丹 楓 控 股 有 限 公 司
Dan Form Holdings Company Limited

2007

ANNUAL REPORT

Stock Code: 271

CONTENTS

Corporate Information

DIRECTORS	:	Dai Xiaoming *(Chairman and Chief Executive)* Kenneth Hiu King Kon *(Deputy Chief Executive)* Jesse Nai Chau Leung** Xiang Bing** Edward Shen** ** *Independent Non-Executive Directors*
AUDIT COMMITTEE	:	Jesse Nai Chau Leung *(Chairman)* Xiang Bing Edward Shen
REMUNERATION COMMITTEE	:	Edward Shen *(Chairman)* Jesse Nai Chau Leung Xiang Bing
COMPANY SECRETARY AND FINANCIAL CONTROLLER	:	Fung Man Yuen
AUDITORS	:	PricewaterhouseCoopers
PRINCIPAL BANKERS	:	Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank (Hong Kong) Limited
SOLICITORS	:	Stephenson Harwood & Lo Hampton, Winter & Glynn
REGISTRARS	:	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
REGISTERED OFFICE	:	Room 901-903, Harbour Centre 25 Harbour Road, Wanchai, Hong Kong
WEBSITE	:	http://www.danform.com.hk

Board of Directors of Dan Form Holdings Company Limited

Mr. Edward Shen **Mr. Kenneth Hiu King Kon** **Mr. Jesse Nai Chau Leung**

Mr. Dai Xiaoming
Chairman and Chief Executive

Dr. Xiang Bing

Chairman's Statement

Mr Dai Xiaoming

Chairman and Chief Executive

RESULTS

Dan Form Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of HK$35,995,000 for the year ended 31 December 2007, which represented an increase of approximately HK$7,011,000 or 24% as compared with last year. The increase in revenue was mainly due to the increase in income generated from property sale and the increase in rental income from Hong Kong.

The Group's profit attributable to equity holders in this year was HK$365,295,000, as compared to HK$52,893,000 in last year. The increase in profit of this year was mainly attributable to increase in fair value of investment properties held by the Group and its associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 72% and 91% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 71%. During the year, the Group's net rental income from property leasing was more than that in the last year.

Beijing Business

The Wangfujing Project

Lot F1

According to the supplementary sale and purchase agreements entered between Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, and China Yintai Investment Company Limited ("China Yintai") on 8 February 2006, Turbo Dragon has sold its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for a total consideration of RMB134,070,000 (approximately HK$131,047,000) and interest thereon of approximately RMB12,225,000 (approximately HK$12,012,000).

As at 31 December 2007, Turbo Dragon has received five instalments of consideration and the accrued interest from China Yintai, and the 61.1% shareholding of Beijing Lucky was transferred to China Yintai. The interest of the Group in Beijing Lucky was transferred in stages in proportion to the actual amount received from China Yintai. The deposit and the first to the fourth instalments, representing 50.6% shareholding of Beijing Lucky, together with the accrued interest and the relevant penalties amounted to RMB120,468,000 (approximately HK$117,232,000) were received in 2006. The fifth instalment, which is the last instalment, of approximately RMB22,870,000 (approximately HK$22,870,000), representing the remaining 10.5% shareholding of Beijing Lucky, together with the accrued interest and penalty of approximately RMB2,957,000 (approximately HK$2,957,000) were received on 9 February 2007.

At present, the Group has no control in shareholdings and management of Beijing Lucky.

Dan Yao Building (85% owned)

On 11 May 2007, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") confirmed the appointment of Beijing Enterprise Liquidation Co., Ltd. and Beijing Weiheng Law Firm as the receivers (the "Receivers") of Beijing Dan Yao Property Company Limited ("Dan Yao") through the open draw and on 14 June 2007, granted approval for the liquidation of Dan Yao. On 19 June 2007, the Receivers have been stationed in Dan Yao and started to carry out the liquidation work. Since August 2007, Dan Yao has been audited by Zhong Yi Certified Public Accountants Co., Ltd again. Currently, the Receivers are verifying the assets and are also confirming the liabilities of Dan Yao. The first creditors' meeting of Dan Yao was held on 16 April 2008. The Receivers have issued notices to all tenants of the apartments in Dan Yao Building and have requested them to vacate the apartments in the early of February 2008. The operations of the shopping mall of Dan Yao Building are basically stable.

In 2008, Dan Yao will continue to cooperate with the Receivers to carry out the liquidation and management work in order to maintain the stability and safety in operations of the building. Dan Yao will also assist the Receivers to manage and dispose the assets of Dan Yao.

Chairman's Statement

The Xidan Project (29.4% owned)

During 2007, Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan") has completed the issue of separate real estate certificates for four out of sixteen commercial units and sixteen out of twenty-six individual business units of the building located at Lot No. 2. Jing Yuan has received the full amount of the consideration of RMB1,220,000,000 (approximately HK$1,162,176,000) for the sale of land Lot No. 4 specified in the sale and purchase agreement. The land and the building ownership certificates of the property at Lot No. 5, which was sold to China United Telecommunication Corporation ("China United Telecom"), has been registered in the name of China United Telecom; the remaining consideration of RMB39,244,000 (approximately HK$39,244,000) as stated in the sale and purchase agreement had been received. The arrangement of the main building ownership certificate in respect of the project at Lot No. 8 has been completed; nine out of three hundreds and eighty-one units' separate ownership certificates and eight out of three hundreds and seventy-two residential returned units' ownership certificates have not been arranged. The marketing of the building at Lot No. 9 is still carried on. At the same time, testing and maintenance of the building facilities have also been carried on. Concerning the project at Lot No. 10, the transfer of title has been carried out. According to the preliminary agreement of assignment of land at Lot No. 10 entered with Beijing Yonganxingye Property Development Co., Ltd. ("Yonganxingye"), the intended price for the sale of land is RMB110,000,000 (approximately HK$116,773,000) and RMB45,000,000 (approximately HK$45,464,000) has been received.

In 2008, it is expected that the issue of separate real estate certificate for each of the units of the project at Lot No. 2 and Lot No. 8 will continue. The marketing of the building at Lot No. 9 will be carried on. It is also expected that the transfer of title of land at Lot No. 10 will be completed and the official sale and purchase agreement will be signed with Yonganxingye. On 3 February 2008 and on 11 March 2008, Jing Yuan received RMB10,000,000 (HK$10,870,000) and RMB50,000,000 (HK$54,945,000) respectively, from Yonganxingye. The remaining consideration of RMB5,000,000 (approximately HK$5,495,000) of the sale of land will also be received upon completion.

GROUP ASSETS POSITION AND CHARGE

The total assets of the Group have increased from HK$2,217,546,000 in last year to HK$2,335,279,000 in this year. The net assets of the Group have also increased from HK$1,875,246,000 to HK$2,242,629,000. The Group had no bank borrowings as at 31 December 2007, whereas borrowings amounting to HK$52,376,000 as at 31 December 2006 were secured by a pledge of property.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group have decreased from HK$342,300,000 as at 31 December 2006 to HK$92,650,000 as at 31 December 2007. The Group had cash and bank balances of HK$165,901,000 as at 31 December 2007 (2006: HK$96,394,000). The ratio of total liabilities to total assets was approximately 4% (2006: 15%). As at 31 December 2007, the Group had no bank loans (2006: HK$52,376,000) and the total equity was HK$2,242,629,000 (2006: HK$1,875,246,000), and therefore the capital gearing ratio was zero (2006: 3%). As from 3 March 2008, banking facilities have been obtained from a bank, comprising an overdraft facility and a revolving short-term loan to the extent of HK$25,000,000 each, totalling HK$50,000,000.

As at 31 December 2007, the current assets of the Group, amounting to HK$419,249,000 (2006: HK$689,939,000), exceeded its current liabilities by HK$394,975,000 (2006: HK$402,539,000). Given that the PRC Court has approved the application for liquidation of Dan Yao, no further payments except for a small amount of liquidation expenses are required for Dan Yao. The other operations of the Group can generate sufficient cash flows to meet its requirements.

For the year ended 31 December 2007, the exchange rates of Renminbi to Hong Kong dollar has been appreciating, resulting an exchange gain of HK$9,418,000 from our bank deposits in Renminbi. Save as disclose above, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 31 December 2007, the Group, excluding associated companies, employed 50 people of which 38 were employed in Hong Kong.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under a defined contribution provident fund scheme and mandatory provident fund scheme. Employees in the Mainland China are provided with medical insurance, elderly insurance, loss of job insurance, injury insurance and provident fund for housing. Some of them are also provided with birth insurance.

PROSPECTS

The Group has undergone about five years in adjusting its business structure and strategy in operations, which would result in improving its assets structure and liquidity, and uplifting the ability of risk control and management. However, with the increasing unstability of the world economy, the Group is acting cautiously, and is adopting a wait and see approach to capture new opportunities for the Group's business development.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming
Chairman

Hong Kong, 17 April 2008

Investment Properties

Harbour Industrial Centre,
Ap Lei Chau, Hong Kong

The Red Hill, Tai Tam, Hong Kong

Harbour Crystal Centre, Tsimshatsui East, Kowloon

Oceanic Industrial Centre, Ap Lei Chau,
Hong Kong

Xidan and Wangfujing Projects

Jing Yuan International Mansion on Lot No. 9 of the Xidan Project

Danyao Building on Lot No. B3 of the Wangfujing Project

Biographic Details of Directors and Senior Management

DIRECTORS

Mr. Dai Xiaoming, *Chairman and Chief Executive*
Aged 61. Appointed as a Director, Chairman and Chief Executive in October, 1994. Awarded a Master's Degree in Engineering from The China University of Science and Technology. He has involved for the past twenty-two years in property development and investment in the PRC and Hong Kong and has over twenty-two years' experience in property investment and corporate management. Currently, he is also a major shareholder and a managing director of Fabulous Investments Limited ("Fabulous") and Dan Form International Limited, which is the ultimate holding company of Fabulous.

Mr. Kenneth Hiu King Kon, *Deputy Chief Executive*
Aged 46. Appointed as a Director and Deputy Chief Executive in October, 1994. Mr. Kon graduated from Middlesex University in the United Kingdom with a Bachelor's Degree in Business Studies. He has been involved in the planning of many large-scale investment and development projects in the PRC and Hong Kong and has over twenty-one years' experience in investment and management in manufacturing industries and property development. He also has extensive experience in securities trading, corporate finance, mergers and acquisitions and corporate restructuring. He is the Deputy Managing Director of Dan Form Group Limited, an associate of Dan Form International Limited. He is also the General Manager of Dan Form (Hong Kong) Limited, a wholly-owned subsidiary of the Company. Since 1999, Mr. Kon has been the independent non-executive director of Jingwei Textile Machinery Company Limited, which is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Jesse Nai Chau Leung, *Independent Non-Executive Director*
Aged 57. Appointed as a Director in May, 1993. Mr. Leung holds a Master's Degree in Business Administration. He is a fellow of the Institute of Chartered Accountants in England and Wales as well as the Hong Kong Institute of Certified Public Accountants. He has extensive experience in public practice, finance and commerce. He is also a member of the Supervisory Board of The Macau Chinese Bank.

Dr. Xiang Bing, *Independent Non-Executive Director*
Aged 45. Appointed as a Director in May, 1995. Dr. Xiang graduated with a University Golden Medal from Xi'an Jiaotong University, the People's Republic of China, in 1983 and obtained his Ph.D. in Management from the University of Alberta, Canada in 1991. Dr. Xiang is currently the founding dean of Cheung Kong Graduate School of Business and a professor at Guanghua School of Management, Beijing University. Before joining the Beijing University, Dr. Xiang has visited the University of Columbia and the Chinese University of Hong Kong and has served as professor at the Hong Kong University of Science and Technology and the China Europe International Business School in Shanghai. Dr. Xiang is a well-known management expert, especially in finance, and he is very familiar with management theories and practice in the East and West. He has extensive experience in executive training and has conducted seminars for several leading executive programs. He has worked with many Chinese and multinational corporations on executive training, merger and acquisition strategies and managerial control systems. He has also been consulted by the China's government organizations responsible for formulating and implementing state enterprise reform in China.

Biographic Details of Directors and Senior Management

Mr. Edward Shen, *Independent Non-Executive Director*
Aged 57. Appointed as a Director in October, 1995. Mr. Shen graduated from Washington State University in the United States with a Bachelor's Degree in Science in Architectural Studies as well as Bachelor's Degree in Architecture. He is a member of the Royal Architectural Institute of Canada, the Ontario Association of Architects, PRC Class 1 Registered Architect Qualification, the Royal Institute of British Architects, Asia-Pacific Economic Cooperation Registered Architect and the Chartered Institute of Arbitrators. He is also a fellow of the Hong Kong Institute of Architects and the Architects Regional Council of Asia. He has been registered as an authorised person under the Buildings Ordinance and a professional architect under the Architects Ordinance since 1982 and 1990 respectively. He is also a member of Hong Kong General Chamber of Commerce. He was elected as President of the Hong Kong Institute of Architects in 2004.

SENIOR MANAGEMENT

Mr. Albert Man Yuen Fung, *Financial Controller and Company Secretary*
Aged 59. Joined the Company in September, 1988. Mr. Fung is a holder of Master's Degree in International Accounting (City University of Hong Kong). He is an associate of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants, and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over thirty-one years' experience in finance and accounting.

Mr. Ge Xiaoguo, *Assistant to Chairman and Chief Executive*
Aged 56. Joined the Company in May, 1996. He graduated from Beijing Foreign Studies University. He has been involved in the management of the computer technology development and operation for many years during which time he has worked in Germany for more than four years. He has over twenty-three years' experience in enterprises management.

Mr. Zhao Sheng Li, *Deputy General Manager*
Aged 61. Joined the Group in September, 1995. Mr. Zhao graduated from the Trade and Economics Faculty of the People's Republic University. Currently he is the Deputy General Manager of Dan Form (China) Limited, a wholly-owned subsidiary of the Company. He has around thirty years' experience in enterprises management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Compliance with Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance within a sensible framework. The Company has complied with all the code provisions as set out in Appendix 14 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2007, except for the following deviation:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive ("CE") are managed by the same individual, Mr. Dai Xiaoming. Given that the Group is still adjusting its business strategy and structure, the roles of chairman and CE have not been separated in order to maintain the effectiveness and efficiency of the governance and management of the Group. The Board would review this arrangement at regular intervals.

DIRECTORS' SECURITIES TRANSACTIONS

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

Written guidelines on no less exacting terms than the Model Code relating to securities transaction for employees have been distributed to all employees of the Group.

BOARD OF DIRECTORS

The Board of the Company comprises a total of five directors of which two are executive directors. The chairman and the CE is Mr. Dai Xiaoming and the deputy chief executive is Mr. Kenneth Hiu King Kon. The three independent non-executive directors ("INEDs") are Mr. Jesse Nai Chau Leung, Mr. Edward Shen and Dr. Xiang Bing. Mr. Jesse Nai Chau Leung has contributed to the Board his appropriate professional qualifications in accounting and related financial management expertise. On 18 May 2005, the Company issued an appointment letter to each of the three INEDs in which their appointments would be valid for a period of three years. Another appointment letter with three-years terms of services will be issued to each of the three INEDs on 16 May 2008. However, they are subject to retirement by rotation at each general meeting pursuant to Article 102 of the Articles of Association of the Company. The Directors participates in the affairs of the Board and the Board always acts in the best interests of the Group as a whole.

The chairman ensures that the Board works effectively and that all key and appropriate issues are discussed in a timely manner. Members of the Board have been provided with appropriate and sufficient information at an opportune moment so that they would be updated with the latest development of the Group to discharge of their duties. Any matters proposed for inclusion in the agenda has been consulted with all directors. The chairman has delegated to the Company Secretary the responsibility for drawing up the agenda for each Board meeting. The chairman ensures that all directors have received complete and reliable information in a timely manner and are properly briefed on issues arising at the Board meetings. In addition, in order to protect the directors and officers of the Group from their risk exposure arising from the business of the Group, appropriate insurance cover on directors' and officers' liability has been in force.

The Board delegates the day-to-day management and operations of the Group's businesses to the management under the supervision of the CE. The CE together with deputy chief executive are responsible for managing the businesses of the Group, including implementation of the annual budget and strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

As at the date of this Report for the year 2007, the Board held five meetings on 24 April 2007, 18 June 2007, 11 September 2007, 4 December 2007 and 17 April 2008.

Members of the Board	**Attendance**
Executive Directors	
Dai Xiaoming *(Chairman and CE)*	5/5
Kenneth Hiu King Kon *(Deputy Chief Executive)*	5/5
Independent Non-executive Directors	
Jesse Nai Chau Leung	5/5
Xiang Bing *(1)*	3/5
Edward Shen	5/5

(1) Absent on 11 September 2007 and 17 April 2008.

Apart from the directorship with the Company, there is no other relationship, including financial, business, family or other material/relevant relationship(s), among the five directors of the Board.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence requirements in accordance with the terms of the guidelines.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 13 September 2005. The Remuneration Committee comprises the chairman, Mr. Edward Shen, being an INED, and the two INEDs, namely Mr. Jesse Nai Chau Leung and Dr. Xiang Bing.

The principle responsibility of the Remuneration Committee includes making recommendation to the Board on the policy and structure of the Company for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board. The emoluments of directors are based on the skill and contribution to the Company's affairs and are determined by reference to the duties and responsibilities of the executive and non-executive directors after considering the performance of the Group and prevailing market conditions including salaries paid by comparable companies. Terms of reference of the Remuneration Committee are available at the website of the Company.

Particulars of the emoluments to the Directors are set out in note 11 of the financial statements.

As at the date of this Report for the year 2007, two Remuneration Committee Meetings were held on 4 April 2007 and 8 April 2008. The attendance record of each member of the Remuneration Committee is set out as below.

Members of the Remuneration Committee	Attendance
Independent Non-executive Directors	
Edward Shen *(Chairman)*	2/2
Xiang Bing	2/2
Jesse Nai Chau Leung	2/2

The Remuneration Committee reviewed the remuneration of all staff, including the two executive directors, of the Company and its subsidiaries in the Remuneration Committee Meetings held on 4 April 2007 and 8 April 2008.

EMPLOYEES

The long-term remuneration policy of the Group for all employees is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under defined contribution provident fund scheme and mandatory provident fund scheme.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements for the Group.

Management has provided adequate explanations and information to the Board on a timely basis which enables the Board to make an informed assessment on the financial statements of the Group. In addition, with the assistance of the Finance Department and under the supervision of the Financial Controller of the Company, the directors ensures that financial statements of the Group, which is prepared on a going concern basis, are in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is on a timely basis.

AUDIT COMMITTEE

The Audit Committee was established on 15 September 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises the Chairman, Mr. Jesse Nai Chau Leung, and other two INEDs, namely Mr. Edward Shen and Dr. Xiang Bing. Terms of reference of the Audit Committee, which are the same as the provisions set out in the Code on Corporate Practices, are available at the website of the Company.

As at the date of this Report for the year 2007, three Audit Committee Meetings were held on 4 April 2007, 10 September 2007 and 8 April 2008 respectively. The attendance record of each member of the Audit Committee is set out as below.

Members of the Audit Committee	Attendance
Independent Non-executive Directors	
Jesse Nai Chau Leung *(Chairman)*	3/3
Xiang Bing [(2)]	2/3
Edward Shen	3/3

(2) Absent on 10 September 2007.

The following is a summary of the work of the Audit Committee:

(i) review and supervision of the financial reporting system of the Group;

(ii) review of the procedures and effectiveness of internal control of the Group;

(iii) review of the Group's financial information, including review of the continuing connected transactions;

(iv) review of the relationship between the Auditors and the Company;

(v) review of the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007 and for the year ended 31 December 2007;

(vi) review of the annual report of the Group for the year ended 31 December 2007; and

(vii) consideration and approval of the 2007 audit fees.

The Audit Committee has regular meetings twice a year and additional meetings are held as the work of the committee demands.

INTERNAL CONTROL

The Financial Controller of the Group submitted an annual internal control review of the Group to the Board on 7 September 2007. The Board reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial operation and compliance controls and risk management functions. The Board considers that the internal control system are effective and adequate.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Auditors of the Company will receive approximately HK$900,000 for the audit of the Group's financial statements.

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated profit and loss account on page 25.

An analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 68.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND RESERVES

Details of the share capital of the Company are set out in note 25 to the financial statements.

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

PRINCIPAL PROPERTIES

Details of the major properties of the Group are set out on page 67.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

BANK LOANS

Details of the bank loans of the Group as at 31 December 2007 are set out in note 29 to the financial statements.

DIRECTORS

The Directors during the year and at the date of this report are:

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG**
Dr XIANG Bing**
Mr Edward SHEN**

** *Independent Non-executive Directors*

In accordance with Article 102 of the Articles of Association of the Company, Mr. Edward Shen and Dr. Xiang Bing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 10 to 11.

CONTINUING CONNECTED TRANSACTION

The Group has entered into the following continuing connected transaction, which is disclosed in accordance with Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Loans previously granted by Enfort Company Limited ("Enfort"), a wholly-owned subsidiary, to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), a 85% owned subsidiary, for the purpose of financing Dan Yao's working capital were subsequently assigned to its holding company, Dan Form Holdings Company Limited ("Dan Form"), on 30 April 2003, since the loans were financed by Dan Form. The loans are unsecured, interest bearing at 6% per annum and repayable on demand. As at 31 December 2007, the amount of the unpaid loan due by Dan Yao to Dan Form was HK$51,455,000.

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transaction as stated above pursuant to rule 14A.37 of the Listing Rules and confirmed that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Auditors of the Company to perform certain agreed-upon procedures on the continuing connected transaction relating to item above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have reported to the Board of Directors of the Company that:

(1) the transaction has received the approval of the Board of Directors of the Company;

(2) the transaction has been entered into in accordance with the relevant agreements governing the transaction; and

(3) the transaction showed that, as recorded in the accounting records of the Group, the loan outstanding as at 31 December 2007 between the Company and Dan Yao was HK$51,455,000 and there was no movement during the year then ended.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party, and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 31 December 2007, the interests and short positions of each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):–

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

	Number of ordinary shares				
Name of Director	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interest**	**Total Interest**
DAI Xiaoming *(Note)*	23,000,000	–	388,720,881	–	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associates, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31 December 2007, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the issued share capital of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	*Note*	**Number of ordinary shares held**	**Percentage of the issued share capital of the Company**
DAI Xiaoming	*(1)*	411,720,881	36.26
Harlesden Limited	*(2)*	388,720,881	34.23
DFIL	*(2)*	388,720,881	34.23
Value Plus Holdings Limited	*(2)*	386,060,881	34.00
Fathom Limited	*(2)*	386,060,881	34.00
Fabulous	*(2)*	386,060,881	34.00
Nina KUNG (deceased)	*(3)*	261,808,697	23.05
Greenwood International Limited	*(3)*	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	*(4)*	94,836,971	8.35
Focus-Asia Holdings Limited	*(4)*	94,836,971	8.35

Notes:

(1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.

(2) By virtue of the SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.

(3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung, deceased, was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company. Ms. Nina Kung passed away on 3 April, 2007.

(4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2007, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31 December 2007, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCE TO ENTITY

In accordance with Rule 13.20 of the Listing Rules, details of advance by the Group for the benefit of the following entity as at 31 December 2007, which in aggregate exceeded 8% of the total assets of the Group as at 31 December 2007 as follows:

Name of entity	**Date of advance**	**Percentage of equity held by the Group**	**Remaining amount of the advance** HK$'000
Zeta Estates Limited	1 July 1998	33.33	230,708

Note:

The advance is unsecured, interest-free and has no fixed terms of repayment.

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

In accordance with Rule 13.16 of the Listing Rules, the proforma combined balance sheet of the affiliated companies of the Group and the interest attributable to the Group as at 31 December 2007 (the latest practicable date) are as follows:

Description	**Combined Total** HK$'000	**Interest attributable to the Group** HK$'000
Investment properties	4,424,531	1,474,844
Properties for sale	378,286	111,216
Properties, plant and equipment	3,297	969
Long-term receivables	658	211
Current assets	34,618	11,152
Current liabilities	(972,730)	(314,880)
Non-current liabilities	(153,574)	(45,151)
Net assets	3,715,086	1,238,361

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 13% and 39% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 41% and 55% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers, except that Ms. Nina Kung, deceased, held a 33.33% interest in the share capital of one of the five largest customers.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors, Mr. Jesse Nai Chau Leung, Dr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee has discussed the financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the system of internal control of the Group, and the interim and annual financial statements of the Group.

The annual results of the Group for the year ended 31 December 2007 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company's corporate governance report are set out on pages 12 to 15 of this Annual Report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DAI XIAOMING
Chairman

Hong Kong, 17 April 2008

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TO THE SHAREHOLDERS OF
DAN FORM HOLDINGS COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Dan Form Holdings Company Limited (the "Company") set out on pages 25 to 66, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

RESPONSIBILITY OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

RESPONSIBILITY OF THE AUDITORS

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

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

Report of the Independent Auditors

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 April 2008

Consolidated Profit and Loss Account

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	6	**35,995**	28,984
Cost of sales		**(11,423)**	(10,291)
Gross profit		**24,572**	18,693
Other income		**11,066**	30,533
Administrative expenses		**(19,165)**	(17,423)
Change in fair value of investment properties		**84,963**	31,627
Write back of provision for properties for sale		**195**	2,067
Operating profit	8	**101,631**	65,497
Finance costs	12	**–**	(5,542)
Share of profits/(losses) of associated companies	13	**277,324**	(1,044)
Profit before taxation		**378,955**	58,911
Taxation	14	**(13,660)**	(6,018)
Profit for the year		**365,295**	52,893
		HK cents	HK cents
Earnings per share			
Basic and diluted	15	**32.2**	4.7

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**322**	501
Investment properties	*17*	**531,860**	446,897
Prepayments of leasehold land	*18*	**322**	325
Associated companies	*20*	**1,335,649**	1,040,500
Available-for-sale financial assets	*21*	**47,877**	39,384
		1,916,030	1,527,607
Current assets			
Properties for sale		**–**	222,613
Investment for sale	*22*	**–**	55,416
Debtors and prepayments	*23*	**20,466**	30,806
Amounts due from associated companies	*20*	**232,422**	284,374
Taxation recoverable		**460**	336
Cash and bank balances	*24*	**165,901**	96,394
		419,249	689,939
Total assets		**2,335,279**	2,217,546
EQUITY			
Share capital	*25*	**567,803**	567,803
Reserves	*26*	**1,674,826**	1,307,443
Total equity		**2,242,629**	1,875,246
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities	*27*	**68,376**	54,900
Current liabilities			
Creditors and accruals	*28*	**16,133**	222,978
Amounts due to associated companies	*20*	**7,809**	5,947
Bank loans	*29*	**–**	52,376
Taxation payable		**332**	6,099
		24,274	287,400
Total liabilities		**92,650**	342,300
Total equity and liabilities		**2,335,279**	2,217,546

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**219**	269
Subsidiaries	*19*	**1,904**	1,904
Available-for-sale financial assets	*21*	**4,270**	3,090
		6,393	5,263
Current assets			
Debtors and prepayments	*23*	**1,774**	1,543
Amounts due from subsidiaries	*19*	**392,946**	453,330
Taxation recoverable		**448**	336
Cash and bank balances	*24*	**162,794**	85,483
		557,962	540,692
Total assets		**564,355**	545,955
EQUITY			
Share capital	*25*	**567,803**	567,803
Reserves	*26*	**(5,438)**	(24,310)
Total equity		**562,365**	543,493
LIABILITIES			
Current liabilities			
Creditors and accruals	*28*	**1,626**	1,998
Amounts due to subsidiaries	*19*	**364**	464
Total liabilities		**1,990**	2,462
Total equity and liabilities		**564,355**	545,955

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital	Reserves	Total
	HK$'000	HK$'000	HK$'000
At 31 December 2005	567,803	1,255,634	1,823,437
Changes in exchange rates	–	(2,991)	(2,991)
Change in fair value of available-for-sale financial assets	–	1,907	1,907
Profit for the year	–	52,893	52,893
At 31 December 2006	567,803	1,307,443	1,875,246
Changes in exchange rates	–	(6,836)	(6,836)
Change in fair value of available-for-sale financial assets	–	8,493	8,493
Release of reserve upon liquidation of a subsidiary	–	431	431
Profit for the year	–	365,295	365,295
At 31 December 2007	**567,803**	**1,674,826**	**2,242,629**

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	*30(a)*	**13,599**	16,609
Interest and borrowing costs paid		**–**	(1,667)
Hong Kong profits tax paid		**(304)**	(382)
Net cash from operating activities		**13,295**	14,560
Cash flows from investing activities			
Proceeds on sale of investment		**22,870**	84,139
Interest received from investment for sale		**2,956**	9,055
Proceeds on disposal of property, plant and equipment		**9**	66
Liquidation of a subsidiary	*30(b)*	**(159)**	–
Purchase of property, plant and equipment		**(22)**	(380)
Interest received		**2,646**	584
Repayments from associated companies		**28,391**	13,978
Dividends received from unlisted investments		**467**	467
Net cash from investing activities		**57,158**	107,909
Increase in cash and bank balances		**70,453**	122,469
Cash and bank balances at beginning of the year		**96,394**	(22,096)
Changes in exchange rates		**(946)**	(3,979)
Cash and bank balances at end of the year		**165,901**	96,394

Notes to the Financial Statements

1 GENERAL INFORMATION

Dan Form Holdings Company Limited (the "Company") is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 901-903, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are property development, property investment, estate management and holding of investments.

These financial statements have been approved by the Board of Directors on 17 April 2008.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of certain properties and available-for-sale financial assets, which are carried at fair values.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 below.

For the year ended 31 December 2007, the Group has adopted the following new standard, amendment and interpretations, which are relevant to its operations:

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

2 BASIS OF PREPARATION (Continued)

The adoption of these new standard, amendment and interpretations does not have any significant impact on the results and financial position or changes in the accounting policies of the Group. However, HKAS 1 (amendment) and HKFRS 7 introduce additional disclosures relating to capital management and financial instruments respectively in the financial statements.

There are also certain new standards, amendments and interpretations that are mandatory for the accounting periods beginning on or after 1 January 2008 or later periods as follows:

HKFRS 2 (amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (revised)	Business Combination
HKFRS 8	Operating Segments
HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (revised)	Borrowing Costs
HKAS 27 (revised)	Consolidated and Separate Financial Statements
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early adopted the above standards, amendments and interpretations and does not expect their adoption will have any significant impact on the results of operations and financial position of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these financial statements, which have been consistently applied to all the years presented, are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its jointly controlled entities and associated companies attributable to the Group.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the financial period are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal, as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

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

In the balance sheet of the Company, investments in subsidiaries are carried at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held and over which the Group has significant influence but not control, accompanying a shareholding of between 20 to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment, identified on acquisition.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the profit and loss account, and the share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company attributable to the Group at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment. Impairment on goodwill is not reversed.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the consolidated profit and loss account.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated to write off their costs less residual value and accumulated impairment on a straight-line basis over their expected useful lives to the Group. The principal estimated useful lives for this purpose are:

Buildings	Unexpired period of the lease or 40 years whichever is shorter
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Profit or loss on disposal is determined as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair values are recognised in the profit and loss account. The fair value of investment property reflects, among other things, rental from current leases and assumptions about rental from future leases in light of current market conditions.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

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

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation reserve of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment, this write-back is recognised in the profit and loss account.

(h) Operating leases

Leases where significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from lessors, under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

Prepayments of lease premiums represent non-refundable rental payments for the lease of land and are stated at cost less accumulated amortisation. Amortisation is calculated to write off the prepayments over the period of the lease on a straight-line basis. When there is impairment, the impairment is expensed in the profit and loss account. The amortisation of leasehold land is capitalised as part of the costs of the property when the leasehold land is under development.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(j) Properties for sale

Properties for sale are included under current assets and carried at the lower of cost and estimated net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments

The Group classifies its investments in the categories of financial assets at fair value through profit or loss, loans and receivable, and available-for-sale financial assets. Management determines the classification of its investments at initial recognition according to the purpose for which the investments were acquired and re-evaluates this designation at every balance sheet date.

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

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account, and subsequently carried at fair value.

(b) Loans and receivable

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivable are carried at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

Regular purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss account in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investments.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

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

(l) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the debtor and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the provision is recognised in the profit and loss account. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the profit and loss account.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Trade and other payable

Trade and other payable are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Employee benefits

Employee entitlements to annual and long service leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual and long service leaves as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leaves are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate can be made.

Contributions to defined contribution retirement schemes are charged to the profit and loss account in the financial period to which the contributions relate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Foreign currency translation

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity under exchange reserve.

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the rates ruling at the date of that balance sheet;

(b) income and expenses for each profit and loss account are translated at average exchange rates; and

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates ruling at the balance sheet date.

(t) Contingent liabilities

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue comprises the fair value of the consideration for sales of goods and rendering of services in the ordinary course of business activities of the Group. Revenue is recognised when the amount can be reliably measured; it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity have been resolved. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue from sale of completed properties for sale is recognised when the relevant sales contracts are concluded and the risk and rewards of the property have been passed to the purchasers. Rental income net of any incentives given to the lessees is recognised on a straight-line basis over the period of the leases. Estate management income is recognised when services are provided. Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other environments.

(w) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the financial period in which the dividend payable becomes legal and constructive obligations of the Company.

4 FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk and interest rate risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge for its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

The Group operates primarily in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various transactions with respect to Hong Kong dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign exchange risk (Continued)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency risk. Currency exposure arising from the net assets of the foreign operations of the Group in Mainland China is managed primarily through borrowings denominated in the relevant foreign currencies.

If Hong Kong dollar had weakened or strengthened by 10% against Renminbi with all other variables held constant, profit before taxation for the year would have been higher or lower by HK$12,103,000 (2006: HK$3,409,000), mainly as a result of foreign exchange gains or losses on the translation of cash and bank balances denominated in Renminbi.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers and committed transactions. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group does not have any long term borrowings and all trade and other payable are due for settlement within one year.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets or liabilities, the income and operating cash flows of the Group are substantially independent of changes in market interest rates.

(e) Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total short term and long term borrowings less cash and bank balances. This ratio is zero as at 31 December 2007 since the Group does not have any borrowings following the liquidation of Beijing Dan Yao Property Company, Limited.

4 FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, debtors, bank balances and creditors approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities of the Group are discussed below.

(1) Investment properties

The fair value of each investment property individually is determined at each balance sheet date by independent valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income or net income, after allowing for outgoings. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(2) Available-for-sale financial assets

The fair value of each asset is reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset has been affected. The fair value also reflects the market conditions existing at each balance sheet date. For unlisted equity investments, the Group establishes fair value by using valuation techniques, including the use of arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, or the underlying net assets to reflect the specific circumstances.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(3) Accounts receivable

Impairment of accounts receivable is established when there is objective evidence on the ultimate recoverability of the amount due according to the original terms. Estimates are made based on the assessments of the financial position of the debtors, probability of the debtor being bankrupt, default or delinquent. The provision takes into account the present value of the estimated future cashflows, discounted at the effective interest rate.

(4) Taxation

The Group is subject to taxation in Hong Kong and Mainland China. Significant judgement is required in determining the provision for taxation for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation payable and deferred taxation in the financial period in which such determination is made.

(b) Critical judgements in applying accounting policies

The Group determines whether a property qualifies as investment property or classifies as properties for development or for sale. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

The classification of properties is determined based on judgement on the intention of future usage by management. The Group considers each property separately in making its judgement, and the property is accounted for accordingly.

6 REVENUE

	2007	2006
	HK$'000	HK$'000
Rental	**22,613**	22,435
Estate management fees	**7,856**	5,492
Sale of properties	**2,100**	–
Interest	**2,960**	590
Dividend from unlisted investments	**466**	467
	35,995	28,984

Turnover represents gross rental, estate management, sale of properties, interest and dividend income.

7 SEGMENT INFORMATION

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, investment properties, other non-current assets, properties for sale, debtors and prepayments and mainly exclude certain investments and cash and bank balances. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

(a) Business segments

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2007						
Revenue	3,671	21,042	7,856	3,426		35,995
Operating profit	965	99,367	5,938	4,496	(9,135)	101,631
Share of profits/(losses) of associated companies	(17,825)	295,149	–	–		277,324
Profit before taxation						378,955
Taxation						(13,660)
Profit for the year						365,295
Capital expenditure	–	–	–	–	22	22
Depreciation and amortisation	33	1	–	–	112	146
Write back of provision for properties for sale	195	–	–	–	–	195
Write back of provision for trade and other debtors	–	13	–	–	–	13

7 SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2006						
Revenue	3,213	19,222	5,492	1,057		28,984
Operating profit	3,874	43,341	5,775	28,041	(15,534)	65,497
Finance costs						(5,542)
Share of (losses)/profits of associated companies	(50,684)	49,640	–	–		(1,044)
Profit before taxation						58,911
Taxation						(6,018)
Profit for the year						52,893
Capital expenditure	–	–	–	–	380	380
Depreciation and amortisation	28	1	–	–	107	136
Write back of provision for amount due from minority shareholder of a former subsidiary	–	–	–	20,888	–	20,888
Write back of provision for properties for sale	2,067	–	–	–	–	2,067
Write back of provision for trade and other debtors	–	–	895	–	–	895

7 SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2007						
Segment assets	**1,701**	**767,230**	**3,477**	**57,074**		**829,482**
Associated companies	**–**	**1,335,649**	**–**	**–**		**1,335,649**
Unallocated assets					**170,148**	**170,148**
Total assets						**2,335,279**
Segment liabilities	**–**	**14,598**	**2,351**	**–**		**16,949**
Unallocated liabilities					**75,701**	**75,701**
Total liabilities						**92,650**
At 31 December 2006						
Segment assets	254,362	711,758	3,828	107,958		1,077,906
Associated companies	–	1,040,500	–	–		1,040,500
Unallocated assets					99,140	99,140
Total assets						2,217,546
Segment liabilities	229,106	15,563	2,527	32,772		279,968
Unallocated liabilities					62,332	62,332
Total liabilities						342,300

7 SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Revenue HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
2007				
Hong Kong	**32,301**	**98,719**	**2,198,187**	**22**
Mainland China	**3,694**	**2,912**	**137,092**	**–**
	35,995	**101,631**	**2,335,279**	**22**
2006				
Hong Kong	25,350	35,740	1,806,731	353
Mainland China	3,634	29,757	410,815	27
	28,984	65,497	2,217,546	380

8 OPERATING PROFIT

	2007 HK$'000	2006 HK$'000
Operating profit is arrived at after crediting:		
Exchange gain	**10,013**	4,722
Gain on disposal of property, plant and equipment	**9**	61
Write back of provision for amount due from minority shareholder of a former subsidiary	**–**	20,888
Write back of provision for trade and other debtors	**13**	895
and after charging:		
Staff costs, including Directors' remuneration *(note 9)*	**12,865**	10,712
Depreciation and amortisation	**146**	136
Direct operating expenses of investment properties that generate rental income	**4,788**	5,131
Direct operating expenses of investment properties that did not generate rental income	**1,799**	2,334
Provision for trade and other debtors	**–**	312
Operating lease rental for land and buildings	**2,599**	1,985
Auditors' remuneration		
Audit services	**950**	850
Non-audit services	**123**	115

9 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2007 **HK$'000**	2006 HK$'000
Wages and salaries	**12,399**	10,180
Social security costs	**182**	320
Defined contribution plans *(note 10)*	**284**	212
	12,865	10,712

10 RETIREMENT BENEFIT COSTS

The Group operates a defined contribution provident fund scheme (the "Scheme"), which is available to certain employees who joined the Group before 1 December 2000, and a mandatory provident fund scheme (the "Fund"), which is available to all employees in Hong Kong effective 1 December 2000. The assets of the Scheme and the Fund are held separately from those of the Group in independently administered funds. Contributions to the Scheme and the Fund by the Group and the employees are calculated as a percentage of the monthly salaries of the employees. Contributions to the Scheme are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. During the year, no forfeited contributions in respect of the Scheme (2006: HK$19,000) were utilised and there was no forfeited contribution available to reduce future contributions (2006: Nil).

The Group also participates in the employee pension schemes of the respective municipal government in Mainland China where the Group operates. The Group is required to make monthly defined contributions at rates calculated as a percentage of the monthly payroll. The respective municipal government will assume the retirement benefit obligations of all existing and future retired employees of the Group.

The cost charged to the profit and loss account represents contributions payable by the Group to the above schemes.

11 DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors emoluments

Name	Fees	Salaries and allowances	Discretionary bonuses	Defined contribution plans	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007					
DAI Xiaoming	**10**	**2,852**	**485**	**12**	**3,359**
Kenneth Hiu King KON	**10**	**2,030**	**423**	**12**	**2,475**
Jesse Nai Chau LEUNG	**233**	**–**	**–**	**–**	**233**
XIANG Bing	**233**	**–**	**–**	**–**	**233**
Edward SHEN	**233**	**–**	**–**	**–**	**233**
	719	**4,882**	**908**	**24**	**6,533**
2006					
DAI Xiaoming	10	2,811	194	12	3,027
Kenneth Hiu King KON	10	2,030	169	12	2,221
Jesse Nai Chau LEUNG	220	–	–	–	220
XIANG Bing	220	–	–	–	220
Edward SHEN	220	–	–	–	220
	680	4,841	363	24	5,908

None of the Directors of the Company has waived the right to receive their emoluments during the year (2006: Nil). The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

11 DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) Directors whose emoluments are reflected in note (a) above. The emoluments for the remaining three (2006: three) individuals are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and allowances	**1,890**	1,890
Discretionary bonuses	**394**	158
Defined contribution plans	**92**	92
	2,376	2,140

The emoluments of these individuals fell within the following bands:

Emolument bands	**Number of individuals**	
	2007	2006
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

12 FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank loans and overdrafts	**–**	5,469
Incidental borrowing costs	**–**	73
	–	5,542

13 SHARE OF PROFITS/(LOSSES) OF ASSOCIATED COMPANIES

Share of profits/(losses) of associated companies include the following:

	2007 HK$'000	2006 HK$'000
Change in fair value of investment properties (a)	**341,334**	37,968
Provision for properties under development	**–**	(48,883)
Provision for properties for sale	**(11,126)**	–
Taxation charge (b)	**(64,943)**	(2,656)

13 SHARE OF PROFITS/(LOSSES) OF ASSOCIATED COMPANIES (Continued)

(a) The investment properties of the associated companies were valued by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, on an open market value basis.

(b) Taxation charge for 2006 includes a write back of provision in respect of the previous years amounting to HK$8,794,000, which was in dispute with the Inland Revenue Department and was finally determined in favour of the associated company by the Court of Final Appeal in Hong Kong.

14 TAXATION

	2007	2006
	HK$'000	HK$'000
Current		
Hong Kong profits tax	**332**	55
Deferred *(note 27)*	**13,328**	5,963
	13,660	6,018

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

The taxation on the profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates, as follows:

	2007	2006
	HK$'000	HK$'000
Profit before taxation	**378,955**	58,911
Adjusted for:		
Share of (profits)/losses of associated companies	**(277,324)**	1,044
	101,631	59,955
Tax charge at the rate of 17.5% (2006: 17.5%)	**17,786**	10,492
Effect of different taxation rates	**(10)**	(274)
Income not subject to taxation	**(4,095)**	(4,392)
Expenses not deductible for taxation purposes	**114**	149
Utilisation of previously unrecognised tax losses	**(76)**	(31)
Temporary differences not recognised	**(59)**	19
Under provision in respect of previous years	**–**	55
Taxation charge	**13,660**	6,018

Notes to the Financial Statements

15 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of HK$365,295,000 (2006: HK$52,893,000) and 1,135,606,132 (2006: 1,135,606,132) shares in issue during the year. The diluted earnings per share equals to the basic earnings per share since there are no dilutive potential shares in issue during both years.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Group					
Cost					
At 31 December 2005	54	1,725	6,526	1,168	9,473
Changes in exchange rates	–	10	110	7	127
Additions	–	380	–	–	380
Disposals	–	(122)	–	(50)	(172)
At 31 December 2006	54	1,993	6,636	1,125	9,808
Changes in exchange rates	–	19	158	9	186
Additions	–	22	–	–	22
Liquidation of a subsidiary	–	(325)	(3,986)	(237)	(4,548)
Disposals	–	(61)	–	–	(61)
At 31 December 2007	**54**	**1,648**	**2,808**	**897**	**5,407**
Accumulated depreciation and impairment					
At 31 December 2005	54	1,525	6,523	1,115	9,217
Changes in exchange rates	–	8	110	6	124
Charge for the year	–	128	1	4	133
Disposals	–	(122)	–	(45)	(167)
At 31 December 2006	54	1,539	6,634	1,080	9,307
Changes in exchange rates	–	14	158	7	179
Charge for the year	–	119	1	23	143
Liquidation of a subsidiary	–	(284)	(3,986)	(213)	(4,483)
Disposals	–	(61)	–	–	(61)
At 31 December 2007	**54**	**1,327**	**2,807**	**897**	**5,085**
Net book value					
At 31 December 2007	**–**	**321**	**1**	**–**	**322**
At 31 December 2006	–	454	2	45	501

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Company				
Cost				
At 31 December 2005	544	2,045	897	3,486
Changes in exchange rates	1	–	–	1
Additions	214	–	–	214
At 31 December 2006	759	2,045	897	3,701
Changes in exchange rates	6	–	–	6
Additions	22	–	–	22
Disposals	(61)	–	–	(61)
At 31 December 2007	726	2,045	897	3,668
Accumulated depreciation and impairment				
At 31 December 2005	416	2,045	897	3,358
Charge for the year	74	–	–	74
At 31 December 2006	490	2,045	897	3,432
Changes in exchange rates	2	–	–	2
Charge for the year	76	–	–	76
Disposals	(61)	–	–	(61)
At 31 December 2007	507	2,045	897	3,449
Net book value				
At 31 December 2007	219	–	–	219
At 31 December 2006	269	–	–	269

Notes to the Financial Statements

17 INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
At beginning of the year	**446,897**	415,270
Change in fair value	**84,963**	31,627
At end of the year	**531,860**	446,897
Comprising:		
Hong Kong		
Leases of over 50 years	**495,000**	418,600
Leases of between 10 to 50 years	**33,000**	25,000
Mainland China		
Leases of over 50 years	**1,505**	1,317
Leases of between 10 to 50 years	**2,355**	1,980
	531,860	446,897

The investment properties were revalued by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, based on current prices in an active market for all properties.

Investment properties with net book value of HK$527,800,000 (2006: HK$415,384,000) have been pledged as securities for the banking facilities of the Group.

18 PREPAYMENTS OF LEASEHOLD LAND

	Group 2007 HK$'000	2006 HK$'000
At beginning of the year	**325**	328
Amortisation	**(3)**	(3)
At end of the year	**322**	325

Prepayments of leasehold land represent prepaid operating lease payments for land held in Hong Kong under leases of over 50 years. Amortisation during the year is included under administrative expenses.

19 SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1,904**	1,904
Amounts receivable, net of provision	**392,946**	453,330
Amounts payable	**364**	464

Particulars of the principal subsidiaries as at 31 December 2007 are set out in note 32(a).

The amounts receivable are unsecured, interest free, except for HK$140,000,000 (2006: HK$140,000,000), which carries interest at 0.5% below prime rate (2006: 0.5% below prime rate), and have no fixed terms of repayment. The amounts payable are unsecured, interest free and have no fixed terms of repayment. The amounts receivable and payable are denominated in Hong Kong dollar and their fair values approximate the carrying amounts.

20 ASSOCIATED COMPANIES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets		
At beginning of the year	**1,040,500**	990,861
Changes in exchange rates	**(7,598)**	(1,802)
Share of results for the year		
Profit before taxation	**342,267**	1,612
Taxation	**(64,943)**	(2,656)
Transfer from amount receivable	**25,423**	52,485
At end of the year	**1,335,649**	1,040,500
Amounts receivable, net of provision	**232,422**	284,374
Amounts payable	**7,809**	5,947

Particulars of the principal associated companies as at 31 December 2007 are set out in note 32(b).

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment or repayable on demand. Approximate 1% (2006: 10%) of the amounts receivable are denominated in US dollar, and the remaining are denominated in Hong Kong dollar. The fair values of the amounts receivable and payable approximate their carrying amounts.

20 ASSOCIATED COMPANIES (Continued)

The share of the assets, liabilities and results of the associated companies attributable to the Group are set out below:

	Total assets HK$'000	Total liabilities HK$'000	Revenue HK$'000	Profit/ (loss) after taxation HK$'000
2007				
Zeta Estates Limited	**1,483,252**	**(244,891)**	**33,613**	**284,879**
Beijing Jing Yuan Property Development Company Limited	**115,140**	**(115,140)**	**9,021**	**(17,825)**
Others	**102,596**	**(5,308)**	**4,326**	**10,270**
	1,700,988	**(365,339)**	**46,960**	**277,324**
2006				
Zeta Estates Limited	1,219,484	(266,001)	27,436	44,174
Beijing Jing Yuan Property Development Company Limited	227,991	(227,991)	2,255	(50,684)
Others	89,132	(2,115)	3,424	5,466
	1,536,607	(496,107)	33,115	(1,044)

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At beginning of the year	**39,384**	37,477	**3,090**	3,090
Change in fair value transferred to equity	**8,493**	1,907	**1,180**	–
At end of the year	**47,877**	39,384	**4,270**	3,090

Available-for-sale financial assets represent unlisted equity securities.

22 INVESTMENT FOR SALE

The investment as at 31 December 2006 represented the Group's 25.5% equity interest in Beijing Lucky Building Company Limited ("Beijing Lucky"), formerly a subsidiary of the Group. On 26 April 2004, Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, entered into a sale and purchase supplemental agreement, which was supplemental to the sale and purchase agreement dated 30 July 2003 and subsequently amended by supplemental agreements (collectively the "Agreements"), with China Yintai Investment Company Limited ("China Yintai") to sell its entire 61.1% equity interest in Beijing Lucky, at an aggregate consideration, as subsequently amended on 22 June 2004, for RMB134,070,000 (approximately HK$131,047,000). According to the terms of the Agreements, Turbo Dragon has transferred the equity interest in Beijing Lucky to China Yintai in stages in proportion to the amount of consideration actually received, commencing in 2006. As at 31 December 2007, the Group received the whole consideration and transferred the entire 61.1% interest in Beijing Lucky to China Yintai.

23 DEBTORS AND PREPAYMENTS

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**3,596**	7,743	**–**	–
Provision	**(451)**	(1,222)	**–**	–
Trade debtors, net	**3,145**	6,521	**–**	–
Other debtors	**4,706**	8,720	**–**	–
Prepayments and deposits	**12,615**	15,565	**1,774**	1,543
	20,466	30,806	**1,774**	1,543

Trade debtors represent rental from tenants. Other debtors represent reimbursement of expenses paid on behalf of customers and an amount receivable from an investee company, which is held by the Group under available-for-sale financial assets, of HK$2,652,000 (2006: HK$3,530,000). This amount receivables is unsecured, carry interest at prime rate (2006: prime rate) and has no fixed term of repayment. Rental income is charged in advance to the tenants at the beginning of each tenancy and become due upon the issue of the invoices. The ageing analysis of the trade debtors of the Group, net of provision and in accordance with the date of the invoices, is as follows:

	2007	2006
	HK$'000	HK$'000
Within 30 days	**1,504**	986
31 to 60 days	**385**	912
61 to 90 days	**298**	279
Over 90 days	**958**	4,344
	3,145	6,521

23 DEBTORS AND PREPAYMENTS (Continued)

Trade debtors that do not exceed the rental deposits received are not considered impaired. Trade debtors of HK$451,000 (2006: HK$1,222,000) were individually determined to be impaired and full provision has been made. These debtors relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade debtors is over 90 days. Other debtors of HK$1,105,000 (2006: HK$1,105,000) are individually determined to be impaired and full provision has been made. The ageing of these other debtors is over one year.

Movements of the provision for trade and other debtors are as follows:

	2007	2006
	HK$'000	HK$'000
At beginning of the year	**2,327**	2,910
Provision	**–**	312
Written back	**(13)**	(895)
Written off as uncollectible	**(758)**	–
At end of the year	**1,556**	2,327

The provision for trade and other debtors has been included in the profit and loss account. The other classes within trade and other debtors do not contain impaired assets. The maximum exposure to credit risk represents the fair value of each class of receivable. The Group does not hold any collateral as security, except that the Group holds rental deposits from tenants for leasing of properties. The fair values of debtors and prepayments approximate their carrying amounts. Approximate 52% (2006: 61%) and 14% (2006: 6%) of the debtors and prepayments of the Group and the Company are denominated in Renminbi with the remaining denominated in Hong Kong dollar.

24 CASH AND BANK BALANCES

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**49,202**	61,741	**46,095**	50,830
Short term bank deposits	**116,699**	34,653	**116,699**	34,653
	165,901	96,394	**162,794**	85,483

The effective interest rate of the bank deposits is 3.37% (2006: 2.25%) per annum and their average maturity is about 98 days (2006: 180 days). Cash and bank balances are mainly denominated in Renminbi (2006: 88% in Renminbi).

25 SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
1,600,000,000 shares of HK$0.50 each	**800,000**	800,000
Issued and fully paid:		
1,135,606,132 shares of HK$0.50 each	**567,803**	567,803

26 RESERVES

	Share premium HK$'000	Investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000
Group					
At 31 December 2005	694,070	24,885	2,604	534,075	1,255,634
Changes in exchange rates	–	–	(2,991)	–	(2,991)
Change in fair value of available-for-sale financial assets	–	1,907	–	–	1,907
Profit for the year	–	–	–	52,893	52,893
At 31 December 2006	694,070	26,792	(387)	586,968	1,307,443
Changes in exchange rates	–	–	(6,836)	–	(6,836)
Change in fair value of available-for-sale financial assets	–	8,493	–	–	8,493
Release of reserve upon liquidation of a subsidiary	–	–	431	–	431
Profit for the year	–	–	–	365,295	365,295
At 31 December 2007	**694,070**	**35,285**	**(6,792)**	**952,263**	**1,674,826**
Retained by:					
Company and subsidiaries	694,070	35,285	–	40,581	769,936
Associated companies	–	–	(6,792)	911,682	904,890
	694,070	35,285	(6,792)	952,263	1,674,826

26 RESERVES (Continued)

	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
Company				
At 31 December 2005	694,070	1,685	(851,554)	(155,799)
Profit for the year	–	–	131,489	131,489
At 31 December 2006	694,070	1,685	(720,065)	(24,310)
Change in fair value of available-for-sale financial assets	–	1,180	–	1,180
Profit for the year	–	–	17,692	17,692
At 31 December 2007	**694,070**	**2,865**	**(702,373)**	**(5,438)**

The Company does not have any distributable reserve calculated under section 79B of the Hong Kong Companies Ordinance (2006: nil).

27 DEFERRED TAXATION LIABILITIES

	Group	
	2007 HK$'000	2006 HK$'000
At beginning of the year	**54,900**	48,937
Changes in exchange rates	**148**	–
Charged to the profit and loss account *(note 14)*	**13,328**	5,963
At end of the year	**68,376**	54,900

Deferred taxation liabilities are calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. Deferred taxation assets and liabilities are offset when there is a legal right to set off and when the deferred tax relates to the same taxation jurisdiction. All deferred taxation liabilities are expected to be settled after twelve months.

27 DEFERRED TAXATION LIABILITIES (Continued)

The movements in deferred tax liabilities of the Group during the year are as follows:

	Fair value gains		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**53,746**	48,148	**1,154**	789	**54,900**	48,937
Changes in exchange rates	**–**	–	**148**	–	**148**	–
Charged to the profit and loss account	**13,315**	5,598	**13**	365	**13,328**	5,963
At end of the year	**67,061**	53,746	**1,315**	1,154	**68,376**	54,900

Deferred taxation assets of the Group in respect of taxation losses of HK$16,787,000 (2006: HK$16,730,000) have not been recognised in the financial statements. Unused taxation losses have no expiry date.

28 CREDITORS AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**129**	48,830	**–**	–
Other creditors	**14,263**	160,391	**113**	225
Accrued operating expenses	**1,741**	13,757	**1,513**	1,773
	16,133	222,978	**1,626**	1,998

The ageing analysis of the trade creditors of the Group is as follows:

	2007	2006
	HK$'000	HK$'000
Within 30 days	**129**	479
Over 90 days	**–**	48,351
	129	48,830

Other creditors of the Group in 2006 include RMB33,100,000 (approximately HK$32,772,000) received from China Yintai in respect of the sale of Beijing Lucky *(note 22)* and also include provision for claims payable of HK$104,549,000 as more fully detailed in note 30(b) below.

Creditors and accruals of the Group are mainly denominated in Hong Kong dollar (2006: 91% in Renminbi). The fair values of creditors and accruals of the Group approximate their carrying amounts.

29 BANK LOANS

	Group 2007 HK$'000	2006 HK$'000
Short term bank loans, secured	**–**	52,376

The loans were secured by the properties of a subsidiary, Beijing Dan Yao Property Company, Limited, and denominated in Renminbi.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operations

	2007 HK$'000	2006 HK$'000
Operating profit	**101,631**	65,497
Depreciation and amortisation	**146**	136
Gain on disposal of property, plant and equipment	**(9)**	(61)
Gain on liquidation of a subsidiary	**(674)**	–
Write back of provision for properties for sale	**(195)**	(2,067)
Change in fair value of investment properties	**(84,963)**	(31,627)
Dividend income	**(466)**	(467)
Interest income	**(2,960)**	(590)
Operating profit before working capital changes	**12,510**	30,821
Decrease in properties for sale	**1,800**	–
Decrease/(increase) in debtors and prepayments	**2,235**	(15,458)
(Decrease)/increase in creditors and accruals	**(2,946)**	1,246
Net cash generated from operations	**13,599**	16,609

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Liquidation of a subsidiary

	2007 HK$'000	2006 HK$'000
Net assets/(liabilities) disposed		
Property, plant and equipment	**65**	–
Properties for sale	**230,956**	–
Debtors and prepayments	**6,586**	–
Cash and bank balances	**159**	–
Creditors and accruals	**(184,335)**	–
Short term bank loans	**(54,536)**	–
	(1,105)	–
Exchange reserve released	**431**	–
Gain on liquidation	**(674)**	–
Net cash outflow		
Cash and bank balances disposed	**(159)**	–

In February 2003, a purchaser of the properties developed by Beijing Dan Yao Property Company, Limited ("Dan Yao"), a 85% subsidiary of the Group, lodged claims against Dan Yao for the refund of purchase consideration and penalties for reasons, among others, that Dan Yao was not able to obtain the property title certificate within the time stated in the relevant sale and purchase agreement. The first court judgement ruled in favour of the purchaser and as a result, the Group has made a full provision *(note 28)* for the claims while Dan Yao appealed against this ruling. In order to enable the interest of all creditors of Dan Yao, including the Group, be dealt with fairly and properly, the Second Intermediate People's Court of Beijing Municipality (the "Court") accepted for consideration of the application of the Company to liquidate Dan Yao, which was then operating under the supervision of the Court while the Group maintained control of its day to day operations. On 14 June 2007, the Court granted an order for the liquidation of Dan Yao and the Group therefore is no longer able to exercise control on Dan Yao. Accordingly, the Group ceased to consolidate the financial statements of Dan Yao.

(c) Analysis of changes in financing

	Bank loans 2007 HK$'000	Bank loans 2006 HK$'000
At beginning of the year	**52,376**	50,866
Changes in exchange rates	**2,160**	1,510
Liquidation of a subsidiary	**(54,536)**	–
At end of the year	**–**	52,376

31 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease rental payments under non-cancellable operating leases in respect of land and buildings are payable in the following periods:

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Within one year	**2,515**	2,434
One to five years	**4,320**	261
	6,835	2,695

(b) Operating lease rental receivable

The future minimum lease rental receipts under non-cancellable operating leases in respect of investment and other properties are receivable in the following periods:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**15,549**	14,833
One year to five years	**31,760**	31,916
Over five years	**514**	4,041
	47,823	50,790

32 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
AsiaSec Finance Limited	Hong Kong	HK$10,000	–	100	Financing
AsiaSec Property Management Limited	Hong Kong	HK$300,000	–	100	Property management
Citigrand Investment Limited	Hong Kong	HK$2	–	100	Property investment
Dan Form (China) Limited	Hong Kong	HK$2	100	100	Investment holding
Dan Form (Hong Kong) Limited	Hong Kong	HK$1,000,000	100	100	Investment holding
Dawna Range Company Limited	Hong Kong	HK$20	–	100	Investment holding
Diamond Property Management Company Limited	Hong Kong	HK$10,000	–	100	Property management
Harcape Limited	Hong Kong	HK$10,000	–	100	Property investment
Keen Safe Investment Limited	Hong Kong	HK$1,010,000	–	100	Investment holding
Kirshman Limited	Hong Kong	HK$2	100	100	Investment holding
Landfine Investment Limited	Hong Kong	HK$2	–	100	Property investment
Man Lee Offshore Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment
Oriental Dragon Investment Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment
Turbo Dragon Limited	Hong Kong	HK$2	–	100	Investment holding
Winshine Properties Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment

32 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(b) Associated companies

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
Beijing Jing Yuan Property Development Company, Limited[(1)]	Mainland China	US$61,220,000 [(2)]	–	29.4	Property development
Ho Pok Investment Company Limited	Hong Kong	HK$10,000	–	50	Investment holding
Kin Tong Land Investment Company	Hong Kong	HK$10,000,000	–	50	Property investment
Zeta Estates Limited	Hong Kong	HK$990,000	–	33.33	Property investment

(1) Sino-foreign joint venture companies

(2) Paid-up registered capital

Particulars of Major Properties

31 December 2007

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
(1) Investment properties					
Hong Kong					
Harbour Crystal Centre (portion) 100 Granville Road, Tsimshatsui East, Kowloon	K.I.L. 10600	Commercial	138,459 8,881	– – 30	80 40 100
Harbour Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/Godown	266,315	59	33.33
Oceanic Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/Godown	741,703	74	33.33
Queen's Centre (portion) 58-64 Queen's Road East Wanchai, Hong Kong	I.L.2243R.P.	Commercial/Offices	27,457	–	50
Red Hill, Phase 1 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	11,001	–	33.33
Red Hill, Phase 2 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	100,819	–	33.33
Red Hill, Phase 3 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	181,698	–	33.33
Red Hill, Phase 4 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	220,195	271	33.33
Wah Shun Industrial Centre (portion) 4 Cho Yuen Street Yau Tong, Kowloon	Y.T.I.L.29	Industrial	134,236	10	50
(2) Properties for sale					
People's Republic of China	9	Residential	319,303	–	29.4
Jing Yuan International Mansion South-west corner of the intersection of Da Mu Cang Hu Tong and the proposed Da Mu Cang Nan Lane					

Summary of Financial Information

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Revenue	**35,995**	28,984	32,564	36,990	57,770
Operating profit/(loss) after finance cost	**101,631**	59,955	81,863	(6,796)	(293,779)
Share of profits/(losses) of associated companies	**277,324**	(1,044)	114,578	(167,087)	(66,292)
Profit/(loss) before taxation	**378,955**	58,911	196,441	(173,883)	(360,071)
Taxation	**(13,660)**	(6,018)	(18,568)	(282)	(408)
Profit/(loss) for the year	**365,295**	52,893	177,873	(174,165)	(360,479)
Attributable to:					
Equity holders	**365,295**	52,893	177,873	(174,081)	(292,935)
Minority interests	**–**	–	–	(84)	(67,544)
	365,295	52,893	177,873	(174,165)	(360,479)
	HK cents	HK cents	HK cents	HK cents	HK cents
Earning/(loss) per share	**32.2**	4.7	15.7	(15.3)	(25.8)
Total assets	**2,335,279**	2,217,546	2,184,286	1,839,483	2,159,224
Total liabilities	**(92,650)**	(342,300)	(360,849)	(344,096)	(588,442)
Net assets	**2,242,629**	1,875,246	1,823,437	1,495,387	1,570,782