ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 1064

Annual Report 07

* For identification purpose only

Contents

Board of Directors

Executive Directors

Ho Tsam Hung *(Vice Chairman)*
Ho Kam Hung *(Managing Director)*
Yang Jia Jian

Non-Executive Directors

Lam Kuo *(Chairman)*
Young Kwok Sui

Independent Non-Executive Directors

Lawrence K. Tam
Wong Miu Ting, Ivy
Wong Kui Fai

Company Secretary

Lee Tao Wai, *HKICPA*

Registered Office

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2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suite 2911, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Central
Hong Kong

Principal Office in China

Level 14, Gang Yu Square
Chiaodong Road
Chiaotianmen
Chongqing

Auditors

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

Legal Advisers

As to Hong Kong Law
Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

As to Bermuda Law
Conyers Dill & Pearman
3408 Two Exchange Square
8 Connaught Place
Central
Hong Kong

Property Valuers

Savills Valuation and Professional Services Limited
23rd Floor, Two Exchange Square
Central
Hong Kong

Vigers Appraisal and Consulting Limited
10/F, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Principal Bankers

The Wing Hang Bank Limited,
Guangzhou Branch
The Hongkong and Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

The board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to present the Annual Report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

Review of Results

The Group recorded a turnover of HK$14,058,000 (31 December 2006: HK$12,739,000) for the year ended 31 December 2007, representing an increase of 10% compared with 2006. Net profit for the year attributable to ordinary equity holders of the Company was HK$12,824,000 (31 December 2006: net loss of HK$145,761,000).

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

Closure of Register of Members

The Register of Members of the Company will be temporarily closed from Wednesday, 27 August 2008 to Thursday, 28 August 2008, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Thursday, 28 August 2008 all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 26 August 2008.

Business Review

The Group's turnover during the year mainly comprised of the rental income generated from the commercial podium in Chongqing and the leasing of point-of-sale ("POS") equipment in Guangzhou.

During the year, the Group received HK$40,000,000, which was the remaining consideration receivable from the disposal of 51% equity interest in certain former subsidiaries of the Group, and recognised a gain on disposal of HK$18,057,000.

Property investment

Chongqing

The rental income generated from leasing of the commercial units in Gang Yu Square in Chongqing was increased during the year as compared with 2006. The occupancy rate of the Gang Yu Square during the year remained satisfactory. It is expected that the property will continue to generate a steady stream of recurring income to the Group.

Guangzhou

In December 2007, the Group acquired 25% attributable interest in 廣州正大房地產開發有限公司 ("Guangzhou Zheng Da") which holds the property interest comprising three contiguous land parcels located at Yuexiu District, Guangzhou (the "Guangzhou Property").

The Guangzhou Property is located at the most prime commercial site area in Yuexiu District, Guangzhou. Currently, part of the Guangzhou Property is used as open car park whereas the remaining part is occupied by an old building and a 2-storey non-permanent commercial building. The 2-storey non-permanent commercial building is mainly occupied by tenants engaging in the footwear wholesale business.

It is planned that the proposed development to be erected on the Guangzhou Property will be divided into two phases. The first phase development will be a redevelopment of the open carpark to a 22-storey composite building for shopping arcade and commercial office. The shopping arcade will be specialised in footwear wholesale business and it is planned that the existing tenants of the 2-storey non-permanent commercial building will be invited to move into the phase one building. The total investment amount is expected to be approximately RMB650 million and the construction is expected to be completed by 2010.

The construction of second phase development will be commenced after the completion of phase one building. The existing 2-storey non-permanent building will be demolished and redeveloped as another composite building for shopping arcade and office with ancillary facilities such as carpark and loading area whereas the existing old building will be demolished and developed as road and greenery space. It is expected that the total investment cost of the second phase development is approximately RMB600 million and the construction is expected to be completed by 2012.

During the year, Guangzhou Zheng Da had only generated minimal rental income from the rental of an old building erected on the Guangzhou Property. It is expected that the property market in the PRC will continue to prosper in coming years, and the proposed development project will provide attractive returns to the Group in the medium and long term.

Leasing of equipment

Since 2003, the Group had engaged in leasing of corded and cordless POS equipment in Guangzhou for a term of five years. The demand for POS equipment remained steady during the year but the Directors preferred to cease this operation with an objective to concentrate in property related businesses. In December 2007, the Group and its major customer mutually agreed to terminate the leasing agreement with effect from 28 December 2007.

Financial Review

Liquidity and financial resources

The Group generally financed its businesses with internally generated cash flows, banking facilities, net proceeds from new shares issue and exercise of share options during the year.

Cash and bank balances of the Group as at 31 December 2007 amounted to HK$100,527,000 (2006: HK$178,602,000) and pledged deposits of HK$1,676,000 (2006: HK$404,000).

As at 31 December 2007, the Group had outstanding borrowings of approximately HK$245,179,000 (2006: HK$25,543,000) comprising interest-bearing bank loans amounted to HK$33,134,000 (2006: HK$22,933,000), convertible bonds payable amounted to HK$41,492,000 (2006: HK$nil), finance lease payable amounted to HK$2,094,000 (2006: HK$2,610,000), promissory note payable amounted to HK$100,000,000 (2006: HK$nil) and loan from a director amounted to HK$68,459,000 (2006: HK$nil). Of the Group's interest-bearing bank loans, 31%, 6%, 20% and 43% respectively are repayable within one year or on demand, in the second year, in the third to fifth years, inclusive, and beyond five years. An amount of HK$8,560,000 bank loans as at 31 December 2007 was charged at fixed interest rates (2006: HK$nil).

The Group's gearing ratio as at 31 December 2007 was 0.07 (2006: 0.04), calculated based on the Group's interest-bearing bank and other borrowings, of HK$245,179,000 (2006: HK$25,543,000) over total assets of HK$3,290,965,000 (2006: HK$589,795,000).

Currency structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates for these currencies were relatively stable throughout the year.

Pledge of assets

The Group had utilised bank loan facilities amounting to approximately HK$33,134,000 (2006: HK$22,933,000) as at 31 December 2007. The secured bank loans of HK$24,574,000 (2006: HK$22,933,000) were supported by certain of the Group's investment properties and bank deposits, and a corporate guarantee executed by the Company.

Contingent liabilities

As at 31 December 2007, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$4,131,000 (2006: HK$4,039,000).

Material acquisition

On 9 October 2007, it was announced that the Group entered into a conditional sale and purchase agreement (as amended on 26 October 2007) with the private companies wholly owned by Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung (collectively the "Vendors"), pursuant to which, amongst other things, the Vendors agreed to sell and an indirectly wholly owned subsidiary of the Company (the "Purchaser") agreed to acquire 100% equity interest in Zheng Da Real Estate Development Company Limited ("Zheng Da") at a consideration of RMB1,814,800,000 (the "Acquisition"). The principal asset held by Zheng Da is the entire equity interest in Guangzhou Zheng Da, which in turn holds the Guangzhou Property. Details of the Acquisition had been set out in a circular of the Company dated 26 November 2007.

The Acquisition is to be completed in four tranches. The consideration for the first tranche for acquisition of 25% equity interest in Zheng Da is RMB453,700,000 (equivalent to approximately HK$480,468,000 as at 17 December 2007) was satisfied on 17 December 2007 as follows:

(i) by issue of 243,800,000 new shares in the capital of the Company (the "Consideration Shares") to the Vendors (or their designated nominee) at a total consideration of HK$60,950,000 with an issue price of HK$0.25 per Consideration Share;

(ii) by issue of convertible bonds in the aggregate principal amount of HK$84,000,000 to the Vendors (or their designated nominee);

(iii) by cash settlement of approximately HK$235,518,000 (or the equivalent amount in RMB); and

(iv) by issue of a promissory note to the Vendors (or their designated nominee) for HK$100,000,000 in aggregate.

The consideration for the second tranche for acquisition of further 26% equity interest in Zheng Da is RMB471,848,000 which will be satisfied on or before 31 May 2008 as follows:

(i) the issuance of convertible bonds in the aggregate principal amount of HK$244,440,000; and

(ii) the balance to be settled by way of cash and/or promissory notes in the agreed form.

The consideration for the third tranche for acquisition of further 24% equity interest in Zheng Da is RMB435,552,000 which will be satisfied on or before 31 October 2008 as follows:

(i) the issuance of convertible bonds in the aggregate principal amount of HK$225,680,000; and

(ii) the balance to be settled by way of cash and/or promissory notes in an agreed form.

The consideration for the fourth tranche for acquisition of the remaining 25% equity interest in Zheng Da is RMB453,700,000 which will be satisfied on or before 31 March 2009 as follows:

(i) the issuance of convertible bonds in the aggregate principal amount of HK$235,200,000; and

(ii) the balance to be settled by way of cash and/or promissory notes in an agreed form.

The first tranche was completed on 17 December 2007. The second tranche, the third tranche and the fourth tranche were not due as at 31 December 2007.

Completion of disposal of subsidiaries

In November 2002, it was announced that the Group was contracted to dispose of certain assets to an independent third party at a consideration of HK$350,000,000 payable by installments. In January 2007, the Group entered into an agreement with the purchaser to further reschedule the repayment date of the remaining consideration of HK$40,000,000 to a date not later than 31 January 2008. The remaining consideration of HK$40,000,000 was received from the purchaser in December 2007, and a gain of HK$18,057,000 was recognised in the income statement during the year. In this connection, the Group has received the total consideration of HK$350,000,000 from the purchaser and the transaction was completed in December 2007.

Placement of new shares

On 4 July 2007, the Company entered into subscription agreements with two independent subscribers which had conditionally agreed to subscribe for an aggregate of 120,000,000 new shares to be issued and allotted by the Company at a subscription price of HK$0.30 per share. On 17 July 2007, the Company issued and allotted 120,000,000 shares at HK$0.30 per share resulting in raising net proceeds of HK$35,700,000, which was used for business development and general working capital of the Group.

On 9 October 2007, the Company entered into a placing agreement with Dao Heng Securities Limited, the placing agent, in respect of the placing of 145,000,000 new shares at a placing price of HK$0.25 per share. On 21 November 2007, the placing was completed and 145,000,000 new shares were placed by the placing agent to not less than six independent placees at a price of HK$0.25 per share resulting in raising net proceeds of HK$36,100,000, which was used to finance part of the consideration of the acquisition of Zheng Da during the year.

Material litigations

(a) A writ of summons was issued in Hong Kong in August 2005 by a former director of a subsidiary of the Company (the "Plaintiff") against, inter alia, the Company, a wholly-owned subsidiary of the Company, and a director and certain accounting staff of the Company. According to the summons, the Plaintiff claimed certain damages in relation to the acquisition of a subsidiary by the Group from a private company controlled by the Plaintiff in December 2000. In the Indorsement of Claims, the Plaintiff claimed that a receipt for a consideration of HK$33,500,000 signed by the private company controlled by the Plaintiff be set aside and demanded for payment of outstanding consideration in the amount of HK$33,500,000. The Company has filed an acknowledgement of service to defend the proceedings in February 2006. No further development took place since then.

Given that the aggregate amount under all the claims is not material to the Group as a whole and the litigation is expected to continue for a period of time before a judgement is made, the Group is of the view that the proceedings will not have any immediate material adverse impact on the financial position, cashflow and business operation of the Group. No provision for the proceedings has been made for the year.

(b) Two writs of summons were issued in Chongqing in November 2006 by a third party (the "Plaintiff") against a wholly-owned subsidiary of the Group (the "Defendant"). According to the two summons, the Plaintiff claimed certain damages in relation to the unilateral termination of an estate management contract by the Defendant. In the Endorsement of Claims, the Plaintiff demanded for payment of compensation and amounts due to the Plaintiff in an aggregate amount of RMB29.0 million (HK$28.8 million). The Defendant then filed another writ of summons in the capacity of plaintiff against the Plaintiff in Chongqing in November 2006 for counter-claim of an aggregate amount of RMB68.5 million (HK$68.2 million) plus interest. The Chongqing Municipal High People's Court (重慶市高級人民法院) has given direction to consolidate the proceedings of the three writs of summons. Since then, the respective lawyers of both the Plaintiff and the Defendant have exchanged documents and evidence. The hearing date for the proceedings was not yet fixed.

Having consulted with the Defendant's legal counsel in Mainland China, the Group is of the view that the legal ground of the Plaintiff is thin and therefore no provision for the proceedings has been made at this stage.

Employee and remuneration policy

The total staff cost for the year was approximately HK$3.3 million. The Group employed 26 full time staff in Hong Kong, Chongqing and Guangzhou as at 31 December 2007. Employees are remunerated according to the nature of their job and market trend, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Chongqing and Guangzhou, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, Mandatory Provident Fund Scheme and employee share option scheme.

Prospects

The Group was principally engaged in property investment and leasing of point-of-sale equipment in the Mainland China during the year and will focus on property investment and development in the coming year. The acquisition of Guangzhou Property during the year will broaden the Group's property investment portfolio in Mainland China. The Directors believe that the Guangzhou Property is a prime property development project which will deliver attractive return, both in terms of capital gain and future recurring income, to the Group in the medium to long term spectrum. In this respect, the Directors are optimistic that the development potential and prospect of the property market and the continuing economic growth in the Mainland China will serve to facilitate the business growth of the Group.

The Company generally complied with the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the annual report, save for the few exceptions mentioned below.

Directors' Securities Transactions

The Company has adopted the Code provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code for the year under review.

Board of Directors

The Directors are responsible for the leadership and control of the Company and overseeing the Group's operation, affairs and strategic direction. The Directors also acknowledge their responsibility to prepare the financial statements which give a true and fair view.

The Directors during the year ended 31 December 2007 were:

Executive Directors

Mr. Ho Tsam Hung *(Vice Chairman)*
Mr. Ho Kam Hung *(Managing Director)*
Mr. Yang Jia Jian

Non-Executive Directors

Ms. Lam Kuo *(Chairman)*
Mr. Young Kwok Sui

Independent Non-Executive Directors

Mr. Lawrence K. Tam
Ms. Wong Miu Ting, Ivy
Mr. Wong Kui Fai

Messrs. Ho Tsam Hung and Ho Kam Hung are brotherhood in relation. Saved for this, the Directors have no financial, business, family or other material/relevant relationship among themselves.

An Executive Committee has been established by the Directors pursuant to the provisions of the Bye-laws of the Company in October 2005 to implement the investment policies and decisions made by the Directors as well as to manage the corporate affairs of the Group. The Executive Committee comprises three Executive Directors as members.

During the year, the Board held 6 board meetings and the attendance of each Director is set out as follows:

Name of Directors	Attended/Eligible to Attend
Executive Directors	
Mr. Ho Tsam Hung	3/6
Mr. Ho Kam Hung	5/6
Mr. Yang Jia Jian	3/6
Non-executive Directors	
Ms. Lam Kuo	3/6
Mr. Young Kwok Sui	6/6
Independent Non-executive Directors	
Mr. Lawrence K. Tam	5/6
Ms. Wong Miu Ting, Ivy	6/6
Mr. Wong Kui Fai	6/6

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In order to comply with this provision by spirit, Ms. Lam Kuo, the Non-Executive Director, remained to act as the Non-Executive Chairman and Mr. Ho Kam Hung remained to act as the Managing Director during the year.

Non-Executive Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Non-Executive Directors were offered a specific term of one year and were subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of its Independent Non-Executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers all Independent Non-Executive Directors are independent.

Remuneration Committee

The Remuneration Committee of the Company was established in December 2005. The members of the Remuneration Committee are comprised of three Independent Non-Executive Directors, Mr. Lawrence K. Tam, Ms. Wong Miu Ting, Ivy and Mr. Wong Kui Fai, and one Executive Director, Mr. Ho Kam Hung.

The responsibilities of the Remuneration Committee include determining remuneration policy for all remuneration of Directors and senior management and reviewing the remuneration package including performance-based remuneration.

Nomination Committee

The Company did not set up a Nomination Committee during the year. However, the Board would consider such set up should circumstances necessitate.

Appointment and Re-election of Directors

Code A.4.2. stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

However, both the Chairman and the Managing Director had voluntarily retired and offered themselves for re-election at the Company's annual general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code's practice.

Audit Committee

The present members of the Audit Committee are comprised of three Independent Non-executive Directors, Mr. Wong Kui Fai, Mr. Lawrence K. Tam and Ms. Wong Miu Ting, Ivy and one Non-Executive Director, Mr. Young Kwok Sui. During the year, the Audit Committee held two meetings.

The attendance of the Audit Committee members at the audit committee meetings during the year was as follows:

Directors	**Attended/Eligible to Attend**
Mr. Young Kwok Sui	2/2
Ms. Wong Miu Ting, Ivy	2/2
Mr. Lawrence K. Tam	2/2
Mr. Wong Kui Fai	2/2

The responsibilities of the Audit Committee include reviewing the financial information of the Company and overseeing the Company's financial reporting system and internal control procedures.

During the year, the Audit Committee reviewed the audited financial statements for 2006 and the interim financial statements for 2007 and met with the auditors and the management to discuss issues arising from the audit of the financial statements.

Internal Control

The Board acknowledges its responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved.

Auditors' Remuneration

During the year, the remuneration paid to the Company's auditors, Ernst and Young, was set out below:

	HK$'000
Services rendered	
– audit services	1,298
– non-audit services	
Preparation of accountants' report for inclusion in a circular to shareholders in respect of a very substantial acquisition and connected transaction	1,450
	2,748

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

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year except for the cessation of leasing of POS equipment in current year.

Results and Dividends

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 102.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 103 of the annual report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment, and Investment Properties

Details of movements in the property, plant and equipment of the Company and of the Group, and of the investment properties of the Group during the year are set out in notes 13 and 14, respectively, to the financial statements.

Share Capital, Share Options and Convertible Bond

Details of movements in the Company's share capital, share options and a convertible bond during the year, together with the reasons therefor, are set out in notes 30, 31 and 27 to the financial statements, respectively.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

Distributable Reserves

At the balance sheet date, the Company had no reserves available for cash distribution and distribution in specie. In accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$383,226,000, may be distributed in the form of fully paid bonus shares.

Financial Resources and Liquidity

The Group generally finances its operations with internally generated cash flows and with facilities mainly provided by banks in Mainland China. At the balance sheet date, the Group had cash and bank balances and deposits totalling HK$100,527,000.

At the balance sheet date, the Group had aggregate bank loans of approximately HK$33,134,000, of which approximately HK$10,360,000 is repayable within one year from the balance sheet date.

Major Customers and Suppliers

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and supplier were as follows:

(i) The aggregate amount of sales attributable to the Group's five largest customers represented 100% of the total sales for the year. The sales attributable to the Group's largest customer represented 72% of the Group's total sales for the year.

(ii) The Group had no major supplier due to the nature of principal activities of the Group.

As far as the directors of the Company are aware, neither the directors, their respective associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or largest suppliers.

Directors

The directors of the Company during the year were:

Executive Directors:

Ho Tsam Hung, *Vice Chairman*
Ho Kam Hung, *Managing Director*
Yang Jia Jian

Non-Executive Directors:

Lam Kuo, *Chairman*
Young Kwok Sui

Independent Non-Executive Directors:

Lawrence K. Tam
Wong Miu Ting, Ivy
Wong Kui Fai

In accordance with the Company's bye-laws, Ho Tsam Hung and Yang Jia Jian will retire by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

All non-executive directors and independent non-executive directors are appointed for a term of one year. In accordance with the Company's bye-laws, all of them will retire by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

No director 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 statutory compensation.

Emolument Policy and Directors' Remuneration

The directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Group's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share options.

Directors' Interests in Contracts

Save as the acquisition of Zheng Da Real Estate Development Company Limited ("Zheng Da") as set out under "Connected Transactions" below and in note 33 to the financial statements, no other contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the balance sheet date or at anytime during the year.

Management Contracts

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

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 January 2007	Granted during the year	Exercised during the year***	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Other employees, advisors and consultants							
In aggregate	800,000	–	–	800,000	30 March 2006	30 March 2006 to 29 March 2009	0.32
	–	50,000,000	(42,000,000)	8,000,000	6 March 2007	6 March 2007 to 5 March 2010	0.20
	800,000	50,000,000	(42,000,000)	8,800,000			

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

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

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

*** The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.265. The closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$0.131.

The directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options HK$
Other employees, advisors and consultants	50,000,000	992,000

The Black-Scholes option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were risk free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices and term to maturity. The measurement dates used in the valuation calculations were the dates on which the options were granted. Details of the assumption are set out in note 31 to the financial statements.

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

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Ho Tsam Hung *(Note 1)*	Through controlled corporation	293,571,428	25.22
Ho Kam Hung *(Note 2)*	Through controlled corporation	306,071,428	26.29

Notes:

1. Ho Tsam Hung is deemed (by virtue of the SFO) to be interested in 293,571,428 shares in the Company. These shares are held in the following capacity:

   (i) 14,500,000 shares are held by Morgan Estate Assets Limited, a company beneficially owned by Ho Tsam Hung.

   (ii) 247,371,428 shares are held by EC Fair Limited, a company wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung are brothers.

(iii) 31,700,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.

2. Ho Kam Hung is deemed (by virtue of the SFO) to be interested in 306,071,428 shares in the Company. These shares are held in the following capacity:

(i) 27,000,000 shares are held by Morcambe Corporation, a company beneficially owned by Ho Kam Hung.

(ii) 247,371,428 shares are held by EC Fair Limited, a company wholly owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung.

(iii) 31,700,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.

Long positions in shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ho Tsam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	Directly beneficially owned	30.13
	China Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	Directly beneficially owned	30.13
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	Directly beneficially owned	30.13
	China Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	Directly beneficially owned	30.13

The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 17 to the financial statements.

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Connected Transactions

During the year, the Company and the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 9 October 2007, the Group entered into a conditional sale and purchase agreement (as amended on 26 October 2007) with certain private companies each wholly-owned by Ho Kam Hung, Ho Tsam Hung, both are executive directors of the Company, and Ho Pak Hung together for acquisition of 100% equity interest in Zheng Da Real Estate Development Company Limited ("Zheng Da") at a consideration of RMB1,814,800,000. The first tranche for acquisition of 25% equity interest in Zheng Da was completed on 17 December 2007. Further details of the transaction are included in note 33 to the financial statements. A circular in relation to such transaction was issued to the shareholders of the Company on 26 November 2007.

Directors' Rights to Acquire Shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in any other body corporate.

Profiles of Directors and Senior Management

Directors

Name	Age	Position	Number of years of service with the Group	Business experience
Ho Tsam Hung	55	Vice Chairman	17	Over 17 years' experience in property development and investment in Mainland of the People's Republic of China ("Mainland China")
Ho Kam Hung	53	Managing Director	17	Over 17 years' experience in property development and investment in Mainland China
Yang Jia Jian	43	Executive Director	3	Over 21 years' experience in project management
Lam Kuo	59	Non-Executive Chairman	3	Over 22 years' business experience

Name	Age	Position	Number of years of service with the Group	Business experience
Young Kwok Sui	50	Non-Executive Director	5	Over 20 years' experience in accountancy and management consultancy services
Lawrence K. Tam	63	Independent Non-Executive Director	2	Over 27 years' experience in banking and finance field
Wong Miu Ting, Ivy	46	Independent Non-Executive Director	2	Over 22 years' experience in auditing and business advisory
Wong Kui Fai	50	Independent Non-Executive Director	1	Over 21 years' experience in information technology field
Senior management				
Lee Tao Wai, Edward	29	Financial Controller and Company Secretary	3	Over 8 years' experience in accounting and corporate field
Chun Wai Yin, Alex	42	Accounting Manager	16	Over 20 years' experience in accounting and treasury management

Employees and Remuneration Policy

The total staff cost for the year was approximately HK$3.3 million. The Group employed 26 full-time staff in Hong Kong and Mainland China as at 31 December 2007. Employees are remunerated according to the nature of their job and market trends, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, the Mandatory Provident Fund scheme and an employees' share option scheme.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2007, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ho Pak Hung *(Note 1)*	Through controlled corporation	306,071,428	26.29
Liang Gui Fen *(Note 1)*	Spouse	306,071,428	26.29
Ye Jia Li *(Note 2)*	Spouse	306,071,428	26.29
Yeung Ching Yi *(Note 3)*	Spouse	293,571,428	25.22
EC Fair Limited *(Note 4)*	Directly beneficially owned	247,371,428	21.25
Henry Mong *(Note 5)*	Through controlled corporation	80,000,000	6.87
Xiong Shu Min *(Note 5)*	Spouse	80,000,000	6.87
Hero Grand Investments Limited *(Note 6)*	Directly beneficially owned	77,000,000	6.61
Leung Po Wa *(Note 6)*	Through controlled corporation	77,000,000	6.61
Super Grand Holdings Limited *(Note 5)*	Directly beneficially owned	60,000,000	5.15
East Grand Group Limited *(Note 7)*	Directly beneficially owned	60,000,000	5.15
Zou Shengming *(Note 7)*	Through controlled corporation	60,000,000	5.15

Notes:

1. Ho Pak Hung is deemed (by virtue of the SFO) to be interested in 306,071,428 shares in the Company. These shares are held in the following capacity:

   (i) 27,000,000 shares are held by On Tai Profits Limited, a company beneficially owned by Ho Pak Hung.

   (ii) 247,371,428 shares are held by EC Fair Limited, a company wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung.

   (iii) 31,700,000 shares are held by High Rank Enterprises Limited. Each of Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung is interested in approximately 31.58% of the issued share capital of High Rank Enterprises Limited.

   As Liang Gui Fen is the spouse of Ho Pak Hung, she is deemed to be interested in 306,071,428 shares in the Company.

2. As Ye Jia Li is the spouse of Ho Kam Hung, an Executive Director of the Company, she is deemed to be interested in 306,071,428 shares in the Company.

3. As Yeung Ching Yi is the spouse of Ho Tsam Hung, an Executive Director of the Company, she is deemed to be interested in 293,571,428 shares in the Company.

4. EC Fair Limited is wholly-owned by Ho Tsam Hung, Ho Kam Hung and Ho Pak Hung. 243,800,000 shares are directly held by EC Fair Limited and 3,571,428 shares are held in the capacity as the holder of the convertible bonds (see below).

   Pursuant to the conditional sale and purchase agreement dated on 9 October 2007 and the supplemental agreement dated on 26 October 2007 entered into between the Group and the private companies wholly-owned by Ho Kam Hung, Ho Tsam Hung and Ho Pak Hung in relation to the issue of convertible bonds in a principal amount up to HK$789,320,000 in aggregate, the convertible bond with a principal amount of HK$84,000,000 were issued to EC Fair Limited on 17 December 2007. The maximum number of ordinary shares of HK$0.2 each in the capital of the Company, assuming full conversion of the convertible bond at the initial conversion price of HK$0.28 per share (subject to adjustments from time to time), which may be newly issued is 300,000,000 shares. As at 31 December 2007, the conversion rights are not exercised.

   For the purpose of SFO, EC Fair Limited is deemed to be interested in 3,571,428 shares, being the minimum number of shares which may be newly issued upon the conversion of the convertible bonds.

5. Henry Mong and Xiong Shu Min, the spouse of Henry Mong, are deemed to be interested in 80,000,000 shares in the Company. These shares are held in the following capacity:

   (i) 60,000,000 shares are held by Super Grand Holdings Limited, a company beneficially owned by Henry Mong.

   (ii) 20,000,000 shares are directly held by Xiong Shu Min.

6. Hero Grand Investments Limited is wholly-owned by Leung Po Wa.

7. East Grand Group Limited is wholly-owned by Zou Shengming.

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Sufficiency of Public Float

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at 18 April 2008 (being the latest practicable date prior to the printing of this annual report).

Auditors

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

ON BEHALF OF THE BOARD

Ho Kam Hung
Managing Director

Hong Kong
18 April 2008

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Zhong Hua International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 25 to 102, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated summary statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

ERNST & YOUNG
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong
18 April 2008

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**10,070**	8,790
Other income		**3,098**	1,890
Changes in fair value of the derivative component of a convertible bond	27	**(1,992)**	–
Gain on disposal of interests in subsidiaries	26	**18,057**	–
Administrative expenses		**(13,376)**	(14,071)
Other operating expenses, net		**(3,128)**	(6,925)
Finance costs	6	**(2,918)**	(2,367)
PROFIT/(LOSS) BEFORE TAX	7	**9,811**	(12,683)
Tax	9	**10,285**	(223)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**20,096**	(12,906)
DISCONTINUED OPERATIONS	10		
Loss for the year from discontinued operations		**(7,272)**	(132,855)
PROFIT/(LOSS) FOR THE YEAR		**12,824**	(145,761)
Attributable to:			
Equity holders of the Company	11, 32	**12,824**	(145,761)
Minority interests	32	**–**	–
		12,824	(145,761)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
– For profit/(loss) for the year		**HK1.82 cents**	HK(26.02) cents
– For profit/(loss) for the year from continuing operations		**HK2.84 cents**	HK(2.30) cents
Diluted			
– For profit for the year		**HK1.79 cents**	N/A
– For profit for the year from continuing operations		**HK2.79 cents**	N/A

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,795**	13,962
Investment properties	14	**3,088,413**	291,800
Intangible assets	15	**–**	7,861
Goodwill	16	**–**	–
Interests in jointly-controlled entities	18	**–**	–
Prepaid rental	20	**–**	–
Deposits and other receivable	21	**–**	57,953
Pledged deposits	22	**1,676**	404
Total non-current assets		**3,099,884**	371,980
CURRENT ASSETS			
Properties held for sales		**35,407**	–
Trade receivables	19	**32,434**	25,954
Prepayments, deposits and other receivables	21	**22,713**	13,259
Cash and cash equivalents	22	**100,527**	178,602
Total current assets		**191,081**	217,815
CURRENT LIABILITIES			
Trade payables	23	**(25,015)**	(12,649)
Tax payable		**(19,161)**	(12,039)
Other payables and accruals	24	**(46,341)**	(17,187)
Due to directors	28	**(11,403)**	–
Interest-bearing bank and other borrowings	25	**(10,910)**	(5,602)
Deferred income	26	**–**	(18,057)
Total current liabilities		**(112,830)**	(65,534)
NET CURRENT ASSETS		**78,251**	152,281
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,178,135**	524,261
NON-CURRENT LIABILITIES			
Loan from a director	28	**(68,459)**	–
Due to a director	28	**(63,542)**	–
Long term other payables	24	**(106,956)**	–
Convertible bond	25, 27	**(41,492)**	–
Promissory note	25	**(100,000)**	–
Interest-bearing bank and other borrowings	25	**(24,318)**	(19,941)
Deferred tax liabilities	29	**(646,545)**	(51,430)
Total non-current liabilities		**(1,051,312)**	(71,371)
Net assets		**2,126,823**	452,890

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	30	**232,808**	122,648
Reserves	32	**444,650**	330,242
		677,458	452,890
Minority interests		**1,449,365**	–
Total equity		**2,126,823**	452,890

Ho Tsam Hung
Director

Ho Kam Hung
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Total equity at 1 January		**452,890**	526,045
Release of exchange fluctuation reserve upon disposal of subsidiaries	32	**–**	(3,835)
Exchange differences on translation of the financial statements of foreign entities	32	**24,415**	10,921
Total income and expense for the year recognised directly in equity		**24,415**	10,921
Profit/(loss) for the year attributable to	32		
Equity holders of the Company		**12,824**	(145,761)
Minority interests		**–**	–
Total income and expense for the year		**12,824**	(145,761)
Issue of shares, including share premium	30(b), (f), (g), (h)	**133,200**	5,100
Share option scheme reserve	31	**992**	2,767
Exercise of share options, at par (2006: including share premium)	30(c), (d), (i)	**8,400**	27,820
Exercise of a convertible bond	27	**–**	29,833
Minority interest arose on acquisition of non-wholly-owned subsidiaries	33	**1,449,365**	–
Equity component of a convertible bond	27	**44,737**	–
Total equity at 31 December		**2,126,823**	452,890

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**9,811**	(12,683)
From a discontinued operation	10	**(7,272)**	(132,855)
Adjustments for:			
Finance costs	6	**2,918**	5,145
Interest income	7	**(3,602)**	(1,909)
Loss on disposal of interests in subsidiaries	10	**–**	106,187
Gain on disposal of interests in subsidiaries	7, 26	**(18,057)**	–
Depreciation	7	**3,344**	14,156
Amortisation of intangible assets	7	**4,313**	5,656
Amortisation of prepaid rental	7	**–**	1,025
Write off/impairment of intangible assets	7	**4,312**	3,587
Write off of items of property, plant and equipment	7	**1,954**	–
Loss on disposals of item of property, plant and equipment	7	**38**	–
Changes in fair value of the derivative component of a convertible bond	7	**1,992**	–
Equity-settled share option scheme expenses	7, 31	**992**	2,767
		743	(8,924)
Decrease/(increase) in trade receivables		**(6,480)**	9,977
Decrease/(increase) in prepayments, deposits and other receivables		**55,811**	(18,778)
Decrease in trade payables		**(625)**	(18,684)
Increase in other payables and accruals		**7,510**	5,965
Exchange difference on translation of financial statements of foreign entities		**(1,306)**	(2,791)
Cash generated from/(used in) operations		**55,653**	(33,235)
Interest received		**3,602**	1,909
Interest paid		**(2,362)**	(5,004)
Interest element on finance lease rental payments	6	**(155)**	(90)
Net cash inflow/(outflow) from operating activities		**56,738**	(36,420)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(367)**	(471)
Acquisition of subsidiaries	33	**(222,598)**	–
Disposal of subsidiaries	34	**–**	49,895
Decrease/(increase) in time deposits with original maturity of more than three months		**129,308**	(176,400)
Increase in deposits pledged to a bank		**(1,272)**	(50)
Net cash outflow from investing activities		**(94,929)**	(127,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**80,650**	32,920
New bank loans raised		**50,000**	–
Repayments of bank loans		**(48,359)**	(4,668)
Capital element of finance lease rental payments		**(516)**	(335)
Decrease in amounts due to directors		**(3,793)**	–
Net cash inflow from financing activities		**77,982**	27,917
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,791**	(135,529)
Cash and cash equivalents at beginning of year		**2,202**	133,151
Effect of foreign exchange rate changes, net		**165**	4,580
CASH AND CASH EQUIVALENTS AT END OF YEAR		**42,158**	2,202
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**42,158**	2,202

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**320**	49
Interests in subsidiaries	17	**290,218**	290,218
Deposits	21	**–**	17,953
Total non-current assets		**290,538**	308,220
CURRENT ASSETS			
Due from subsidiaries	17	**453,041**	121,492
Prepayments, deposits and other receivables	21	**497**	429
Cash and bank balances		**3,460**	1,608
Total current assets		**456,998**	123,529
CURRENT LIABILITIES			
Tax payable		**(3,610)**	(3,610)
Other payables and accruals	24	**(6,877)**	(4,285)
Total current liabilities		**(10,487)**	(7,895)
NET CURRENT ASSETS		**446,511**	115,634
TOTAL ASSETS LESS CURRENT LIABILITIES		**737,049**	423,854
NON-CURRENT LIABILITIES			
Convertible bond	27	**(41,492)**	–
Promissory note	25	**(100,000)**	–
Total non-current liabilities		**(141,492)**	–
Net assets		**595,557**	423,854
EQUITY			
Issued capital	30	**232,808**	122,648
Reserves	32	**362,749**	301,206
Total equity		**595,557**	423,854

Ho Tsam Hung
Director

Ho Kam Hung
Director

1. CORPORATE INFORMATION

Zhong Hua International Holdings Limited (the "Company") was incorporated in Bermuda on 23 September 1997 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The register office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the principal office of the Company is located at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong.

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

- property investment
- leasing of equipment

As a result of the cessation of the operation of 廣州遠朋天成電子科技有限公司, a wholly-owned subsidiary of the Group, the Group ceased the leasing of equipment business during the year.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

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

The principal change in accounting policies are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

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

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

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

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

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

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

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

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

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

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

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

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

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 January 2010

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

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

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKFRS 3 and the revised HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income: it presents all items of income and expense recognised in the consolidated income statement, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements.

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

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

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint venture

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

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

A joint venture is treated as:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture (continued)

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

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

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

Jointly-controlled entities

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

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio.

Goodwill

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and jointly-controlled entities, after reassessment, is recognised immediately in the income statement.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Telecommunication network and equipment	5% to 20%
Land and buildings	Over the lease terms
Leasehold improvements	20%
Equipment	20%
Computer and office equipment, furniture and fixtures	20%
Motor vehicles	20%

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

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

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

Investment properties

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

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

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

Properties held for sale

Properties held for sale, consisting of completed properties intended for sale are classified as current assets and are stated at the lower of cost and net realisable value. Net realisable value is determined by directors with reference to the prevailing market prices on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets.

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

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

Loans and receivables

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

Fair value

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

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

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

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

Convertible bonds

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Intangible assets

Intangible assets represent the software purchased and developed for licencing, and the rights to operate the leasing of equipment business. The software and the operating rights are stated at cost less any accumulated amortisation and any impairment losses. The operating rights are amortised on the straight-line basis over the operating terms of the contractual arrangements of five years. The software is amortised on the straight-line basis, over its estimated useful life of four years.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of completed properties held for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(iii) rental income, on a time proportion basis over the lease terms; and

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

Share-based payment transactions

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

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a binomial model or an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

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

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

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

Other employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance; for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE

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

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE (continued)

Estimation uncertainty

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

Impairment of trade and other receivables

The Group makes allowances for impairment based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment allowances in the year in which such estimate has been changed.

Estimation of fair value of an investment property

As described in note 14 to the financial statements, the investment properties were revalued at the balance sheet date on an open market, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

Continuing operations

(a) the property investment segment invests in shopping centres located in Mainland China, for rental income potential; and

(b) the corporate and others segment comprises corporate income and expense items.

4. SEGMENT INFORMATION (continued)

Discontinued operations

(c) the leasing of equipment segment engages in the leasing of equipment; and

(d) the provision of telecommunication and other related services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

	Continuing operations						Discontinued operations							
	Property investment		Corporate and others		Total		Leasing of equipment		Telecommunication and other related services		Total		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**10,070**	8,790	**-**	–	**10,070**	8,790	**3,988**	3,772	**-**	177	**3,988**	3,949	**14,058**	12,739
Other revenue and gains	**-**	–	**18,057**	–	**18,057**	–	**-**	–	**-**	–	**-**	–	**18,057**	–
Total	**10,070**	8,790	**18,057**	–	**28,127**	8,790	**3,988**	3,772	**-**	177	**3,988**	3,949	**32,115**	12,739
Segment results	**5,146**	908	**4,485**	(13,114)	**9,631**	(12,206)	**(8,937)**	(7,960)	**-**	(15,984)	**(8,937)**	(23,944)	**694**	(36,150)
Other income					**3,098**	1,890					**1,665**	54	**4,763**	1,944
Finance costs					**(2,918)**	(2,367)					**-**	(2,778)	**(2,918)**	(5,145)
Profit/(loss) before tax					**9,811**	(12,683)					**(7,272)**	(26,668)	**2,539**	(39,351)
Tax					**10,285**	(223)					**-**	–	**10,285**	(223)
Loss on disposal of interests in subsidiaries					**-**	–					**-**	(106,187)	**-**	(106,187)
Profit/(loss) for the year					**20,096**	(12,906)					**(7,272)**	(132,855)	**12,824**	(145,761)

4. SEGMENT INFORMATION (continued)

	Continuing operations						Discontinued operations							
	Property investment		Corporate and others		Total		Leasing of equipment		Telecommunication and other related services		Total		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,181,937**	331,545	**3,113**	64,710	**3,185,050**	396,255	**5,847**	16,667	**-**	–	**5,847**	16,667	**3,190,897**	412,922
Unallocated assets					**100,068**	176,873					–	–	**100,068**	176,873
Total assets					**3,285,118**	573,128					**5,847**	16,667	**3,290,965**	589,795
Segment liabilities	**311,322**	26,121	**186,983**	47,191	**498,305**	73,312	**131**	124	**-**	–	**131**	124	**498,436**	73,436
Unallocated liabilities					**665,706**	63,469					**-**	–	**665,706**	63,469
Total liabilities					**1,164,011**	136,781					**131**	124	**1,164,142**	136,905
Other segment information:														
Capital expenditure	**-**	321	**367**	3,095	**367**	3,416	**-**	–	**-**	–	**-**	–	**367**	3,416
Depreciation and amortisation	**294**	227	**677**	350	**971**	577	**6,686**	7,861	**-**	12,399	**6,686**	20,260	**7,657**	20,837
Write-back of provision for other receivables	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(678)	**-**	(678)	**-**	(678)
Write off of intangible assets	**-**	–	**-**	–	**-**	–	**4,312**	–	**-**	–	**4,312**	–	**4,312**	–
Write off of items of property, plant and equipment	**-**	–	**-**	–	**-**	–	**1,954**	–	**-**	–	**1,954**	–	**1,954**	–
Impairment of intangible assets	**-**	–	**-**	–	**-**	–	**-**	3,587	**-**	–	**-**	3,587	**-**	3,587
Loss on disposals of item of property, plant and equipment	**-**	–	**38**	–	**38**	–	**-**	–	**-**	–	**-**	–	**38**	–

5. REVENUE

Revenue, which is also the Group's turnover, represented the telecommunication and other related services income and gross rental income, after elimination of all significant intra-group transactions less any applicable turnover taxes.

An analysis of revenue is as follows:

	2007	2006
	HK$'000	*HK$'000*
Rental income from investment properties	**10,070**	8,790
Attributable to continuing operations reported in the consolidated income statement	**10,070**	8,790
Attributable to discontinued operations *(note 10)*	**3,988**	3,949
	14,058	12,739

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**2,362**	4,879
Finance lease	**155**	90
Convertible bond	**237**	176
Promissory note	**164**	–
	2,918	5,145
Attributable to continuing operations	**2,918**	2,367
Attributable to discontinued operations *(note 10)*	**–**	2,778
	2,918	5,145

7. PROFIT/(LOSS) BEFORE TAX

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

	2007 HK$'000	2006 HK$'000
Cost of services provided*	**4,313**	17,758
Depreciation	**3,344**	14,156
Amortisation of intangible assets	**4,313**	5,656
Amortisation of a prepaid rental	**–**	1,025
Impairment of intangible assets**	**–**	3,587
Write off of intangible assets**	**4,312**	–
Write off of items of property, plant and equipment	**1,954**	–
Loss on disposals of items of property, plant and equipment	**38**	–
Minimum lease payments under operating leases on land and buildings	**1,058**	1,019
Employee benefits expense (including directors' remuneration – note 8):		
Wages and salaries ##	**3,191**	3,387
Pension scheme contributions #	**136**	183
	3,327	3,570
Auditors' remuneration	**1,298**	1,180
Write-back of provision for other receivables**	**–**	(678)
Gross and net rental income	**(10,070)**	(8,790)
Foreign exchange differences, net	**(1,582)**	(1,850)
Gain on disposal of interests in subsidiaries	**(18,057)**	–
Bank interest income	**(3,602)**	(1,909)
Equity-settled share option scheme expenses	**992**	2,767
Changes in fair value of the derivative component of a convertible bond	**1,992**	–

The disclosures presented in this note for the years ended 31 December 2006 and 2007 include those amounts charged/credited in respect of the discontinued operations.

* The cost of services provided in relation to the discontinued operations includes amounts aggregating HK$4,313,000 (2006: HK$17,609,000) relating to direct staff costs, amortisation of intangible assets, amortisation of prepaid rentals, operating lease rentals of land and buildings, and depreciation which are also included in the respective total amounts disclosed above for each of these types of expense.

** Included in "Other operating expenses, net" as set out in note 10 "Discontinued operation" below.

\# At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

\#\# The wages and salaries includes amount of HK$159,000 (2006: HK$118,000) relating to share option scheme expenses which is also included in the "Equity-settled employees share option scheme expenses" as described above.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

2007

	Directors' fees *HK$'000*	Salaries, allowances and benefit in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Ho Tsam Hung	240	–	24	264
Yang Jia Jian	240	–	–	240
Ho Kam Hung	240	–	24	264
	720	–	48	768
Non-executive Directors				
Lam Kuo	240	–	–	240
Young Kwok Sui	210	–	–	210
	450	–	–	450
Independent Non-executive Directors				
Lawrence K. Tam	150	–	–	150
Wong Miu Ting, Ivy	150	–	–	150
Wong Kui Fai	150	–	–	150
	450	–	–	450
	1,620	–	48	1,668

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

2006

	Directors' fees *HK$'000*	Salaries, allowances and benefit in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Ho Tsam Hung	240	–	24	264
Yang Jia Jian	240	–	–	240
Ho Kam Hung	240	–	24	264
	720	–	48	768
Non-executive Directors				
Yeung Mo Sheung, Ann	93	–	–	93
Lam Kuo	160	–	–	160
Young Kwok Sui	210	–	–	210
	463	–	–	463
Independent Non-executive Directors				
Wong Ting Kon	93	–	–	93
Lawrence K. Tam	180	–	–	180
Wong Miu Ting, Ivy	180	–	–	180
Wong Kui Fai	13	–	–	13
	466	–	–	466
	1,649	–	48	1,697

The Executive Directors of the Company are the key management personnel of the Group.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(continued)

Five highest paid employees

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**756**	764
Pension scheme contributions	**48**	48
Equity-settled share option scheme expenses benefits	**159**	118
	963	930

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

	Number of employees	
	2007	2006
Nil – HK$1,000,000	**2**	2

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

During the year, 8,000,000 share options were granted to two highest paid employees, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to the directors or non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. TAX

	Group	
	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – elsewhere	**1,986**	223
Deferred *(note 29)*	**(12,271)**	–
Total tax charge/(credit) for the year	**(10,285)**	223

9. TAX (continued)

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at tax rate of 33% (2006: 33%).

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

Group – 2007

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Profit/(loss) before tax (including loss from discontinued operations)	4,017	(1,478)	2,539
Tax at the statutory tax rate	703	(488)	215
Effect on opening deferred tax of decrease in rates	–	(12,271)	(12,271)
Income not subject to tax	(3,159)	–	(3,159)
Expenses not deductible for tax	2,456	2,474	4,930
Tax losses not recognised	–	–	–
Tax charge at the Group's effective rate	–	(10,285)	(10,285)
Represented by:			
Tax charge attributable to continuing operations			(10,285)
Tax charge attributable to discontinued operations *(note 10)*			–
			(10,285)

9. TAX (continued)

Group – 2006

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Loss before tax (including loss from discontinued operations)	(122,707)	(22,831)	(145,538)
Tax at the statutory tax rate	(21,474)	(7,534)	(29,008)
Income not subject to tax	–	(8,715)	(8,715)
Expenses not deductible for tax	18,359	14,651	33,010
Tax losses not recognised	3,115	1,821	4,936
Tax charge at the Group's effective rate	–	223	223
Represented by:			
Tax charge attributable to continuing operations			223
Tax charge attributable to discontinued operations *(note10)*			–
			223

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax (the "CIT") Law of Mainland China (the "New CIT Law"), which will become effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic and foreign investment enterprises at a rate of 25%.

This change in the CIT rate will directly affect the Group's effective tax rate prospectively from 2008. The CIT rate will change from 33% to 25% effective from 1 January 2008. According to HKAS 12 "Income taxes", deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and the Group's deferred tax have been adjusted accordingly (note 29).

10. DISCONTINUED OPERATIONS

During the prior and current years, the following discontinued operations were noted:

(a) Pursuant to a sale and purchase agreement entered into between the Group and an independent third party in prior year, the Group agreed to dispose of its entire equity interest in a subsidiary, Telesuccess International Limited, and its wholly-owned subsidiary (the "Disposed Group"). The transaction was completed on 29 December 2006. (b) During the year, the Group has decided to cease the operation (the "Cessation") of 廣州遠朋天成電子科技有限公司 ("廣州遠朋") (formerly known as "Guangzhou Proland Electrical Technology Limited"). 廣州遠朋 principally engages in leasing of equipment in Mainland China. Pursuant to the agreement entered into between 廣州遠朋 and 廣州市飛躍信息技術開發有限公司 ("Fei Yue") on 28 December 2007, 廣州遠朋 has ceased leasing of POS equipment to Fei Yue since then.

The results for the discontinued operations for the two years ended 31 December 2006 and 2007 are as follows:

	2007	2006
	HK$'000	*HK$'000*
REVENUE	**3,988**	3,949
Cost of sales	**(4,313)**	(17,758)
Gross loss	**(325)**	(13,809)
Other income	**1,665**	54
Administrative expenses	**(2,346)**	(7,226)
Other operating expenses, net	**(6,266)**	(2,909)
Finance costs	**–**	(2,778)
Loss before tax from discontinued operations	**(7,272)**	(26,668)
Tax	**–**	–
Loss after tax from discontinued operations	**(7,272)**	(26,668)
Loss on disposal from the Disposed Group	**–**	(106,187)
	(7,272)	(132,855)
Attributable to:		
Equity holders of the Company	**(7,272)**	(132,855)
Minority interest	**–**	–
	(7,272)	(132,855)

10. DISCONTINUED OPERATIONS (continued)

The net cash flows of discontinued operations are as follows:

	2007 HK$'000	2006 HK$'000
Operating activities	**(592)**	(3,070)
Investing activities	**635**	54
Financing activities	**–**	–
Net cash inflow/(outflow)	**43**	(3,016)

	2007	2006
Loss per share:		
Basic, from the discontinued operations	**HK1.02 cents**	HK23.72 cents
Diluted, from the discontinued operations	**N/A**	N/A

Diluted loss per share from the discontinued operations for the year ended 31 December 2007 and 2006 have not been disclosed as the convertible bond and share options outstanding during that year had anti-dilutive effects on the basic loss per share.

The calculations of basic loss per share from the discontinued operations are based on:

	2007	2006
Loss attributable to equity holders of the Company from the discontinued operations	**HK$7,272,000**	HK$132,855,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**706,550,889**	560,120,752

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$15,626,000 (2006: HK$96,321,000) which has been dealt with in the financial statements of the Company (note 32).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$12,824,000 (2006: loss of HK$145,761,000), and the weighted average number of 706,550,889 (2006: 560,120,752) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$12,824,000 adjusted to reflect the interest on the convertible bond of HK$237,000, and the weighted average number of ordinary shares used in the calculation is the 729,002,090 ordinary shares in issue during the year. A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per share calculation is as follows:

Weighted average number of shares used in the basic earnings per share calculation	706,550,889
Weighted average number of shares assumed to have been issued on the conversion of convertible bonds	12,328,767
Weighted average number of shares assumed to have been issued under the share option scheme for nil consideration	10,122,434
Weighted average number of shares used in the diluted earnings per share calculation	729,002,090

Diluted loss per share for the year ended 31 December 2006 has not been disclosed as the convertible bond and share options outstanding during that year had anti-dilutive effects on the basic loss per share.

The calculation of basic earnings (2006: loss) for the year from continuing operations per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$20,096,000 (2006: loss of HK$12,906,000), and the weighted average number of 706,550,889 (2006: 560,120,752) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2007 from continuing operations is based on the profit for the year from continuing operations of HK$20,096,000, adjusted to reflect the interest on the convertible bond of HK$237,000, and the weighted average number of ordinary shares used in the calculation is the 729,002,090 ordinary shares in issue during the year (see above).

No diluted loss per share for the year ended 31 December 2006 from continuing operations has been disclosed as the convertible bond and share options outstanding during that year had anti-dilutive effects on the basis loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2007	8,072	220	11,820	679	3,547	24,338
Additions	–	348	2	17	–	367
Acquisition of subsidiaries *(note 33)*	–	–	17	–	6	23
Write off	–	–	(11,885)	–	–	(11,885)
Disposals	–	(34)	(335)	(365)	–	(734)
Exchange realignment	609	13	851	12	34	1,519
At 31 December 2007	**8,681**	**547**	**470**	**343**	**3,587**	**13,628**
Accumulated depreciation:						
At 1 January 2007	1,436	137	7,703	657	443	10,376
Provided during the year	232	84	2,347	4	677	3,344
Write off	–	–	(9,931)	–	–	(9,931)
Disposals	–	(34)	(301)	(361)	–	(696)
Exchange realignment	117	8	592	11	12	740
At 31 December 2007	**1,785**	**195**	**410**	**311**	**1,132**	**3,833**
Net book value:						
At 31 December 2007	**6,896**	**352**	**60**	**32**	**2,455**	**9,795**
At 31 December 2006	6,636	83	4,117	22	3,104	13,962

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Telecom-munication network and equipment HK$'000	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:							
At 1 January 2006	122,875	7,789	939	11,407	1,217	520	144,747
Additions	–	–	–	13	–	3,403	3,416
Disposal of subsidiaries *(note 34)*	(127,272)	–	(793)	–	(587)	(416)	(129,068)
Exchange realignment	4,397	283	74	400	49	40	5,243
At 31 December 2006	–	8,072	220	11,820	679	3,547	24,338
Accumulated depreciation:							
At 1 January 2006	18,088	1,169	666	5,203	1,152	293	26,571
Provided during the year	10,917	219	196	2,277	41	506	14,156
Disposal of subsidiaries *(note 34)*	(30,635)	–	(793)	–	(587)	(391)	(32,406)
Exchange realignment	1,630	48	68	223	51	35	2,055
At 31 December 2006	–	1,436	137	7,703	657	443	10,376
Net book value:							
At 31 December 2006	–	6,636	83	4,117	22	3,104	13,962
At 31 December 2005	104,787	6,620	273	6,204	65	227	118,176

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements *HK$'000*	Computer and office equipment, furniture and fixtures *HK$'000*	Total *HK$'000*
At cost:			
At 1 January 2007	37	1,033	1,070
Additions	348	19	367
Disposals	(34)	(685)	(719)
At 31 December 2007	**351**	**367**	**718**
Accumulated depreciation:			
At 1 January 2007	36	985	1,021
Provided during the year	46	12	58
Disposals	(34)	(647)	(681)
At 31 December 2007	**48**	**350**	**398**
Net book value:			
At 31 December 2007	**303**	**17**	**320**
At 31 December 2006	1	48	49
At cost:			
At 1 January 2006	37	1,033	1,070
Additions	–	–	–
At 31 December 2006	37	1,033	1,070
Accumulated depreciation:			
At 1 January 2006	36	944	980
Provided during the year	–	41	41
At 31 December 2006	36	985	1,021
Net book value:			
At 31 December 2006	1	48	49
At 31 December 2005	1	89	90

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2006, included in the total amount of the Group's equipment, there were 2,482 point-of-sale equipment (the "POS Equipment") held for leasing purposes with cost of HK$11,052,000 and accumulated depreciation of HK$7,025,000. The POS Equipment have been fully written off during the year.

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2007 amounted to HK$2,166,000 (2006: HK$2,785,000).

The Group's land and buildings included above are held under medium term leases in Mainland China.

14. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**291,800**	285,000
Additions from acquisition of subsidiaries *(note 33)*	**2,782,000**	–
Exchange realignment	**14,613**	6,800
Carrying amount at 31 December	**3,088,413**	291,800

The Group's investment properties are held under medium term land use rights in Mainland China.

The Group's investment properties with carrying value of HK$2,782,000,000 and of HK$306,413,000 were revalued as at 31 December 2007 by Vigers Appraisal and Consulting Limited and Savills Valuation and Professional Services Limited, independent professionally qualified valuers, on an open market, existing use basis respectively. Certain of the investment properties were leased to third parties under operating leases, further summary details of which are included in note 38(i) to the financial statements.

At the balance sheet date, certain of the Group's investment properties were pledged to secure banking facilities granted to the Group as set out in note 25 to the financial statements.

15. INTANGIBLE ASSETS

Group

	Software HK$'000	Operating rights HK$'000	Total HK$'000
Cost:			
At beginning of year	–	39,358	39,358
Write off	–	(42,325)	(42,325)
Exchange realignment	–	2,967	2,967
At 31 December 2007	**–**	**–**	**–**
Accumulated amortisation and impairment:			
At beginning of year	–	31,497	31,497
Provided during the year	–	4,313	4,313
Write off	–	(38,013)	(38,013)
Exchange realignment	–	2,203	2,203
At 31 December 2007	**–**	**–**	**–**
Net book value:			
At 31 December 2007	**–**	**–**	**–**
At 31 December 2006	–	7,861	7,861
Cost:			
At beginning of year	2,913	37,740	40,653
Disposal of subsidiaries *(note 34)*	(3,019)	–	(3,019)
Exchange realignment	106	1,618	1,724
At 31 December 2006	–	39,358	39,358
Accumulated amortisation and impairment:			
At beginning of year	2,913	21,250	24,163
Provided during the year	–	5,656	5,656
Disposal of subsidiaries *(note 34)*	(3,019)	–	(3,019)
Impairment*	–	3,587	3,587
Exchange realignment	106	1,004	1,110
At 31 December 2006	–	31,497	31,497
Net book value:			
At 31 December 2006	–	7,861	7,861
At 31 December 2005	–	16,490	16,490

* The operating rights were valued by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on a discounted cash flow basis at HK$7,861,000 as at 31 December 2006. Based on such valuation, an impairment loss on intangible assets of HK$3,587,000 was charged to the income statement for the year ended 31 December 2006.

Operating rights with carrying value of HK$4,312,000 as at 31 December 2007 has been written off during the year due to the Cessation.

16. GOODWILL

The amounts of the goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cost:		
At 1 January	–	128,788
Disposal of subsidiaries *(note 34)*	–	(128,788)
At 31 December	–	–
Accumulated amortisation and impairment:		
At 1 January	–	49,000
Disposal of subsidiaries *(note 34)*	–	(49,000)
At 31 December	–	–
Net book value:		
At 31 December	–	–
At 31 December	–	79,788

17. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	Company 2006 HK$'000
Unlisted shares, at cost	**467,158**	467,158
Provision for impairment	**(176,940)**	(176,940)
	290,218	290,218
Due from subsidiaries	**677,706**	346,157
Provision against amounts due from subsidiaries	**(224,665)**	(224,665)
	453,041	121,492
	743,259	411,710

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company 2007	Percentage of equity attributable to the Company 2006	Principal activities
Directly held					
China Land Realty Investment (BVI) Limited ("CLRIL")	British Virgin Islands/ Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	People's Republic of China ("PRC")/ Mainland China	US$2,000,000 Registered capital *(Note a)*	**100**	100	Property development, holding and management

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Indirectly held (continued)					
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(Note b)*	**100**	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/ Mainland China	HK$1,500,000 Registered capital *(Note a)*	**100**	100	Inactive
Zheng Da Real Estate Development Co. Ltd. ("Zheng Da")	Hong Kong	HK$4 Ordinary *(Note c)*	**25**	–	Investment holding
廣州市正大房地產開發有限公司 ("Guangzhou Zheng Da")	PRC/ Mainland China	RMB150,000,000 Registered capital *(Notes a and c)*	**25**	–	Property investment business

Notes:

a. CQ Smart Hero, 廣州遠朋天成電子科技有限公司 and Guangzhou Zheng Da are wholly-foreign-owned enterprises established in the PRC.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.

c. During the year, the Group entered into a sale and purchase agreement on 9 October 2007 (later revised on 26 October 2007) (the "Agreement") with two companies (the "Vendors") to acquire the entire equity interest in Zheng Da and Guangzhou Zheng Da (the "Zheng Da Group"). The acquisition (the "Acquisition") of the entire equity interest in the Zheng Da Group is to be completed in four tranches. The first tranche was completed on 17 December 2007 and, as a result, the Group has acquired 25% equity interest in Zheng Da. According to the Agreement, the Group has the right to acquire and complete the acquisition of the remaining 75% equity interest in Zheng Da since the completion of the first tranche. Therefore, the Company has obtained the currently exercisable potential voting rights over Zheng Da, and hence, the Company has potential power to govern the financial and operating policies of the Zheng Da Group and the directors therefore considered that it is appropriate to account for Zheng Da and Guangzhou Zheng Da as subsidiaries of the Group since 17 December 2007.

The above table lists the subsidiaries of the Company as at 31 December 2007 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**–**	–
Due from jointly-controlled entities	**11,873**	11,873
Less: Provision against amounts due from jointly-controlled entities	**(11,873)**	(11,873)
	–	–

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans approximate to their fair values.

世聯匯通信息科技有限公司 ("Shi Lian"), an indirectly held jointly-controlled entity of the Group, is engaged in the provision of technology consultancy services for a phone payment system operating in Mainland China.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
Shi Lian	Corporate	PRC/Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

All of the above investments in jointly-controlled entities are directly held by I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

19. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**7,284**	**22**	10,027	39
More than 6 months but within 1 year	**3,512**	**11**	–	–
More than 1 year but within 2 years	**4,511**	**14**	4,195	16
More than 2 years	**17,127**	**53**	11,732	45
	32,434	**100**	25,954	100
Portion classified as current assets	**(32,434)**		(25,954)	
Non-current assets	**–**		–	

The Group generally grants a credit term of 3 months to 12 months to its customers.

The age of the Group's trade receivables are based on the date of recognition of turnover and the due date of instalments as stipulated in the sale contracts.

An amount of HK$21,638,000 (2006: HK$20,121,000) included in the total trade receivables are attributable to properties sold in prior years.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,796**	5,833
Past due over 1 year	**21,638**	20,121
	32,434	25,954

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

Receivables that were past due but not impaired relate to the trade receivable arising from the properties sold in prior years. The legal titles of the properties sold are retained by the Group until the contracted amounts have been fully settled. Accordingly, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the legal titles are still retained by the Group as at 31 December 2007 and the balances are still considered fully recoverable.

20. PREPAID RENTAL

	Group	
	2007	2006
	HK$'000	*HK$'000*
At cost:		
At 1 January	**–**	18,769
Disposal of subsidiaries *(note 34)*	**–**	(19,451)
Exchange realignment	**–**	682
At 31 December	**–**	–
Accumulated amortisation:		
At 1 January	**–**	1,590
Provided during the year	**–**	1,025
Disposal of subsidiaries *(note 34)*	**–**	(2,695)
Exchange realignment	**–**	80
At 31 December	**–**	–
Net book value:		
At 31 December	**–**	–

The prepaid rental represents the prepayment made for the leasing of transmission lines with lease terms of 20 years. The prepaid rental is amortised on a straight-line basis over the lease terms of 20 years.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets:				
Deposits for property development projects	**–**	17,953	**–**	17,953
Other receivable#	**–**	40,000	**–**	–
	–	57,953	**–**	17,953
Current assets:				
Prepayments	**100**	100	**100**	100
Deposits and other receivables	**22,613**	13,159	**397**	329
	22,713	13,259	**497**	429

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

\# Other receivable of HK$40,000,000 as at 31 December 2006 represented the remaining receivable arising on the disposal of certain subsidiaries (the "Disposed Subsidiaries") during the year ended 31 December 2002 (note 26). The amount of HK$40,000,000 was fully settled in the year.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At 31 December 2007, bank deposits of approximately HK$1,676,000 (2006: HK$404,000) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties and the bank loan of HK$24,574,000 of the Group as at 31 December 2007.

At 31 December 2007, the cash and cash equivalents balances of the Group included time deposits with original maturity of more than three months of HK$58,369,000 (2006: HK$176,400,000).

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$58,964,000 (2006: HK$176,978,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

23. TRADE PAYABLES

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

	Group			
	2007		2006	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**–**	**–**	37	1
More than 6 months but within 1 year	**8**	**1**	3,581	28
More than 1 year but within 2 years	**2,305**	**8**	–	–
More than 2 years but within 3 years	**–**	**–**	84	1
Over 3 years	**22,702**	**91**	8,947	70
	25,015	**100**	12,649	100

The age of the Group's trade payables is based on the date of the goods received or services rendered.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**132,741**	9,444	**982**	582
Accruals	**20,556**	7,743	**5,895**	3,703
	153,297	17,187	**6,877**	4,285
Less: current portion	**(46,341)**	(17,187)	**(6,877)**	(4,285)
	106,956	–	**–**	–

The balances of other payables and accruals included in the current liabilities are non-interest-bearing and have no fixed terms of repayment while non-current portion as at 31 December 2007 is also non-interest-bearing but not repayable before 31 December 2009.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000
Current				
Finance lease payables	6.5	2008	**550**	515
Bank loans – unsecured	6.02-6.43	On demand	**8,560**	–
Bank loans – secured	7.25	2008	**1,800**	5,087
			10,910	5,602
Non-current				
Finance lease payables	6.5	2011	**1,544**	2,095
Bank loans – secured	8.25	2017	**22,774**	17,846
			24,318	19,941
Convertible bond *(note 27)*	4	2009	**41,492**	–
Promissory note – unsecured	4	2009	**100,000**	–
			176,720	25,543

	Group 2007 HK$'000	Group 2006 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**10,360**	5,087
In the second year	**1,935**	5,523
In the third to fifth years, inclusive	**6,719**	12,323
Over five years	**14,120**	–
	33,134	22,933
Other borrowings repayable:		
Within one year	**550**	515
In the second year	**142,080**	550
In the third to fifth years, inclusive	**956**	1,545
	143,586	2,610
	176,720	25,543

As at 31 December 2007, the liabilities portion of the convertible bond amounted to HK$72,254,000 (2006: Nil).

As at 31 December 2007, the secured bank loans of HK$24,574,000 (2006: HK$22,933,000) and the finance lease payables of HK$2,094,000 (2006: HK$2,610,000) of the Group bore interest at floating interest rate and fixed interest rate, respectively. All secured bank loans and finance lease payables of the Group are denominated in Hong Kong dollars.

The unsecured bank loan of the Group of HK$8,560,000 as at 31 December 2007 bore interest at fixed rate and was denominated in RMB.

The bank loans are secured by certain of the Group's investment properties and bank deposits, and a corporate guarantee executed by the Company.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Promissory note

On 17 December 2007, the Company issued the promissory note (the "Note") with a nominal value of HK$100,000,000. The Note bears interest at a fixed interest rate of 4% per annum and is denominated in Hong Kong dollars. The maturity date of the Note is 16 March 2009. Further details of the terms and conditions of the Note are set out in the circular of the Company dated 26 November 2007.

Finance lease payables

The Group leases certain of its motor vehicles as at 31 December 2007 and 31 December 2006 for its business use. These leases are classified as finance leases and have lease terms of five years.

As 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2007 *HK$'000*	**Present value of minimum lease payments 2007** *HK$'000*	Minimum lease payments 2006 *HK$'000*	Present value of minimum lease payments 2006 *HK$'000*
Amounts payable:				
Within one year	**671**	**550**	671	515
In the second year	**671**	**588**	671	550
In the third to fifth years, inclusive	**1,007**	**956**	1,678	1,545
Total minimum finance lease payments	**2,349**	**2,094**	3,020	2,610
Future finance charges	**(255)**		(410)	
Total net finance lease payables	**2,094**		2,610	
Portion classified as current liabilities	**(550)**		(515)	
Non-current portion	**1,544**		2,095	

26. DEFERRED INCOME

The total consideration of HK$350,000,000 in respect of the disposal of the Disposed Subsidiaries during the year ended 31 December 2002 was to be settled in five instalments. The first and second instalments of a total of HK$20,000,000 were settled in cash before 31 December 2002. The third instalment of HK$50,000,000 was settled in cash before 31 December 2003 and the fourth instalment of HK$50,000,000 was settled in cash on 31 March 2004. The fifth instalment of HK$230,000,000 was to be settled by delivering certain completed units (the "Units") of the properties under development of the Disposed Subsidiaries, on or before a date falling on the first day immediately after expiration of the thirtieth month after 31 December 2002. The total gain on disposal of HK$157,984,000 was recognised in line with the settlement schedule of the consideration. On 26 March 2004, the Group entered into a supplementary agreement with the purchaser of the Disposed Subsidiaries (the "Purchaser"), following which the fifth instalment of HK$230,000,000, instead of being satisfied by the Units, shall be satisfied by the Purchaser by two instalments of HK$140,000,000 and HK$90,000,000, namely the Revised Fifth Instalment and the Sixth Instalment, respectively, in cash. The Revised Fifth Instalment was paid on 23 April 2004 and the Sixth Instalment would be paid on or before 26 January 2005.

The repayment date of the Sixth Instalment was mutually agreed between the Group and the Purchaser to be rescheduled from 26 January 2005 to 26 July 2005. HK$50,000,000 was paid on 26 July 2005. On 23 January 2006, the repayment of the remaining consideration of HK$40,000,000 was rescheduled to 31 January 2007. On 25 January 2007, the repayment of the remaining consideration was further rescheduled to 31 January 2008. In December 2007, the remaining consideration of HK$40,000,000 was received. A gain of HK$18,057,000 (2006: nil) on disposal of the Disposed Subsidiaries in relation to this last instalment was recognised in the consolidated income statement during the year accordingly.

27. CONVERTIBLE BOND

On 17 December 2007, the Company issued a zero-coupon convertible bond (the "Bond") with a nominal value of HK$84,000,000 and a maturity date of 16 December 2009. The Bond is convertible into a total of 300,000,000 ordinary shares of the Company with a par value of HK$0.2 each of the Company, at the conversion price of HK$0.28 per share at any time from 17 December 2007 up to the day falling seven days prior to the maturity date of the Bond on 16 December 2009. Any convertible bond not converted will be redeemed on 16 December 2009 at nominal value of the bond. The Bond can be redeemed at the option of the Company at an amount equal to 105% of the principal amount of the Bond being redeemed during the period from the date of issue to the date of maturity. Further details of the terms and conditions of the Bond are set out in the circular of the Company dated 26 November 2007.

The Bond issued on 17 December 2007 of HK$84,000,000 has been split into liability, equity and derivative components. On issuance of the Bond, the fair value of the liability component of the Bond was determined using the prevailing market interest rate for similar debt without a conversion option and is carried as a non-current liability. The fair values of the derivative component of the Bond at date of issuance of the Bond and 31 December 2007 were determined by using a Binomial Model and are included in the liability component. The residual amount is assigned to the conversion option as the equity component that is recognised in shareholders' equity. The derivative component is measured at fair value on the issuance date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated income statement.

27. CONVERTIBLE BOND (continued)

Details of the net proceeds received from the issue of the Bond that have been split between the liability, equity and derivative components are analysed as follows:

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Nominal value of the Bond issued	**84,000**	30,000
Equity component	**(44,737)**	(707)
Derivative component	**32,754**	–
Liability component at the issuance date	**72,017**	29,293
Interest expense	**237**	1,790
Interest paid	**–**	(1,250)
Conversion of the bond *(note 30(a))*	**–**	(29,833)
Liability component at 31 December	**72,254**	–
Derivative component at the issuance date – asset	**(32,754)**	–
Fair value adjustment *(note 7)*	**1,992**	–
Derivative component– asset at 31 December	**(30,762)**	–
Net liabilities recognised in the balance sheet	**41,492**	–

28. BALANCES WITH DIRECTORS

The balances due to directors included in current liabilities are unsecured, interest-free and no fixed terms of repayment.

The loan (the "Loan") from a director is unsecured and bear interests at 7.821% per annum for the year (2006: 7.821%). The balance (the "Balance") due to a director included in the non-current liabilities is unsecured and interest-free. The director has undertaken not to demand repayment of the Loan and the Balance before 28 February 2010, and until the Group is able to generate sufficient cash inflows to meet its daily working capital requirement, and hence are included under non-current liabilities accordingly.

29. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	2007		
	Fair value adjustment on investment properties *HK$'000*	**Revaluation of investment properties** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	**–**	**51,430**	**51,430**
Deferred tax credited to the income statement during the year *(note 9)*	**–**	**(12,271)**	**(12,271)**
Acquisition of subsidiaries *(note 33)*	**606,232**	**–**	**606,232**
Exchange differences	**–**	**1,154**	**1,154**
Gross deferred tax liabilities at 31 December 2007	**606,232**	**40,313**	**646,545**

	2006		
	Fair value adjustment on property, plant and equipment *HK$'000*	Revaluation of investment properties *HK$'000*	Total *HK$'000*
At 1 January 2006	4,200	50,893	55,093
Disposal of subsidiaries *(note 34)*	(4,200)	–	(4,200)
Exchange differences	–	537	537
Gross deferred tax liabilities at 31 December 2006	–	51,430	51,430

The Group has tax losses arising in Hong Kong of HK$156,000 (2006: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in Group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would have been payable on the unremitted earnings of certain of the Group's subsidiaries or jointly-controlled entities as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2007 HK$'000	2006 HK$'000
Authorised:		
10,000,000,000 (2006: 1,000,000,000) ordinary shares of HK$0.2 (2006: HK$0.2) each	**2,000,000**	200,000
Issued and fully paid:		
1,164,041,300 (2006: 613,241,300) ordinary shares of HK$0.2 (2006: HK$0.2) each	**232,808**	122,648

A summary of the movements in the Company's issued ordinary share capital during the current and last year is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2006	4,902,413,009	98,048	307,164	405,212
Conversion of a convertible bond *(note (a))*	200,000,000	4,000	26,540	30,540
Issue of shares *(note (b))*	170,000,000	3,400	1,700	5,100
Exercise of the 2005 Option *(note (c))*	147,000,000	11,400	10,260	21,660
Exercise of the First Option and Second Option *(note (d))*	29,000,000	5,800	3,009	8,809
Release of other reserve *(note 32)*	–	–	2,280	2,280
Capital reorganisation *(note (e))*	(4,835,171,709)	–	–	–
At 31 December 2006 and 1 January 2007	613,241,300	122,648	350,953	473,601
Issue of shares *(notes (f), (g), (h))*	508,800,000	101,760	31,440	133,200
Exercise of the Third Option (as defined below)	42,000,000	8,400	833	9,233
At 31 December 2007	1,164,041,300	232,808	383,226	616,034

Notes:

(a) On 24 February 2006, Asia Pacific Broadband Entertainment Corporation Limited exercised the conversion rights of a convertible bond. 200,000,000 shares with a par value of HK$0.02 each (before the Reorganisation as mentioned in note (e) below) of the Company were converted at the convertible price of HK$0.15 per share. As a result, the related equity component of the convertible bond of HK$707,000 (note 27) was released to the share premium account.

30. SHARE CAPITAL (continued)

Notes: (continued)

(b) On 28 March 2006, the Company entered into a subscription agreement with an independent party which conditionally agreed to subscribe for 170 million shares to be issued and allotted by the Company at a subscription price of HK$0.03 per share. On 25 April 2006, the Company issued and allotted 170 million shares at HK$0.03 per share and raised gross proceeds of approximately HK$5,100,000, which was used as general working capital of the Group.

(c) Pursuant to a subscription agreement dated on 31 August 2005 between the Company and Hero Grand Investments Limited (the "Subscriber"), an independent third party, the Subscriber had conditionally agreed to subscribe for 200,000,000 new shares (the "Subscription Shares") at a subscription price of HK$0.036 per share. The subscription was completed on 24 October 2005 and raised cash proceeds of HK$7,200,000. In addition, pursuant to the same subscription agreement and a supplemental agreement dated 23 September 2005, the Company had conditionally agreed to grant an option (the "2005 Option") to the Subscriber at a price of HK$2,280,000. Pursuant to the 2005 Option, the Subscriber will be entitled to subscribe for a maximum of 570,000,000 new shares at an exercise price of HK$0.038 per share, subject to adjustment, anytime from the date of the completion of the supplemental agreement and up to 31 December 2006.

On 18 April 2006, the Subscriber served the notice for subscription of 100,000,000 shares of the Company at an exercise price of HK$0.038 per share (the "First Subscription"). 100,000,000 new shares were allotted and issued on 25 April 2006, and a gross proceed of HK$3,800,000 was raised by the Company.

Pursuant to the Reorganisation as mentioned in note (e) below, the exercise price under the 2005 Option was adjusted from HK$0.038 per share to HK$0.38 per share and the number of the remaining shares to be subscribed under the 2005 Option was adjusted from 470,000,000 to 47,000,000.

On 11 August 2006 and 22 August 2006, the Subscriber served the notices for subscription of 25,000,000 and 22,000,000 new shares, respectively, at an exercise price of HK$0.38 per share. 25,000,000 and 22,000,000 new shares were allotted and issued on 14 August 2006 and 23 August 2006, respectively, and the Company raised an aggregate gross proceeds of HK$17,860,000.

(d) On 10 February 2006, a total of 260,000,000 share options (the "First Option") at exercise price of HK$0.02 per share were granted to certain employees, advisors and consultants of the Group. These share options vested on 10 February 2006 and have an exercise period from 10 February 2006 to 9 February 2009.

On 30 March 2006, a total of 38,000,000 share options (the "Second Option") at an exercise price of HK$0.032 per share were granted to certain employees, advisors and consultants of the Group. These share options vested on 30 March 2006, and have an exercise period from 30 March 2006 to 29 March 2009.

Pursuant to the Reorganisation as mentioned in note (e) below, the numbers of share options and the exercise prices of the First Option and the Second Option were adjusted to 26,000,000 and 3,800,000, respectively, and HK$0.2 per share and HK$0.32 per share, respectively.

22,000,000 shares and 4,000,000 shares under the First Option were exercised on 5 June 2006 and 20 June 2006, respectively, while 3,000,000 shares under the Second Option were exercised on 5 June 2006.

As a result of the above, cash proceeds of approximately HK$6,160,000, before expenses, were raised and share option scheme reserve amounting to HK$2,649,000 (note 32) was released to the share premium account in 2006.

30. SHARE CAPITAL (continued)

Notes: (continued)

(e) On 10 April 2006, the Company proposed a capital reorganisation (the "Reorganisation"), to consolidate every ten ordinary shares of HK$0.02 each in the issued and unissued share capital of the Company into one ordinary share of HK$0.20 (the "Consolidated Shares"). Pursuant to the Reorganisation, the authorised share capital of the Company was increased from HK$120 million to HK$200 million by the creation of 400 million additional Consolidated Shares of HK$0.2 each in the capital of the Company. The Reorganisation was approved by shareholders at the special general meeting on 27 April 2006.

On 26 November 2007, the Company proposed an increase in the authorised share capital of the Company from HK$200 million divided into 1,000 million shares to HK$2,000 million divided into 10,000 million shares by the creation of an additional 9,000 million new shares, which was approved by shareholders at the special general meeting on 12 December 2007.

(f) On 4 July 2007, the Company entered into a subscription agreements with Super Grand Holdings Limited and East Grand Group Limited, the two independent subscribers which had conditionally agreed to subscribe for an aggregate of 120 million shares to be issued and allotted by the Company at a subscription price of HK$0.30 per share. On 17 July 2007, the Company issued and allotted 120 million shares at HK$0.30 per share resulting in raising net proceeds of approximately HK$35.7 million (net of expenses of HK$300,000), which was used for business development and general working capital of the Group.

(g) On 9 October 2007, the Company entered into the placing agreement with the placing agent in respect of the placing of 145,000,000 placing shares at a placing price of HK$0.25 per share. On 21 November 2007, the placing was completed and 145,000,000 placing shares have been placed by the placing agent to not less than six independent placees at a placing price of HK$0.25 per share resulting in raising net proceeds of HK$36.1 million (net of expenses of HK$150,000), which was used to finance part of the consideration of the acquisition of Zheng Da Real Estate Development Co. Ltd ("Zheng Da") during the year.

(h) On 9 October 2007, the Group entered into a conditional sale and purchase agreement (as amended on 26 October 2007) relating to the acquisition of shares in Zheng Da, and a total of 243,800,000 shares at an issue price of HK$0.25 per share as part of the consideration for the acquisition of Zheng Da. On 17 December 2007, 243,800,000 shares were issued to the designated nominee of the vendors (note 33) of Zheng Da.

(i) On 6 March 2007, a total of 50,000,000 share options (the "Third Option") at exercise price of HK$0.2 per share were granted to certain employees, advisors and consultants of the Group. These share options vested on 6 March 2007 and have an exercise period from 6 March 2007 to 5 March 2010. On 31 August 2007, 42,000,000 shares were exercised and as a result, cash proceeds of approximately HK$8,400,000, before expenses, were raised and share option scheme reserve amounting to HK$833,000 (note 32) was released to the share premium account.

At the date of approval of these financial statements, the Company had 8,800,000 (2006: 800,000) share options outstanding under the Scheme, which represented approximately 0.76% (2006: 0.13%) of the Company's shares in issue as at that date.

31. SHARE OPTION SCHEMES

The Company's share option scheme which was adopted on 19 September 1997 was terminated and replaced by a new share option scheme at the special general meeting held on 11 June 2002 (the "Scheme").

The principal purpose of the Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and as an incentive to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants of the Scheme include all directors, employees, any entity in which the Group holds an equity interest (the "Invested Entity"), consultants, advisors, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, any shareholder of any member of the Group or any Invested Entity and holders of securities issued by the Group or any Invested Entity. The Scheme became effective on 11 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at anytime. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive, a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at anytime and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. No options will be exercisable ten years after the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of the ordinary shares of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

31. SHARE OPTION SCHEMES (continued)

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

	2007 Weighted average exercise price *HK$ per share*	**2007** Number of options *'000*	2006 Weighted average exercise price *HK$ per share*	2006 Number of options *'000*
At 1 January	**0.32**	**800**	–	–
Granted during the year	**0.20**	**50,000**	0.22	29,800
Exercised during the year	**0.20**	**(42,000)**	0.21	(29,000)
At 31 December	**0.21**	**8,800**	0.32	800

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.275 (2006: HK$0.24).

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
800	**0.32**	**30 March 2006 to 29 March 2009**
8,000	**0.20**	**6 March 2007 to 5 March 2010**
8,800		

2006

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
800	0.32	30 March 2006 to 29 March 2009

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

31. SHARE OPTION SCHEMES (continued)

The fair values of share options granted on 10 February 2006 and 30 March 2006 determined using the Black-Scholes valuation model were HK$2,202,000 and HK$565,000, respectively. The Group recognised a total share option expense of HK$2,767,000 during the year ended 31 December 2006.

The fair value of share options granted on 6 March 2007 determined using the Black-Scholes valuation model was HK$992,000. The Group recognised a total share option expense of HK$992,000 during the year ended 31 December 2007. The significant inputs into the model were as follows:

	2007	2006
Dividend yield *(%)*	**Nil**	Nil
Expected volatility *(%)*	**130.40**	119.19-120.61
Historical volatility *(%)*	**130.40**	119.19-120.61
Risk-free interest rate *(%)*	**3.67**	4.08-4.12
Expected life of options *(year)*	**0.25**	1 year
Weighted average share price *(HK$)*	**0.20**	0.20-0.32

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

The 42,000,000 share options exercised during the year resulted in the issue of 42,000,000 ordinary shares of the Company and new share capital of HK$8,400,000 (before issue expenses), as further detailed in note 30(i) to the financial statements.

At the balance sheet date, the Company had 8,800,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,800,000 additional ordinary shares of the Company and additional share capital of HK$1,760,000 and share premium of HK$96,000 (before issue expenses).

32. RESERVES

Group

	Attributable to equity holders of the Company								
	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bond HK$'000	Share option scheme reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
		(note (a))							
At 1 January 2007	350,953	80,258	–	118	13,756	(114,843)	330,242	–	330,242
Issue of new shares *(note 30)*	31,440	–	–	–	–	–	31,440	–	31,440
Issue of the Bond *(note 27)*	–	–	44,737	–	–	–	44,737	–	44,737
Equity-settled share option scheme *(note 31)*	–	–	–	992	–	–	992	–	992
Shares issued upon exercises of share options *(notes 30 and 31)*	833	–	–	(833)	–	–	–	–	–
Acquisition of non-wholly-owned subsidiaries *(note 33)*	–	–	–	–	–	–	–	1,449,365	1,449,365
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	–	24,415	–	24,415	–	24,415
Net income and expense recognised directly in equity	–	–	–	–	24,415	–	24,415	–	24,415
Profit for the year	–	–	–	–	–	12,824	12,824	–	12,824
At 31 December 2007	383,226	80,258	44,737	277	38,171	(102,019)	444,650	1,449,365	1,894,015

32. RESERVES (continued)

Group

	Attributable to equity holders of the Company								
	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bond HK$'000	Other reserve HK$'000	Share option scheme reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Total reserves HK$'000
		(note (a))		*(note (b))*					
At 1 January 2006	307,164	80,258	707	2,280	–	6,670	30,918	427,997	427,997
Issue of new shares *(note 30)*	1,700	–	–	–	–	–	–	1,700	1,700
Equity-settled share option scheme *(note 31)*	–	–	–	–	2,767	–	–	2,767	2,767
Conversion of a convertible bond *(note 27)*	26,540	–	(707)	–	–	–	–	25,833	25,833
Shares issued upon exercises of share options *(notes 30 and 31)*	15,549	–	–	(2,280)	(2,649)	–	–	10,620	10,620
Release of reserve upon disposal of subsidiaries *(note 34)*	–	–	–	–	–	(3,835)	–	(3,835)	(3,835)
Exchange difference on translation of the financial statements of foreign entities	–	–	–	–	–	10,921	–	10,921	10,921
Total income and expense recognised directly in equity	–	–	–	–	–	10,921	–	10,921	10,921
Loss for the year	–	–	–	–	–	–	(145,761)	(145,761)	(145,761)
At 31 December 2006	350,953	80,258	–	–	118	13,756	(114,843)	330,242	330,242

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefore.

(b) The other reserve represents the consideration received for an option granted to a shareholder in 2005 as explained in note 30(c) to the financial statements.

32. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Equity component of convertible bond HK$'000	Other reserve HK$'000	Share option scheme reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	307,164	547,326	707	2,280	–	(500,870)	356,607
Issue of new shares	1,700	–	–	–	–	–	1,700
Equity-settled share option arrangements *(note 31)*	–	–	–	–	2,767	–	2,767
Conversion of a convertible bond	26,540	–	(707)	–	–	–	25,833
Shares issued upon exercise of share options *(notes 30 and 31)*	15,549	–	–	(2,280)	(2,649)	–	10,620
Loss for the year	–	–	–	–	–	(96,321)	(96,321)
At 31 December 2006	350,953	547,326	–	–	118	(597,191)	301,206
At 1 January 2007	**350,953**	**547,326**	**–**	**–**	**118**	**(597,191)**	**301,206**
Issue of new shares	**31,440**	**–**	**–**	**–**	**–**	**–**	**31,440**
Equity-settled share option arrangements *(note 31)*	**–**	**–**	**–**	**–**	**992**	**–**	**992**
Issue of the Bond *(note 27)*	**–**	**–**	**44,737**	**–**	**–**	**–**	**44,737**
Shares issued upon exercise of share options *(notes 30 and 31)*	**833**	**–**	**–**	**–**	**(833)**	**–**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(15,626)**	**(15,626)**
At 31 December 2007	**383,226**	**547,326**	**44,737**	**–**	**277**	**(612,817)**	**362,749**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

33. ACQUISITION OF SUBSIDIARIES

As further detailed in note 17 to the financial statements, on 17 December 2007, the Group acquired a 25% interest in Zheng Da from the Vendors for a consideration of RMB453,700,000 (equivalent to HK$480,468,000). The consideration for the acquisition was settled in the form of cash consideration, promissory note, the Bond and shares of the Company. Cash consideration of HK$15,196,000, which has not been paid by the Group, was included in "due to directors" to the consolidated balance sheet as at 31 December 2007. The Vendors are wholly-owned by Ho Kam Hung and Ho Tsam Hung, two executive directors of the Company, together with Ho Pak Hung, a brother of Ho Kam Hung and Ho Tsam Hung. Therefore, the Vendors are related parties of the Company and the Acquisition and the above transactions constituted related party transactions.

The principal activities of Zheng Da and its subsidiary are investment holding and holding properties for investment purpose, respectively.

The fair values of the identifiable assets and liabilities of Zheng Da and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	13	23	23
Investment properties	14	2,782,000	357,071
Properties held for sale		35,407	35,407
Prepayments, deposits and other receivables		7,312	7,312
Cash and bank balances		318	318
Trade payables		(12,991)	(12,991)
Other payables and accruals		(128,436)	(128,436)
Interest-bearing and bank borrowings		(8,560)	(8,560)
Tax payable		(4,413)	(4,413)
Loan from a director		(68,459)	(68,459)
Amounts due to a director		(63,542)	(63,542)
Deferred tax liabilities	29	(606,232)	–
Minority interest		(1,449,365)	(85,295)
		483,062	28,435
Satisfied by:			
Promissory note		100,000	
Issue of shares		60,950	
Convertible bond		84,000	
Cash		220,322	
Due to directors		15,196	
Costs associated with the acquisition		2,594	
		483,062	

The Company has issued and alloted 243,800,000 new shares at the total consideration of HK$60,950,000 with reference to the fair value of the Zheng Da Group at the date of exchange.

33. ACQUISITION OF SUBSIDIARIES (continued)

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

	Notes	HK$'000
Cash consideration	35(a)	235,518
Costs associated with the acquisition		2,594
Cash and bank balances acquired		(318)
Due to directors	35(a)	(15,196)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries		222,598

Since its acquisition, the Zheng Da Group has no material contribution to the Group's turnover and to the consolidated profit for the year ended 31 December 2007.

Had the Zheng Da Group been acquired at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$10,070,000 and HK$857,776,000, respectively.

34. DISPOSAL OF SUBSIDIARIES

	Notes	**2007 HK$'000**	2006 HK$'000
Net assets disposed of:			
Property, plant and equipment	13	–	96,662
Intangible asset	15	–	–
Goodwill	16	–	79,788
Cash and bank balances		–	105
Trade receivables		–	10,023
Prepaid rental	20	–	16,756
Prepayments, deposits and other receivables		–	6,107
Interest-bearing bank and other borrowings		–	(20,979)*
Other payables and accruals		–	(18,637)*
Tax payable		–	(5,603)
Deferred tax liabilities	29	–	(4,200)
		–	160,022
Exchange fluctuation reserve released upon disposal		–	(3,835)
Loss on disposal of subsidiaries		–	(106,187)
		–	50,000
Satisfied by:			
Cash consideration		–	50,000

* *During the year ended 31 December 2006, a bank loan of HK$7,086,000 was settled by a guarantor of that bank loan and was included in the balance of other payables and accruals.*

34. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposed subsidiaries is as follows:

	2007	2006
	HK$'000	HK$'000
Cash consideration	–	50,000
Cash and bank balances disposed of	–	(105)
Net inflow of cash and cash equivalents in respect of the Disposed Group	–	49,895

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

During the year, the Group acquired a 25% interest in Zheng Da for a cash consideration of HK$480,468,000. The consideration for the acquisition was in the form of cash consideration of HK$235,518,000, promissory note of HK$100,000,000, convertible bond of HK$84,000,000 and issue of shares of the Company of HK$60,950,000. Cash consideration of HK$15,196,000, which has not been paid by the Group, was included in "Due to directors" in current liabilities as at 31 December 2007.

(b) Disposal of subsidiaries

During the year ended 31 December 2006, pursuant to a sale and purchase agreement entered into between the Group and a third party, the Group agreed to dispose of its entire equity of the Disposed Group, and the inter-company balances net payable to the Group for a consideration of HK$50,000,000. The loss on disposal of the Disposed Group amounted to HK$106,187,000. Please refer to note 34 to the financial statements for details.

36. CONTINGENT LIABILITIES

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**4,131**	4,039	**–**	–
Guarantees given to a bank in respect of facilities granted by a subsidiary	**–**	–	**25,000**	41,000
	4,131	4,039	**25,000**	41,000

37. PLEDGE OF ASSETS

Details of the Group's bank loans secured by the assets of the Group are included in note 25 to the financial statements.

38. COMMITMENTS

Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties and POS equipment under operating lease arrangements with leases negotiated for terms of two years and five years, respectively. In December 2007, the agreement in relation to lease of POS equipment was terminated.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**12,840**	10,312
In the second to fifth years, inclusive	**–**	3,210
	12,840	13,522

(ii) As lessee

The Group leases its office properties in Hong Kong under operating lease arrangements with leases negotiated for terms ranging from one to two years.

At 31 December 2007, the Company and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,104**	272	**–**	–
In the second to fifth years, inclusive	**460**	–	**–**	–
	1,564	272	**–**	–

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Loans and receivables	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**32,434**	25,954
Financial assets included in prepayments, deposits and other receivables	**22,613**	71,112
Pledged deposits	**1,676**	404
Cash and cash equivalents	**100,527**	178,602
	157,250	276,072

Financial liabilities

	Financial liabilities at amortised cost	
	2007	2006
	HK$'000	*HK$'000*
Trade payables	**25,015**	12,649
Financial liabilities included in accrued liabilities and other payables	**46,341**	17,187
Interest-bearing bank and other borrowings	**33,134**	22,933
Finance lease payable	**2,094**	2,610
Loan from a director	**68,459**	–
Due to directors	**74,945**	–
Convertible bond	**72,254**	–
Promissory note	**100,000**	–
Long term other payable	**106,956**	–
	529,198	55,379

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2007	2006
	HK$'000	*HK$'000*
Due from subsidiaries	**453,041**	121,492
Financial assets included in prepayments, deposits and other receivables	**397**	18,282
Cash and cash equivalents	**3,460**	1,608
	456,898	141,382

Financial liabilities

	Financial liabilities at amortised cost	
	2007	2006
	HK$'000	*HK$'000*
Financial liabilities included in accrued liabilities and other payables	**6,877**	4,285
Convertible bond	**72,254**	–
Promissory note	**100,000**	–
	179,131	4,285

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, finance lease, and cash and short term deposits. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, convertible bond, promissory note and balances with directors, which arise directly from its operations.

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 25 to the financial statements. The Group believes its exposure to cash flow interest rate risk is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK$'000	*HK$'000*
2007			
Hong Kong Dollar	**0.5%**	**(123)**	**(123)**
Hong Kong Dollar	**(0.5%)**	**123**	**123**
2006			
Hong Kong Dollar	0.5%	(115)	(115)
Hong Kong Dollar	(0.5%)	115	115

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from substantial portion of its revenues and expenses are generated and incurred by its operating units in RMB.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	Increase/(decrease) in net profit and decrease/(increase) in accumulated losses
	%	*HK$'000*
2007		
If Hong Kong dollar weakens against RMB	**5%**	**1,147**
If Hong Kong dollar strengthens against RMB	**(5%)**	**(1,147)**
2006		
If Hong Kong dollar weakens against RMB	5%	1,229
If Hong Kong dollar strengthens against RMB	(5%)	(1,229)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's other financial assets, which comprise trade receivables, other receivables, pledged deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances and equity attributable to equity holders of the Company, which comprises issued capital and reserves as detailed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank and other borrowings (including loan from a director) divided by total assets. The gearing ratios as at the balance sheet dates were as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**245,179**	25,543
Total non-current assets	**3,099,884**	371,980
Total current assets	**191,081**	217,815
Total assets	**3,290,965**	589,795
Gearing ratio	**0.07**	0.04

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The directors of the Company have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

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

Group

	2007				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bond	–	–	84,000	–	84,000
Promissory note	–	–	100,000	–	100,000
Finance lease payables	–	671	1,678	–	2,349
Interest-bearing bank and other borrowings	8,560	1,800	8,654	14,120	33,134
Trade payables	25,015	–	–	–	25,015
Financial liabilities included in accrued liabilities and other payables	46,341	–	–	–	46,341
Due to directors	11,403	–	63,542	–	74,945
Loan from a director	–	–	68,459	–	68,459
Long term other payable	–	–	106,956	–	106,956
	91,319	2,471	433,289	14,120	541,199

	2006				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease payables	–	671	2,349	–	3,020
Interest-bearing bank and other borrowings	–	5,087	17,846	–	22,933
Trade payables	12,649	–	–	–	12,649
Financial liabilities included in accrued liabilities and other payables	17,187	–	–	–	17,187
	29,836	5,758	20,195	–	55,789

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Company

			2007		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bond	–	–	84,000	–	84,000
Promissory note	–	–	100,000	–	100,000
Other payables and accruals	6,877	–	–	–	6,877
	6,877	–	184,000	–	190,877

			2006		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	4,285	–	–	–	4,285
	4,285	–	–	–	4,285

Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity investments underline the fair values of derivatives. As at the balance sheet date, the Group was exposed to this risk through the redemption rights attached to the convertible bond (note 27) issued by the Company.

The following table demonstrates the sensitivity to every +5% and -5% change in the share price of the Company's shares, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Carrying amount of redemption option	Increase/decrease in profit before tax	Increase/(decrease) in equity
	HK$'000	HK$'000	HK$'000
2007			
Redemption option (+5%)	30,762	(795)	(795)
Redemption option (-5%)	30,762	795	795

41. LITIGATION

(a) A writ of summon was issued in August 2005 by a former director of a subsidiary of the Company (the "Former Director") against certain defendants which include, inter alia, the Company, a wholly-owned subsidiary of the Company, and a director and certain accounting staff of the Company. According to the summon, the Former Director claimed certain damages in relation to the acquisition of a subsidiary by the Group from a private company controlled by the Former Director in December 2000. In the Indorsement of Claims, the Former Director claimed that a receipt for a consideration of HK$33,500,000 signed by the private company controlled by her be set aside and demanded for payment of the outstanding consideration in the amount of HK$33,500,000.

The Company has filed an acknowledgement of service to defend the proceedings in February 2006. No further development took place since then. Having consulted the Group's legal consel, the directors concluded that no provision for the proceedings is required in this stage.

(b) During the year ended 31 December 2006, a wholly-owned subsidiary (the "Subsidiary") of the Group received two notices issued by the court in Mainland China. The former property agent (the "Former Agent") has claimed that the Subsidiary has improperly early terminated their business relationships in 2006 and the Former Agent also made a total claim of RMB30.9 million (equivalent to HK$30.7 million) against of the Subsidiary.

The Group has filed a counter claim in relation to the above claims made by the Former Agent. Having consulted the Group's legal counsel, the directors concluded that the chance the claim will succeed is low and hence no provision for the proceedings is required in this stage.

42. COMPARATIVE AMOUNTS

Following the cessation of the leasing of POS equipment during the year, the principal businesses of the Group now mainly comprise of property development and management and therefore the presentation of the financial statements have been reclassified accordingly.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 April 2008.

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

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
Continuing operations	**10,070**	8,790	6,722	6,124	4,598
Discontinued operations	**3,988**	3,949	10,491	19,021	909
	14,058	12,739	17,213	25,145	5,507
Profit/(loss) before tax					
Continuing operations	**9,811**	(12,683)	104,147	(29,671)	(147,355)
Discontinued operations	**(7,272)**	(132,855)	(83,817)	74,545	(781)
	2,539	(145,538)	20,330	44,874	(148,136)
Tax	**10,285**	(223)	(34,090)	(2,320)	(126)
Profit/(loss) before minority interests	**12,824**	(145,761)	(13,760)	42,554	(148,262)
Minority interests	**–**	–	(11)	3,577	–
Net profit/(loss) for the year attributable to ordinary equity holders of the Company	**12,824**	(145,761)	(13,771)	46,131	(148,262)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**3,290,965**	589,795	754,633	758,442	599,059
TOTAL LIABILITIES	**(1,164,142)**	(136,905)	(228,588)	(233,911)	(247,277)
MINORITY INTERESTS	**(1,449,365)**	–	–	(16,083)	–
	677,458	452,890	526,045	508,448	351,782

Particular of the principal properties in Mainland China held by the Group as at 31 December 2007 is as follows:

Investment Properties

Description	Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1. The whole of Level 1, Level 2, Level 3, Level 4, Level 8, and Level 11, and portion of the Basement Level and Portion of Level 10 of Gang Yu Square Chiao Dong Road Chiaotianmen Chongqing The people's Republic of China	Commercial	Medium	24,372	100
2. The Land Parcels located to the West of Jiefang Road South, to the North of Daxin Road; to the South of Yede Road and to the East of Xieen Street, Yuexiu District, Guangzhou Guangdong Province, The people's Republic of China	Commercial	Medium	233,818	25