,534,400)	(5,534,400)
At 31 December 2006 and 1 January 2007	177,760,966	2,576,200	269,000	(14,826,503)	165,779,663
Changes in fair value of available-for-sale securities	–	(127,376)	–	–	(127,376)
Expenses for the year recognised directly in equity	–	(127,376)	–	–	(127,376)
Transfer to income statement upon disposal of available-for-sale securities	–	(2,448,824)	–	–	(2,448,824)
Profit for the year	–	–	–	1,130,299	1,130,299
Total recognised income and expense for the year	–	(2,576,200)	–	1,130,299	(1,445,901)
Repurchase of shares	–	–	1,200	1,200	–
Premium on repurchase of shares	–	–	–	(20,936)	(20,936)
Issue of shares	16,709,000	–	–	–	16,709,000
Issue of shares expenses	(19,169)	–	–	–	(19,169)
2006 final dividend	(9,921,504)	–	–	–	(9,921,504)
At 31 December 2007	184,529,293	–	270,200	(13,718,340)	171,081,153

31. POST BALANCE SHEET EVENT

On 29 February 2008, the Company terminated the investment management agreement with Avanta as set out in note 6. On 3 March 2008, the Company entered into a new investment management agreement with KBR Management Limited. A director of CPDH, who resigned as director of CPDH on 2 February 2008, is the sole owner and a director of KBR Management Limited. A key management personnel of the Company is a director of KBR Management Limited.

Five Year Group Financial Summary

RESULTS

	2007 HK$	2006 HK$	2005 HK$	2004 HK$	2003 HK$
Turnover	1,055,601	1,298,316	1,621,862	1,095,902	2,432,851
Profit (loss) for the year	35,414,291	25,860,547	(12,726,109)	6,251,287	8,181,299

ASSETS AND LIABILITIES

	2007 HK$	2006 HK$	2005 HK$	2004 HK$	2003 HK$
Non-current assets					
Property, plant and equipment	212,197	365,687	498,024	–	–
Interest in associates	148,521,008	110,856,719	81,347,993	88,567,299	92,851,572
Interest in jointly controlled entities	24,795,500	–	–	–	–
Loan to a jointly controlled entity	9,522,393	–	–	–	–
Available-for-sale securities	–	6,636,300	21,976,950	13,600,000	44,497,050
Investment deposit	–	29,284,932	29,284,932	35,000,000	35,000,000
	183,051,098	147,143,638	133,107,899	137,167,299	172,348,622
Current assets					
Dividend receivable from an associate	21,606,409	–	–	–	–
Other receivables	12,574,687	12,713,975	309,542	742,142	1,525,093
Cash and cash equivalents	32,298,094	33,461,172	38,967,253	49,387,783	14,470,509
	66,479,190	46,175,147	39,276,795	50,129,925	15,995,602
Current liabilities					
Other payables	15,684,553	1,653,362	1,379,222	3,483,557	1,617,495
Current taxation	–	–	–	–	5,000,000
	15,684,553	1,653,362	1,379,222	3,483,557	6,617,495
Net current assets	50,794,637	44,521,785	37,897,573	46,646,368	9,378,107
Net assets	233,845,735	191,665,423	171,005,472	183,813,667	181,726,729
Share capital	6,820,940	6,202,140	6,471,140	6,471,140	5,395,140
Reserves	227,024,795	185,463,283	164,534,332	177,342,527	176,331,589
Total equity	233,845,735	191,665,423	171,005,472	183,813,667	181,726,729

The consolidated financial statements in relation to each of the five years ended 31 December 2003, 2004, 2005 and 2006 were prepared on the basis as all the entities which took part in the Scheme were under common control before and immediately after the Scheme becoming effective.