CHINA FAIR LAND HOLDINGS LIMITED
正輝中國集團有限公司*

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 169

Annual Report 2007
二零零七年年報

* for identification only 僅供識別

Contents

Corporate Information

BOARD OF DIRECTORS

Mr. So Pang Gen *(Chairman)*
Mr. Chen Chang Wei *(Managing Director)*
Mr. Chim Kim Lun, Ricky *(Executive Director)*
Ms. Chan Sheung Ni *(Executive Director)*
Ms. Chen Dongxue *(Executive Director)*
Mr. Wong Hing Ting, James *(Executive Director)*
Ms. Lin Wen Feng
(Independent Non-executive Director)
Mr. Ma Ving Lung
(Independent Non-executive Director)
Mr. Yip King Keung, Pony
(Independent Non-executive Director)

AUDIT COMMITTEE

Mr. Ma Ving Lung
(Chairman of Audit Committee)
Mr. Yip King Keung, Pony
Ms. Lin Wen Feng

REMUNERATION COMMITTEE

Mr. Yip King Keung, Pony
(Chairman of Remuneration Committee)
Mr. Ma Ving Lung
Ms. Lin Wen Feng

NOMINATION COMMITTEE

Mr. Yip King Keung, Pony
(Chairman of Nomination Committee)
Mr. Ma Ving Lung
Ms. Lin Wen Feng

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of China

AUDITORS

Grant Thornton

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3401, 34th Floor
Tower Two
Lippo Centre
89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08 Bermuda

HONG KONG PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

169

	For year ended 31 December		
	2007	2006	
	HK$'000	HK$'000	Change %
		(Restated)	
Turnover			
Sale of developed properties	**32,875**	36,975	-11.1
Sale of land use rights	**84,906**	—	100.0
Rental income from property letting	**18,540**	19,707	-5.9
Total turnover	**136,321**	56,682	140.5
Operating profit	**85,485**	5,209	1,541.1
Profit/(loss) attributable to equity holders	**18,406**	(22,469)	181.9
Basic earnings/(loss) per share	**HK6.24 cents**	(HK7.68 cents)	181.3
Cash at banks and in hand	**23,864**	17,030	40.1
Total assets	**766,003**	642,708	19.2
Total liabilities	**408,665**	332,402	22.9
Equity attributable to the Company's equity holders	**294,388**	256,919	14.6
Current ratio	**1.6**	1.3	
Gearing ratio	**51.3%**	49.5%	
Bank borrowings to equity ratio	**21.7%**	15.6%	

Chairman's Statement

RESULTS

Turnover of the Group for 2007 amounted to HK$136.3 million, representing an increase 141% as compared to HK$56.7 million for 2006. Profit attributable to equity holders of the Company amounted to approximately HK$18.4 million.

The improvement in the Group's turnover and profit was mainly attributable to the satisfactory sales results of sale of land in Changchun and sale of developed properties in Ningbo for the year.

SUBSTANTIAL ACQUISITION

The most significant development in year 2007 was the acquisition of Fujian Zhonglu Real Estate Development Co., Ltd ("Fujian Zhonglu"), which was completed in January 2008. The Board believes that the acquisition will bring to the Group significant increase in asset value and land bank.

Fujian Zhonglu owns a piece of land with site area of approximately 23,134 sq.m. in the financial district of Fuzhou, capital of Fujian province. It is currently a property under development, which is being developed into a residential, office and retail development with a total gross floor area of around 225,784 sq.m.. Under the current plan, which has been approved by the building authorities, the development will have upon completion on block of 32-storey office building and three blocks of 36 to 37 storeys residential buildings commonly erected on top of a 7-storey commercial podium accommodating clubhouse facilities, retail spaces and 3 levels of basement car parking spaces. The development of these properties will definitely provide the growth engine for the Group in the next few years.

In view of the change in the political atmosphere of Taiwan and the positioning of Fujian province by the PRC government as Strait West Coast Economic Zone, the Board believes that the real estate industry in Fuzhou City would be further developed and it would be of benefit to the future business development of the Company to increase its exposure in the commercial district of Fuzhou city.

PROSPECTS

Looking forward to 2008, the PRC government will continue to implement a series of macro-economic control policies in order to curb speculative investment in residential properties, stabilize housing prices and regulate the transactions of residential properties amid the volatile market condition around the globe. As a result, the growth of property investment may slow down and further consolidation of the PRC property industry can be expected.

The Company will focus its property development and investment in the areas that are less affected by the current macro-economic conditions and represent better growth potential, such as Fujian province, benefiting from the change of political atmosphere of Taiwan. Furthermore, the Company will look to expand into middle and/or western China region which is relatively underdeveloped and may provide better future growth.

Despite the slowdown forecast in 2008, the Company is positive about the future of the PRC property industry on back of strong economic fundamentals China presents. In the coming years, China will remain as one of the world's most attractive destinations for investment as it is foreseen that its economy will continue to prosper, and its currency will continue to appreciate. The Group will gradually consolidate its existing property portfolios with a strategic focus to position itself as a high quality/boutique property developer.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to take this opportunity to thanks the Directors, our staff, partners, shareholders and all parties who have rendered their support and contribution to the Group.

So Pang Gen
Chairman

28 April 2008

BUSINESS REVIEW

Turnover of the Group for 2007 amounted to HK$136.3 million, representing an increase of 141% as compared to HK$56.7 million for 2006. Included in turnover for 2007 were sales of developed properties, land use rights and rental income from property letting. Sales of developed properties and land use rights amounted to approximately HK$32.9 million (2006: HK$37.0) and HK$84.9 million (2006: Nil) respectively. The rental income amounted to approximately HK$18.5 million from investment properties, representing a decrease of 6% as compared to HK$19.7 million for 2006. Gross profit of the Group amounted to approximately HK$89.6 million, an increase of 171% as compared to HK$33.1 million for 2006. The Group's gross profit ratio for the year is 65.8%, an increase of 7.4% as compared to 58.4% for 2006. The increase of gross profit ratio was caused by the rise in sale of land use rights. Profit attributable to equity holders amounted HK$18.4 million, an increase of approximately HK$40.9 million as compared to the loss of HK$22.5 million for 2006 mainly due to the PRC land appreciation tax ("LVAT") provision in the amount of HK$57.3 million in respect of past years in 2006.

During the year, the Group sold residential and commercial properties with a total gross floor area of 6,256 sq.m. (2006: 7,193 sq.m.), representing an decrease of 13% over last year. In addition, the group sold land area of 114,392 sq.m. (2006: NIL). The rental income was derived from the investment properties in Changchun, Nanjin and Ningbo, of which the industrial properties in Changchun generated rental income of HK$16.0 million during the year. As the Group did not have new property development project completed during the year, all the sale of developed properties was generated from properties held for sale developed in previous years. An increase in turnover was mainly attributable from saleable properties such as Prosperous Age Garden in Ningbo and sales of land in Changchun.

The development of residential property project named 盛世嘉苑, located in Jiangbei Ningbo, has finished. The total gross area of the project approximates 81,000 sq.m and launched for sales in February 2008. Also, one of the commercial property project located in Hongtang Zhong Road, Jiangbei District, Ningbo, was in progress with the total gross area of the project approximates 46,000 sq.m. and the main structure of the building is expected to be completed in 2008.

FINANCIAL REVIEW

Net assets

As at 31 December 2007, the Group recorded total assets and total liabilities of approximately HK$766,003,000 and HK$408,665,000 respectively. The Group's net assets value as at 31 December 2007 increased by approximately HK$47,032,000 to approximately HK$357,338,000 as compared to approximately HK$310,306,000 as at 31 December 2006.

Liquidity and financial ratios

The Group had total cash at banks and in hand of approximately HK$23,864,000 as at 31 December 2007 as compared with HK$17,030,000 as at 31 December 2006. As at 31 December 2007, the current ratio was 1.6 as compared with 1.3 as at 31 December 2006. The gearing ratio was 51.3% as at 31 December 2007 as compared with 49.5% as at 31 December 2006. The Bank loans to equity was recorded at 21.7% as at 31 December 2007 as compared with 15.6% as at 31 December 2006.

FINANCIAL REVIEW *(Continued)*

Borrowings

The Group had interest bearing borrowings of approximately HK$64.3 million as at 31 December 2007 (31 December 2006: HK$40.0 million), representing an increase of approximately 61% over the amount as at 31 December 2006. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$").

Foreign currency exposure

Although significant portions of the Group's bank borrowings, turnover and construction costs are primarily denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations. The Directors also consider that there will be sufficient cash resources denominated in both HK$ and RMB for the repayment of its borrowings. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 31 December 2007.

PLEDGE OF ASSETS

At the balance sheet date, the Group pledged certain of its properties under development (2006: investment properties and properties held for sale) to banks in the PRC to secure the bank loans of approximately HK$63,829,000 (2006: HK$39,988,000) granted by these banks. The aggregate carrying value of the properties under development as at 31 December 2007 pledged amounted to approximately HK$73,365,000 (2006: investment properties of HK$119,500,000 and properties held for sale of HK$25,776,000).

MATERIAL ACQUISITION AND DISPOSAL

There is no material acquisition and disposal of subsidiary and assets during the year ended 31 December 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed approximately 80 full time staffs in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programs as well as share option scheme.

During the year, no shares options were granted to the Directors. Except for 250,000 share options that were lapsed, 2,230,000 share options were exercised by the directors during the year. And there were no outstanding shares options granted to the Directors at the end of the year.

The total number of shares issued under the Company's share option scheme as the date of this report is 3,730,000, representing approximately 1.3% of the issued share capital of the Company as at 31 December 2007.

OUTLOOK

Despite the uncertainties of global economy over US sub-prime mortgage market and the fluctuations in stock markets in 2008, the Board is confident of the prospects of the Group's future. The economic outlook of China for 2008 is expected to remain optimistic, and its currency will continue to appreciate. The steady economic growth would continue to stimulate demand for commercial and residential properties over the medium to long run, and the demand for real estate would maintain at a high level.

Looking forward, the Company will strive for developing the regions that are less affected by the current macro-economic conditions and represent better growth potential, such as Fujian province, benefiting from the change of political atmosphere of Taiwan. Furthermore, the Company will look to expand into middle and/or western China region which is relatively underdeveloped and may provide better future growth. The Group will gradually consolidate its existing property portfolios with a strategic focus to position itself as a high quality/boutique property developer.

DIRECTORS

Executive Directors

Mr. So Pang Gen, aged 71, is the founder of the Group, and is currently the Chairman of the Company. Mr. So graduated from Shanghai Tong Ji University with a Bachelor's Degree in Architecture. In 1989, Mr. So established the Group. Mr. So was principally involved in the property development and investment business in the PRC. Mr. So has over 34 years experience in the field of property development in both business in both Hong Kong and PRC. He is a Commissioner of the Standing Committee of the 10th National Committee of the Changchun People's Political Consultative Conference of the People's Republic of China, the Vice-Presidents (Advisory Council) of The Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, the General Council Member of Hong Kong CPCC (Provincial) Members Association. Mr. So also supported in China's education development. He is a Council Member of Shanghai Tong Ji University Education Development Foundation since 2006. He is a Consultant Professor of Shanghai Tong Ji University and Jilin Architectural & Engineering College. Mr. So was awarded the Queen's Badge of Honor in 1996. Mr. So is currently the Permanent Adviser of Permanent Advisers of Pok Oi Hospital and was engaged as the Chairman, Deputy Chairman and Director of the Board of Directors during 1995/1996.

Mr. Chen Chang Wei, aged 45, joined the Group on 22 January 2008. Mr. Chen is currently the Managing Director of the Company. He is responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Chen graduated from Department of Civil Engineering in Huaqiao University, the People's Republic of China (the "PRC"). He holds a Bachelor Degree of Civil Engineering. Mr. Chen has 20 years' experience in investment, industrial and commercial sectors and real estate development.

Mr. Chim Kim Lun, Ricky, aged 38, joined the Group on 27 June 2007, is responsible for strategy planning. Mr. Chim holds Bachelor Degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial and industrial experiences and of experience in investment. Mr. Chim is an executive director of Bel Global Resources Holdings Limited (formerly known as Peking Apparel International Group Limited), Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited), Karce International Holdings Company Limited, Bestway International Holdings Limited and Frankie Dominion International Limited, which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Chan Sheung Ni, aged 43, joined the Group on 1 February 2008, is responsible for corporate planning. Ms. Chan has 15 years' experience in investment, industrial and commercial sectors and real estate development.

Ms. Chen Dongxue, aged 37, joined the Group on 15 February 2008. She is mainly responsible for the management of the Group's PRC operations. Ms. Chen graduated from Department of International Finance and Financial Economics in Xiamen University, the PRC. She holds a Bachelor Degree of Economics. Ms. Chen has 15 years' experience in investment, industrial and commercial sectors and real estate development.

Executive Directors *(Continued)*

Mr. Wong Hing Ting, James, aged 44, joined the Group on 7 March 2008. Mr. Wong is responsible for marketing, business development and operational management of the Group. Mr. Wong holds a Bachelor of Law Degree from the University of Hong Kong and Master of Laws Degree in Chinese and Comparative Law from the City University of Hong Kong. He is also a solicitor of the High Court of Hong Kong SAR and the Supreme Court of England and Wales. Before joining the Company, Mr. Wong was in private practice as a partner to corporate law firms in Hong Kong. He has over ten years of experience in the legal field, principally in the areas of cross-border corporate and commercial matters, including corporate finance, merger and acquisition, China investment, joint ventures and project finance. He has extensive experience in property related project finance and acquisition transactions.

Independent Non-executive Directors

Ms. Lin Wen Feng, aged 39, was appointed as an Independent Non-Executive Director on 15 October 2007. Ms. Lin graduated from the Xiamen University with a Master Degree of Laws. She passed the National Judicial Examination in People's Republic of China in 1992 and has 13 years' practicing experience as a solicitor, which involved in corporate, finance and conveyancing sections.

Mr. Ma Ving Lung, aged 38, was appointed as an Independent Non-Executive Director on 30 November 2007. Mr. Ma graduated from York University, Ontario, Canada. He holds a Bachelor Degree of Accountancy with Honors and was qualified as accountants in USA in 2000. Mr. Ma became an associate member of Hong Kong Institute of Certified Public Accountant in 2000. He has worked for a number of listed companies and has extensive experience in initial public offerings.

Mr. Yip King Keung, Pony, aged 38, was appointed as an Independent Non-Executive Director on 14 January 2008. Mr. Yip holds a Bachelor of Business Administration (Honors) from York University, Ontario, Canada. Mr. Yip has more than 10 years experience in the field of business management and property investment.

SENIOR MANAGEMENT

Ms. Hui Wai Man, Shirley, aged 40, joined the Group as Chief Financial Controller and the Company Secretary in December 2000. She is responsible for the financial and company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of Hong Kong Securities Institute.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, sales of land use rights and developed properties and investment holding in the People's Republic of China (the "PRC").

The principal activities of the Group's subsidiaries and co-operative joint venture are set out in note 18 to the financial statements.

RESULTS

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

The directors do not recommend the payment of a final dividend for the year ended 31 December 2007.

SEGMENT INFORMATION

The Group's revenue and results analysed by principal activities are set out in note 6 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results, 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 92. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS

Details of the share capital and share options of the Company are set out in notes 33 and 34 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 34 of the annual report and note 35(b) to the financial statements, respectively.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:

So Pang Gen *(Chairman)*	
Chen Chang Wei *(Managing Director)*	(appointed on 22 January 2008)
Chim Kim Lun, Ricky	(appointed on 27 June 2007)
Chan Sheung Ni	(appointed on 1 February 2008)
Chen Dongxue	(appointed on 15 February 2008)
Wong Hing Ting, James	(appointed on 7 March 2008)
Lam Hon Keung, Keith *(Deputy Chairman)*	(resigned on 8 June 2007)
Choi Dun Woo	(resigned on 15 February 2008)
Su Bangyuan	(resigned on 30 November 2007)
Yong Kai Man	(appointed on 27 June 2007 and resigned on 1 February 2008)

Independent non-executive directors:

Lin Wen Feng	(appointed on 15 October 2007)
Ma Ving Lung	(appointed on 30 November 2007)
Yip King Keung, Pony	(appointed on 14 January 2008)
Hui Yip Wing, David	(resigned on 30 November 2007)
Kee Wah Sze	(resigned on 31 October 2007)
Ku Siu Fung, Stephen	(resigned on 15 October 2007)

In accordance with clause 102(B) of the Bye-Laws of the Company, Mr. Chen Chang Wei, Mr. Chim Kim Lun, Ricky, Ms. Chan Sheung Ni, Ms. Chen Dongxue, Mr. Wong Hing Ting, James, Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Mr. So Pang Gen, has entered into a service contract with the Company for an initial term of two years commencing on 4 June 2002 which will continue thereafter until terminated by either party on not less than 3 months' prior notice in writing or by payment of 3 months' salary in lieu of such notice. In addition, Mr. Chen Chang Wei and Mr. Wong Hing Ting, James, have a service contract with the Company for a fixed term of 2 years, which may be terminated, by either side, on 6 month's notice. The Company has not entered into service contact with Mr. Chim Kim Lun, Ricky, Ms. Chan Sheung Ni and Ms. Chen Dongxue.

The term of office for each non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2007, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Companies, were as follows:

Long position in ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. So Pang Gen	Beneficial owner and held by discretionary trust [1]	65,750,000	22.19%
Mr. Chim Kim Lun, Ricky	Held by controlled corporation [2]	82,000,000	27.67%
Mr. Chen Chang Wei	Beneficial owner [3]	4,570,000	1.54%
Ms. Chan Sheung Ni	Beneficial owner [4]	300,000	0.10%
Ms. Chen Dongxue	Beneficial owner [5]	994,000	0.34%

(1) These shares of which 280,000 are held by Mr. So Pang Gen, while the remaining of 65,470,000 are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited, a company incorporated in Hong Kong, is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International Development Limited. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

(2) Mr. Chim Kim Lun, Ricky is the son of Mr. Chim Pui Chung, the beneficial owner of Golden Mount Limited ("Golden Mount"). Accordingly, he is deemed to be interested in the 82,000,000 Shares held by Golden Mount under SFO.

(3) Mr. Chen Chang Wei was appointed after year end 31 December 2007. As at 31 December 2007 he held 4,570,000 Shares under his name.

(4) Ms. Chan Sheung Ni was appointed after year ended 31 December 2007. As at 31 December 2007 she held 300,000 shares under her name.

(5) Ms. Chen Dongxue was appointed after year ended 31 December 2007. As at 31 December 2007 she held 994,000 shares under her name.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 34 to the financial statements.

2,480,000 shares options were granted to the Directors on 27 September 2005. 2,230,000 shares options were exercised and 250,000 share options were lapsed during the year 2007.

The total number of shares issued under the Company's share option scheme as the date of this report is 3,730,000, representing approximately 1.3% of the issued share capital of the Company as at that date. There were no new shares options granted during the year and outstanding as of 31 December 2007.

Other than as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the interests or short positions of substantial shareholders, other than the Directors or the Chief Executives of the Company whose interests, long and short positions in the shares of the Company are set out above, in the shares and underlying shares of the Company in the register maintained under section 336 of SFO were as follows:

Name	Long position/ Short position	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
International Offshore Development Limited	Long	Beneficial interest (1)	65,750,000	22.19%
Golden Mount	Long	Beneficial interest (2)	82,000,000	27.67%

(1) International Offshore Development Limited is ultimately held by a Trust, of which the family member, Mr. So Pang Gen are included in the Trust.

(2) Mr. Chim Pui Chung is the beneficial owner of Golden Mount. And the Company executive director, Mr. Chim Kim Lun, Ricky is the son of Mr. Chim Pui Chung.

CONNECTED TRANSACTIONS

No other significant transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were more than 80% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 90% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 31% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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.

CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007 except for deviations disclosed in Corporate Governance Report on page 17.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code/the required standard of dealing and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

DONATIONS

During the year, the Group had not made any charitable donations (2006: HK$265,000).

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Grant Thornton as auditors of the Company.

Chairman
On behalf of the Board

SO PANG GEN
Chairman

Hong Kong, 28 April 2008

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for the effective management, a healthy corporate culture and balancing of business risk. And it is also essential to the success of the Company and the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007, except for deviations from Code Provision A.4.1 (tenure of non-executive directors) and Code A.4 (retirement of directors by rotation) for a limited period of time during the year as explained in the relevant paragraphs in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

The Board currently comprises nine Directors, including six Executive Directors and three Independent Non-Executive Directors. All three Non-Executive Directors are Independent Non-Executive Directors which represent one-third of the Board. And its composition of the Board during the year ended 31 December 2007 and up to the date of this report is set out as follows:

Executive Directors:

So Pang Gen *(Chairman)*	
Chen Chang Wei *(Managing Director)*	(appointed on 22 January 2008)
Chim Kim Lun, Ricky	(appointed on 27 June 2007)
Chan Sheung Ni	(appointed on 1 February 2007)
Chen Dongxue	(appointed on 15 February 2008)
Wong Hing Ting, James	(appointed on 7 March 2008)
Lam Hon Keung, Keith *(Deputy Chairman)*	(resigned on 8 June 2007)
Choi Dun Woo	(resigned on 15 February 2008)
Su Bangyuan	(resigned on 30 November 2007)
Yong Kai Man	(appointed on 27 June 2007 and resigned on 1 February 2008)

Independent Non-Executive Directors ("INED"):

Lin Wen Feng	(appointed on 15 October 2007)
Ma Ving Lung	(appointed on 30 November 2007)
Yip King Keung, Pony	(appointed on 14 January 2008)
Hui Yip Wing, David	(resigned on 30 November 2007)
Kee Wah Sze	(resigned on 31 October 2007)
Ku Siu Fung, Stephen	(resigned on 15 October 2007)

THE BOARD OF DIRECTORS *(Continued)*

The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 9 to 10. Except for Ms. Chan Sheung Ni, who is the wife of Mr. Chen Chang Wei, and Ms. Chen Dongxue, who is the sister of Mr. Chen Chang Wei, there is no financial, business, or other material/relevant relationship amongst the Directors.

BOARD PRACTICE

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and ensures good corporate governance practices of the Group. Daily operations and administration are delegated to the management.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are established for every director to have access to board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

The Board acknowledges their responsibilities for the preparation of the financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publications of such financial statements.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, twenty-two Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

	Number of Board meetings Attend/held
Executive Directors:	
So Pang Gen *(Chairman and Managing Director)*	22/22
Lam Hon Keung, Keith *(Deputy Chairman, resigned on 8 June 2007)*	4/9
Chim Lim Lun, Ricky *(appointed on 27 June 2007)*	11/13
Choi Dun Woo *(resigned on 15 February 2008)*	7/22
Su Bangyuan *(resigned on 30 November 2007)*	19/21
Yong Kai Man *(appointed on 27 June 2007 and resigned on 1 February 2008)*	8/13
INEDS:	
Hui Yip Wing, David *(resigned on 30 November 2007)*	6/21
Kee Wah Sze *(resigned on 31 October 2007)*	5/19
Ku Siu Fung, Stephen *(resigned on 15 October 2007)*	6/18
Lin Wen Feng *(appointed on 15 October 2007)*	0/5
Ma Ving Lung *(appointed on 30 November 2007)*	0/2

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. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established in writing.

Upon the acquisition of Fujian Zhonglu in January 2008, the Board, in view of the business expansion and future growth, considered it was time to separate the roles of Chairman and Chief Executive Officer. In compliance with Code Provision A.2.1, the Board believes the separation will better serve the needs of the Group by allowing the board to focus on the strategic direction of the Company while the managing director to focus on the day-to-day management of the Company. With Mr. So Pang Gen remaining as the Chairman of the Company, Mr. Chen Chang Wei assumed the role of Managing Director from 1 February 2008.

The Board currently comprises six Executive Directors (one of whom is the Chairman and another is the Managing Director) and three Non-Executive Directors. Mr. So Pang Gen, being the Chairman, was primarily responsible for leadership of the Board, ensuring the effectiveness in all aspects of its role and for setting its agenda. Mr. Chen took over the role of Managing Director, carried out executive responsibilities for running of the business of the Group lie with difference designated senior executives. With the separation of the roles of Chairman and Managing Director, the Board considers that this structure will ensure the balance of power and authority between the Board and the management of the business of the Group with a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors provide the Group with a wide range of expertise and experience. Their active participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

The Company has three INEDs representing one-third of the Board. And one of the INEDs has appropriate accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Code Provision A.4.1 stipulates that Non-Executive Directors should be appointed for a specific term, subject for re-election. None of the existing Non-Executive Directors are appointed for a specific term. However, all the Non-Executive Directors shall be subject to retirement by rotation under "Appointment and Re-election of Directors" in accordance with the Company's Bye-Laws mentioned as below paragraph. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In June 2005, the Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's business and activities.

The Non-Executive Directors of the Company had no fixed term of office, but retired from office on a rotational basis in accordance with the relevant provisions of the Company's Bye-laws. According to Provision 99 of the Bye-Laws of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and should then be eligible for re-election at the meeting.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee and a Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on page 18 in the section "Board Practice" above, have been adopted for the committee meetings so far as practicable.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee currently consists of three members, including Mr. Yip King Keung, Pony (Chairman), Mr. Ma Ving Lung and Ms. Lin Wen Feng, all of whom are INEDs. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman and/or the Managing Director about the committee's proposals relating to the remuneration of other Executive Directors;

(ii) to review and recommend performance-based remuneration by reference to corporate goals and objectives approved by the Board from time to time;

(iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to ensure that no Director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee of the Company were adopted in June 2005 to comply with the Code Provision B.1.3, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:

(i) The Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) The Remuneration Committee members only consist of INEDs who may not be industry skilled and come from differing professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

(iii) The Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iv) There is no reason for Executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2007 to review and discuss the existing policy and structure for the remuneration of Directors, the remuneration packages of both the Executive and Non-Executive Directors and the attendance of each member is set out as follows:

Committee member	**Number of Committee meeting attended/held**
Kee Wah Sze *(Chairman ,resigned on 31 October 2007)*	1/1
Hui Yip Wing, David *(resigned on 30 November 2007)*	1/1
Ku Siu Fung, Stephen *(resigned on 15 October 2007)*	1/1
Lin Wen Feng *(appointed on 15 October 2007)*	0/0
Ma Ving Lung *(appointed on 30 November 2007)*	0/0

Details of the Directors' remuneration are set out in note 13 to the financial statements.

In order to attract, retain and motivate the senior executives and key employees of the Group, including the Executive Directors, the Company has adopted a share option scheme in May 2002. Details of the share option scheme are set out in the Directors' Report on page 14 and note 34 to the financial statements.

Audit Committee

The Audit Committee has been established since May 2002 and currently consists of three Independent Non-Executive Directors. To retain independence and objectivity, the Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Mr. Ma Ving Lung (Chairman), Mr. Yip King Keung, Pony and Ms. Lin Wen Feng. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The major roles and functions of the Audit committee are:

(i) to consider and recommend to the Board on the appointment, re-appointment and removal the external auditors;

(ii) to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

(iii) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commencement;

(iv) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(v) to review the interim and annual financial statements, interim and annual reports before submission to the Board;

(vi) to develop and implement policy on the engagement of the external auditor to supply non-audit services;

(vii) to review the Group's financial and accounting policies and practices;

(viii) to review the external auditors' management letters, any material queries raised by the auditor to management in respect of accounting records, financial accounts or system of control and management's response and to ensure the Board will provide a timely response to the issue raised;

(ix) to review the Groups' financial controls, internal control and risk management systems; and ensure that the management has discharged its duty to have an effective internal control system;

(x) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to monitor the effectiveness of the internal audit function; and

(xi) to consider any findings of major investigations of internal control matters as delegated by the Board and or on its own initiative and management's response.

The Audit Committee has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access and assistance from management and reasonable resources to discharge its duties properly. At least once annually, the Audit Committee will meet the external auditors.

The Audit Committee will meet at least twice each year. In 2007, the Audit Committee met three times considering the annual results of the Group for the financial year ended 31st December 2006 and the interim results of the Group for the 6 month ended 30th June 2007, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit and reviewing the continuing connected transactions of the Group. Attendance records of the Audit Committee members in 2007 are as follows:

Committee member	**Number of Committee meetings attended/held**
Hui Yip Wing, David *(Chairman, resigned on 30 November 2007)*	3/3
Kee Wah Sze *(resigned on 31 October 2007)*	3/3
Ku Siu Fung, Stephen *(resigned on 15 October 2007)*	3/3
Lin Wen Feng *(appointed on 15 October 2007)*	0/0
Ma Ving Lung *(appointed on 30 November 2007)*	0/0

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from finance department, the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

The statement of the Company's external auditors, Messrs. Grant Thornton and their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditors' Report on pages 26 and 27.

External Auditors' Remuneration

During the year, the remuneration paid/payable to the Company's external auditors, Messrs. Grant Thornton is set out as follows:

Services rendered for the Group	**Fee paid/payable** HK$'000
Audit services	800,000

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal controls includes a defined management structure with limit authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provisions of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather that eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board has started to conduct review of the system of internal control of the Group during the year ended 31 December 2007.

Nomination Committee

The Nomination Committee has been established since June 2005. It currently consists of three members, including Mr. Yip King Keung, Pony (Chairman), Mr. Ma Ving Lung and Ms. Lin Wen Feng, all of whom are INEDs. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

INTERNAL CONTROL *(Continued)*

Nomination Committee *(Continued)*

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size and composition of the Board on a regular basis;

(ii) to review and recommend the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each propose resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.

On behalf of the Board
So Pang Gen
Chairman

Hong Kong, 28 April 2008

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of China Fair Land Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Fair Land Holdings Limited (the "Company") set out on pages 28 to 91, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

28 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Revenue	5	**136,321**	56,682
Cost of sales		**(46,687)**	(23,578)
Gross profit		**89,634**	33,104
Other revenue and gains	5	**33,360**	10,059
Gain/(loss) on change in fair value of investment properties		**622**	(492)
Selling expenses		**(2,078)**	(5,718)
Administrative and other operating expenses		**(36,053)**	(31,744)
Operating profit	7	**85,485**	5,209
Finance costs	8	**(1,532)**	(3,749)
Profit before income tax		**83,953**	1,460
Income tax expense	9	**(57,982)**	(40,570)
Profit/(loss) for the year		**25,971**	(39,110)
Attributable to:			
Equity holders of the Company	10	**18,406**	(22,469)
Minority interests		**7,565**	(16,641)
Profit/(loss) for the year		**25,971**	(39,110)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	12		
— Basic		**HK6.24 cents**	(HK7.68 cents)
— Diluted		**HK6.22 cents**	(HK7.68 cents)

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**163,745**	154,220
Property, plant and equipment	15	**47,070**	36,668
Prepaid lease payments	16	**5,093**	4,877
Available-for-sale financial assets	17	**2,128**	2,000
Deferred tax assets	32	**26,297**	20,004
		244,333	217,769
Current assets			
Properties under development	19	**178,747**	170,055
Properties held for sale	20	**109,358**	124,639
Account receivables	21	**105,761**	32,857
Prepayments, deposits and other receivables	22	**99,951**	80,205
Prepaid lease payments	16	**95**	90
Due from a minority shareholder	23	**3,511**	—
Due from related companies	24	**383**	63
Cash at banks and in hand	25	**23,864**	17,030
		521,670	424,939
Current liabilities			
Account payables	26	**28,339**	35,209
Customers' deposits received, accrued expenses and other payables	27	**90,255**	99,403
Due to minority shareholders	28	**6,867**	6,642
Due to a director	29	**503**	27
Due to a shareholder	30	**9,591**	10,016
Provision for tax		**194,133**	127,107
Bank borrowings	31	**466**	39,988
		330,154	318,392
Net current assets		**191,516**	106,547
Total assets less current liabilities		**435,849**	324,316
Non-current liabilities			
Bank borrowings	31	**63,829**	—
Deferred tax liabilities	32	**14,682**	14,010
		78,511	14,010
Net assets		**357,338**	310,306

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	**29,633**	29,260
Reserves		**264,755**	227,659
		294,388	256,919
Minority interests		**62,950**	53,387
Total equity		**357,338**	310,306

Mr. So Pang Gen	**Mr. Wong Hing Ting, James**
Chairman	*Executive Director*

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4**	13
Investments in subsidiaries	18	**128,074**	128,074
		128,078	128,087
Current assets			
Deposits and other receivables	22	**7,552**	7,570
Due from subsidiaries	18	**67,970**	51,670
Due from related companies	24	**18**	12
Cash at banks and in hand		**—**	63
		75,540	59,315
Current liabilities			
Accrued expenses and other payables	27	**2,550**	2,486
Due to a director	29	**—**	27
Due to a shareholder	30	**55,962**	33,708
Due to subsidiaries	18	**11,160**	11,173
Bank borrowings	31	**466**	—
		70,138	47,394
Net current assets		**5,402**	11,921
Net assets		**133,480**	140,008
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	**29,633**	29,260
Reserves	35(b)	**103,847**	110,748
Total equity		**133,480**	140,008

Mr. So Pang Gen
Chairman

Mr. Wong Hing Ting, James
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Cash flows from operating activities			
Profit before income tax		**83,953**	1,460
Adjustments for:			
Amortisation of prepaid lease payments	7	**95**	90
Depreciation of property, plant and equipment	7	**5,194**	4,063
(Gain)/loss on change in fair value of investment properties		**(622)**	492
Interest income	5	**(1,180)**	(243)
Interest expense	8	**1,532**	3,749
Operating profit before working capital changes		**88,972**	9,611
Increase in properties under development		**(6,918)**	(79,905)
Decrease in properties held for sale		**15,281**	16,569
(Increase)/decrease in account receivables		**(72,904)**	5,521
(Increase)/decrease in prepayments, deposits and other receivables		**(19,746)**	34,587
Increase in amounts due from a minority shareholder		**(3,511)**	—
Decrease in account payables		**(6,870)**	(14,887)
(Decrease)/increase in customers' deposits received, accrued expenses and other payables		**(9,148)**	36,933
Cash (used in)/generated from operations		**(14,844)**	8,429
Interest paid		**(3,306)**	(3,749)
Income tax paid		**(5,909)**	(2,269)
Net cash (used in)/generated from operating activities		**(24,059)**	2,411

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Cash flows from investing activities			
Interest received		**1,180**	243
Purchase of property, plant and equipment		**(6)**	(9)
Purchase of available-for-sale investment		**—**	(2,000)
Proceeds from disposals of investment properties	14	**—**	1,606
Net cash generated from/(used in) investing activities		**1,174**	(160)
Cash flows from financing activities			
Dividends paid		**—**	(2,926)
Dividends paid to minority shareholders of a subsidiary		**(6,978)**	(7,098)
Proceeds from exercise of share options		**1,342**	—
Capital contributions by minority shareholders		**1,302**	4,469
Advances from minority shareholders		**225**	4,062
Repayments to a shareholder		**(425)**	(7,390)
Drawdown of bank loans		**63,829**	—
Repayments of bank loans		**(39,988)**	(28,976)
Repayments to related companies		**(320)**	(526)
Advances from/(repayments to) a director		**476**	(47)
Net cash generated from/(used in) financing activities		**19,463**	(38,432)
Net decrease in cash and cash equivalents		**(3,422)**	(36,181)
Cash and cash equivalents at 1 January		**17,030**	49,397
Effect of foreign exchange rate changes, net		**9,790**	3,814
Cash and cash equivalents at 31 December		**23,398**	17,030
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**23,864**	17,030
Bank overdrafts	31	**(466)**	—
		23,398	17,030

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										Minority interests	Total equity
	Share capital HK$'000	Share premium* HK$'000	Capital reserve* HK$'000 (Note 35(a))	Special reserve* HK$'000 (Note 35(a))	Property, plant and equipment revaluation reserve* HK$'000	Translation reserve* HK$'000	Share option reserve* HK$'000	Retained profits* HK$'000	Proposed final dividends HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2006	29,260	33,450	–	44,144	992	3,711	313	151,898	2,926	266,694	69,482	336,176
Surplus arising on revaluation of leasehold properties (Note 15)	–	–	–	–	1,107	–	–	–	–	1,107	277	1,384
Deferred tax liabilities arising on revaluation of leasehold properties (Note 32)	–	–	–	–	(365)	–	–	–	–	(365)	(92)	(457)
Currency translation	–	–	–	–	–	7,554	–	–	–	7,554	2,990	10,544
Net income recognised directly in equity	–	–	–	–	742	7,554	–	–	–	8,296	3,175	11,471
Loss for the year	–	–	–	–	–	–	–	(22,469)	–	(22,469)	(16,641)	(39,110)
Total recognised income and expense for the year	–	–	–	–	742	7,554	–	(22,469)	–	(14,173)	(13,466)	(27,639)
Capital contributions arising on shareholders' indemnity	–	–	7,324	–	–	–	–	–	–	7,324	–	7,324
Capital contributions by minority shareholders	–	–	–	–	–	–	–	–	–	–	4,469	4,469
Lapsed share options under share option scheme	–	–	–	–	–	–	(5)	5	–	–	–	–
Dividends paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	(7,098)	(7,098)
Dividends paid	–	–	–	–	–	–	–	–	(2,926)	(2,926)	–	(2,926)
At 31 December 2006 and 1 January 2007	29,260	33,450	7,324	44,144	1,734	11,265	308	129,434	–	256,919	53,387	310,306
Surplus arising on revaluation of leasehold properties (Note 15)	–	–	–	–	8,153	–	–	–	–	8,153	5,375	13,528
Deferred tax liabilities arising on revaluation of leasehold properties (Note 32)	–	–	–	–	(2,038)	–	–	–	–	(2,038)	(1,344)	(3,382)
Effect of decrease in tax rate (Note 32)	–	–	–	–	13	–	–	–	–	13	(28)	(15)
Currency translation	–	–	–	–	–	11,593	–	–	–	11,593	3,671	15,264
Net income recognised directly in equity	–	–	–	–	6,128	11,593	–	–	–	17,721	7,674	25,395
Profit for the year	–	–	–	–	–	–	–	18,406	–	18,406	7,565	25,971
Total recognised income and expense for the year	–	–	–	–	6,128	11,593	–	18,406	–	36,127	15,239	51,366
Capital contributions by minority shareholders	–	–	–	–	–	–	–	–	–	–	1,302	1,302
Exercise of share options	373	1,258	–	–	–	–	(289)	–	–	1,342	–	1,342
Lapsed share options under share option scheme	–	–	–	–	–	–	(19)	19	–	–	–	–
Dividends paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	(6,978)	(6,978)
At 31 December 2007	29,633	34,708	7,324	44,144	7,862	22,858	–	147,859	–	294,388	62,950	357,338

* These reserve accounts comprise the consolidated reserves of HK$264,755,000 (2006: HK$227,659,000) in the consolidated balance sheet.

1. GENERAL INFORMATION

China Fair Land Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and, its principal place of business is in the People's Republic of China (the "PRC"). The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK").

The principal activities of the Company and its subsidiaries (the "Group") include the property letting, sales of land use rights and developed properties and investment holding.

The financial statements on pages 28 to 91 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 28 April 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

Adoption of new and amended HKFRSs effective on 1 January 2007

From 1 January 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies. As a result of the adoption of HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there are additional disclosures provided as follows:

The amendment to HKAS 1 introduces additional disclosure requirements to provide information in each annual financial report about the level of capital and the Group's objectives, policies and procedures for managing capital. These new disclosures are set out in note 41 to the financial statements.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required under HKAS 32 "Financial Instruments: Disclosure and Presentation". These disclosures are set out in note 40 to the financial statements.

The amendment to HKFRS 7 does not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

Adoption of new and amended HKFRSs effective on 1 January 2007 *(Continued)*

The first-time application of HKAS 1 (Amendment) and HKFRS 7, however, has not resulted in any prior period adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior periods are required.

In light of the conclusion of the HKICPA formed in 2007 that the land appreciation tax ("LAT") in the PRC is a form of income tax and is within the scope of HKAS 12 "Income Taxes" and after reviewing the Group's accounting policies on LAT, the directors of the Company decided that it is more appropriate to account for and present LAT as income tax under HKAS 12. The effect of changes in the presentation on the consolidated financial statements is summarised below:

	Increase/(decrease)	
	2007	2006
	HK$'000	HK$'000
Consolidated income statement for the year ended 31 December		
— Cost of sales	**(33,057)**	(3,285)
— Additional LAT attributable to sales of land use rights and properties in prior years	**(6,801)**	(57,332)
— Income tax expense	**39,858**	60,617
Net effect on profit	**—**	—
Consolidated balance sheet as at 31 December		
— Customers' deposits received, accrued expenses and other payables	**(104,051)**	(60,617)
— Provision for tax	**104,051**	60,617
Net effect on net assets	**—**	—
Consolidated cash flow statement for the year ended 31 December		
— Profit before income tax	**39,858**	60,617
— Increase in customers' deposit received, accrued expenses and other payables	**(39,858)**	(60,617)
Net effect on cash and cash equivalents	**—**	—

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

New or amended HKFRSs that have been issued but not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share Based Payments[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arrangements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
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 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

Among these new or amended HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company is currently assessing the impact of the other new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with the significant accounting policies set out below. The financial statements have been prepared on the historical cost basis except for investment properties and leasehold properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency translation *(Continued)*

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.5 Revenue recognition

Revenue arising from the sale of properties held for sale is recognised upon the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under customers' deposits received.

Revenue arising from the sale of land use rights is recognised when the title has passed or when the sale contracts signed become unconditional, whichever is earlier.

Rental income receivable under operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income is recognised on a time-proportion basis using the effective interest method.

3.6 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in the profit or loss for the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment

Leasehold properties are stated at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses.

Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Leasehold properties are valued on a market value basis or a depreciated replacement cost basis, as appropriate. The depreciated replacement costs is defined as the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of leasehold properties is credited to the property, plant and equipment revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.9. To the extent that any decrease has previously been recognised in consolidated income statement, a revaluation increase is credited to consolidated income statement with the remaining part of the increase dealt with in the property, plant and equipment revaluation reserve. A decrease in net carrying amount of leasehold properties arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease recognised in consolidated income statement.

Depreciation is provided to write off the cost or revalued amounts, less their estimated residual values, over their estimated useful lives, using straight-line method, as follows:

Leasehold properties	The shorter of the lease terms and 20 years
Furniture, fixtures and equipment	5 to 10 years
Plant and machinery	10 years
Motor vehicles	5 years

The gain or loss on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement. Any revaluation surplus remaining in equity is transaction to retained profits on the disposal of leasehold properties.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries, are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 3.8 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Properties under development

Properties under development for future sale in the ordinary course of business, are included in current assets and stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (note 3.6).

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling expenses.

No depreciation is provided on properties under development.

On completion, the properties are transferred to properties held for sale.

3.11 Properties held for sale

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

3.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Leases *(Continued)*

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception of property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 3.7).

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial assets

The Group's financial assets include available-for-sale financial assets, account and other receivables, amounts due from a minority shareholder and from related companies, and cash at bank and in hand. Financial assets are classified into loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. 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.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. 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 cost.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial assets *(Continued)*

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial 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, such as significant difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments, 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 amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence, which includes a significant or prolonged decline in the fair value of the asset below its cost, that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.17 Retirement benefit costs and short term employee benefits

Defined contribution plan

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 employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.19 Financial liabilities

The Group's financial liabilities include account and other payables, amounts due to minority shareholders, a director and a shareholder and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Financial liabilities *(Continued)*

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Account and other payables and amounts due to minority shareholders, a director and a shareholder are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.20 Provisions and contingencies

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.22 Related parties

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

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/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 or its parent;

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

(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 employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, property, plant and equipment, properties under development, properties held for sale, receivables and operating cash, and mainly exclude corporate assets and available-for-sale investment. Segment liabilities comprise operating liabilities and exclude items such as provision for tax and certain corporate borrowings.

Capital expenditure comprises additions to investment properties and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) PRC Enterprise Income Tax ("EIT")

The Group is subject to the PRC EIT. Significant judgement is required in determining the provision for EIT. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(ii) Investment properties and leasehold properties

The investment properties and leasehold properties of the Group were stated at fair value in accordance with the accounting policy stated in notes 3.7 and 3.8 respectively. The fair value of the investment properties and leasehold properties are determined by Savills Valuation and Professional Services Limited ("Savills"), a firm of independent qualified professional surveyors, and the fair value of investment properties and leasehold properties as at respective year end were set out in notes 14 and 15 respectively. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Properties held for sale

Properties held for sale are valued using the cost method, which value properties held for sale at the lower of cost or net realisable value. Cost is determined using the weighted average method. The estimated net realisable value is generally market price less selling expenses. Provision is made when net realisable value of properties held for sale is assessed to be below cost. This assessment requires the use of estimates.

(iv) LAT

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

(v) Account receivables

Management considered detailed procedures have been in place to monitor the risk that a significant proportion of the Group's working capital is devoted to account receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for account receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the historical records of the Group and the circumstances of the industry of sales of land use rights and sales of properties as a whole.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Criteria judgments in applying the entity's accounting policies

Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 3.5 is appropriate and is the current practice in the PRC.

5. REVENUE AND OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, and other revenue and gains recognised during the year are as follows:

	2007 **HK$'000**	2006 HK$'000
Revenue		
Property letting	**18,540**	19,707
Sale of land use rights	**84,906**	—
Sale of developed properties	**32,875**	36,975
	136,321	56,682
Other revenue and gains		
Bank interest income	**1,180**	243
Compensation received on return (net of costs incurred) of land use rights	**21,755**	—
Compensation received on termination (net of costs incurred) of a property development project	**—**	4,000
Exchange gains, net	**7,692**	5,522
Others	**2,733**	294
	33,360	10,059

6. SEGMENT INFORMATION

Primary reporting segment — business segments

The Group's principal activities are property letting, sale of land use rights and sale of developed properties. These three business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

2007

	Property letting HK$'000	Sale of land use rights HK$'000	Sale of developed properties HK$'000	Group HK$'000
Revenue	18,540	84,906	32,875	136,321
Segment results	18,626	61,476	29,766	109,868
Unallocated income				11,605
Unallocated expenses				(35,988)
Operating profit				85,485
Finance costs				(1,532)
Profit before income tax				83,953
Income tax expense				(57,982)
Profit for the year				25,971
Segment assets	179,313	58,737	412,742	650,792
Unallocated assets				115,211
Total assets				766,003
Segment liabilities	—	—	118,594	118,594
Unallocated liabilities				290,071
Total liabilities				408,665
Capital expenditure	—	—	—	—
Unallocated portion				6
				6
Depreciation	176	—	5,009	5,185
Unallocated portion				9
				5,194
Amortisation charges	—	—	95	95
Other non-cash expenses	—	772	3,733	4,505

6. SEGMENT INFORMATION *(Continued)*

Primary reporting segment — business segments *(Continued)*

2006

	Property letting HK$'000	Sale of land use rights HK$'000	Sale of developed properties HK$'000 (Restated)	Group HK$'000 (Restated)
Revenue	19,707	—	36,975	56,682
Segment results	18,530	—	12,364	30,894
Unallocated income				6,059
Unallocated expenses				(31,744)
Operating profit				5,209
Finance costs				(3,749)
Profit before income tax				1,460
Income tax expense				(40,570)
Loss for the year				(39,110)
Segment assets	164,318	77,706	272,462	514,486
Unallocated assets				128,222
Total assets				642,708
Segment liabilities	—	—	150,766	150,766
Unallocated liabilities				181,636
Total liabilities				332,402
Capital expenditure	—	—	9	9
Depreciation	170	—	3,880	4,050
Unallocated portion				13
				4,063
Amortisation charges	—	—	90	90
Other non-cash expenses	492	—	1,086	1,578

6. SEGMENT INFORMATION *(Continued)*

Secondary reporting segment — geographical segments

All of the Group's revenue for both years was generated in the PRC and over 90% (2006: over 90%) of the Group's segment assets were located in the PRC. Accordingly, no geographical segment information is presented.

During the year, over 90% (2006: over 90%) of the Group's capital expenditure took place in the PRC.

7. OPERATING PROFIT

	2007	2006
	HK$'000	HK$'000
Operating profit is arrived at after charging/(crediting):		
Staff costs		
— directors' remuneration (note 13)	**3,559**	4,066
— staff retirement benefits scheme contributions	**455**	456
— staff welfare	**1,747**	668
— other staff costs	**6,332**	5,553
Total staff costs	**12,093**	10,743
Cost of properties held for sale recognised as expense	**46,687**	23,578
Depreciation of property, plant and equipment	**5,194**	4,063
Operating lease charges in respect of		
— land and buildings	**887**	603
— office equipment	**10**	11
— prepaid lease payments	**95**	90
Auditors' remuneration		
— current year	**782**	715
— underprovision	**—**	680
Provision for impairment on account receivables	**4,505**	1,086
Outgoings in respect of investment properties	**556**	685
Rental income less outgoings	**(18,004)**	(19,022)

Depreciation of property, plant and equipment has been expensed in administrative expenses.

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charges on:		
— bank loans wholly repayable within five years	**2,691**	3,324
— amounts due to minority shareholders wholly repayable within five years (Note 39)	**615**	425
	3,306	3,749
Less: Amount capitalised in properties under development (Note 19)	**(1,774)**	—
	1,532	3,749

The borrowing costs have been capitalised at a rate of 6.35% (2006: Nil).

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising from or derived in Hong Kong for both years. The EIT and LAT are calculated at rates applicable to respective subsidiaries.

	2007 HK$'000	2006 HK$'000 (Restated)
Current tax – PRC		
— EIT	**26,709**	454
— LAT	**33,057**	3,285
— Underprovision of LAT in respect prior years	**6,801**	57,332
	66,567	61,071
Deferred tax (note 32)		
Current year	**(10,022)**	(20,501)
Attributable to change in tax rate	**1,437**	—
Total income tax expense	**57,982**	40,570

9. INCOME TAX EXPENSE *(Continued)*

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK$'000	2006 HK$'000 (Restated)
Profit before income tax	**83,953**	1,460
Tax at PRC EIT rate of 33% (2006: 33%)	**27,705**	482
Tax effect of non-deductible expenses	**3,584**	1,571
Tax effect of non-taxable revenue	**(5,663)**	(5,717)
Tax effect of unrecognised tax losses	**1,572**	3,858
Effect of different tax rates of subsidiaries operating in the other jurisdictions	**(862)**	(389)
LAT	**33,057**	3,285
Underprovision of LAT in respect of prior years	**6,801**	57,332
Tax effect of LAT	**(9,964)**	(20,004)
Tax effect of lower tax rate used for the recognition of deferred tax	**1,437**	—
Others	**315**	152
Income tax expense	**57,982**	40,570

10. PROFIT/LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

Of the consolidated profit attributable to the equity holders of the Company of HK$18,406,000 (2006: loss of HK$22,469,000), a loss of HK$7,870,000 (2006: HK$7,701,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividends are attributable to the previous financial year, approved and paid during the year (2006: HK$2,926,000).

12. EARNINGS/LOSS PER SHARE

The calculation of basic earnings/loss per share is based on the profit attributable to equity holders of the Company of HK$18,406,000 (2006: loss of HK$22,469,000) and on the weighted average of 294,841,945 (2006: 292,600,000) 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 attributable to equity holders of the Company of HK$18,406,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 294,841,945 ordinary shares in issue during the year plus the weighted average of 1,070,786 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised. Diluted loss per share for the year ended 31 December 2006 was not presented because the impact of the exercise of the share options was anti-dilutive.

Subsequent to the year end date, the Company issued 114,117,000 ordinary shares of HK$0.10 each and convertible bonds which are convertible into 5,403,423,000 ordinary shares of the Company of HK$0.10 each. If these shares and convertible bonds had been issued before the end of the year, the number of ordinary shares and potential ordinary shares outstanding at the year end date would have been changed significantly. Details of the transactions are included in notes 38 and 44 to the financial statements.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' remuneration on a named basis are as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement benefits costs HK$'000	Total HK$'000
2007				
Executive directors				
Mr. So Pang Gen	—	1,808	—	1,808
Mr. Lam Hon-Keung, Keith	—	150	—	150
Mr. Choi Dun Woo	—	828	12	840
Mr. Su Bangyuan	—	550	11	561
Mr. Chim Kim Lun, Ricky	—	—	—	—
Mr. Yong Kai Man	—	—	—	—
Independent non-executive directors				
Mr. Hui Yip Wing, David	80	—	—	80
Mr. Kee Wah Sze	60	—	—	60
Mr. Ku Siu Fung, Stephen	60	—	—	60
Ms. Lin Wen Feng	—	—	—	—
Mr. Ma Ving Lung	—	—	—	—
	200	**3,336**	**23**	**3,559**

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement benefits costs HK$'000	Total HK$'000
2006				
Executive directors				
Mr. So Pang Gen	—	1,930	—	1,930
Mr. Lam Hon-Keung, Keith	—	390	—	390
Mr. Choi Dun Woo	—	872	12	884
Mr. Su Bangyuan	—	650	12	662
Independent non-executive directors				
Mr. Hui Yip Wing, David	80	—	—	80
Mr. Kee Wah Sze	60	—	—	60
Mr. Ku Siu Fung, Stephen	60	—	—	60
Total emoluments	200	3,842	24	4,066

For the year ended 31 December 2007, the five highest paid individuals of the Group included four directors (2006: four directors), details of which are included above. The emoluments of the remaining one highest paid individual (2006: one individual) is as follows:

	2007 HK$'000	2006 HK$'000
Salaries, allowances and other benefits	**258**	325
Performance related incentive payments	**10**	12
	268	337

The emoluments of the remaining one individual (2006: one individual) fall within the band of nil to HK$1,000,000.

No emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil). None of the directors waived or agreed to waive any emoluments during the year (2006: Nil).

14. INVESTMENT PROPERTIES — GROUP

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

Changes to the carrying amount presented in the balance sheet can be summarised as follows:

	2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	**154,220**	150,296
Currency realignment	**8,903**	5,430
Disposals	**—**	(1,606)
Transfer from properties held for sale	**—**	592
Gain/(loss) on change in fair value	**622**	(492)
Carrying amount at 31 December	**163,745**	154,220

The Group's interests in investment properties at their carrying amount are analyzed as follows:

	2007 HK$'000	2006 HK$'000
Under long term leases	**25,904**	23,020
Under medium term leases	**137,841**	131,200
Carrying amount at 31 December	**163,745**	154,220

The Group's investment properties are situated in the PRC and majority of the investment properties are rented out under operating leases. No income or direct operating expenses were recognised during the years ended 31 December 2006 and 2007 for investment property that was unlet. The investment properties were revalued on market value basis at 31 December 2007 by Savills. The market value which would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The increase in fair value of investment properties of approximately HK$622,000 (2006: decrease of HK$492,000) has been credited (2006: charged) to the consolidated income statement.

At 31 December 2006, certain investment properties with net carry amount of approximately HK$119,500,000 were pledged to secure bank loans of the Group (note 31). The pledge was released upon repayments of the bank loans during the year.

15. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY

Group

	Leasehold properties HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006					
Cost or valuation	41,110	3,184	283	3,785	48,362
Accumulated depreciation	(5,457)	(1,700)	(105)	(2,768)	(10,030)
Net book amount	35,653	1,484	178	1,017	38,332
Year ended 31 December 2006					
Opening net book amount	35,653	1,484	178	1,017	38,332
Currency realignment	900	59	7	40	1,006
Additions	8	1	—	—	9
Revaluation	1,384	—	—	—	1,384
Depreciation	(3,524)	(410)	(13)	(116)	(4,063)
Closing net book amount	34,421	1,134	172	941	36,668
At 31 December 2006 and 1 January 2007					
Cost or valuation	44,462	2,940	294	3,936	51,632
Accumulated depreciation	(10,041)	(1,806)	(122)	(2,995)	(14,964)
Net book amount	34,421	1,134	172	941	36,668
Year ended 31 December 2007					
Opening net book amount	34,421	1,134	172	941	36,668
Currency realignment	1,930	64	11	57	2,062
Additions	—	6	—	—	6
Revaluation	13,528	—	—	—	13,528
Depreciation	(4,688)	(340)	(14)	(152)	(5,194)
Closing net book amount	45,191	864	169	846	47,070
At 31 December 2007					
Cost or valuation	60,634	3,130	313	4,187	68,264
Accumulated depreciation	(15,443)	(2,266)	(144)	(3,341)	(21,194)
Net book amount	45,191	864	169	846	47,070

15. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY *(Continued)*

The Group's leasehold properties are situated in the PRC and were revalued at 31 December 2007 at the value of HK$45,191,000 (2006: HK$34,421,000) by Savills on a market value basis or a depreciated replacement cost basis, as appropriate. The revaluation surplus of approximately HK$13,528,000 (2006: HK$1,384,000) has been credited to the property, plant and equipment revaluation reserve.

If leasehold properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of approximately HK$32,661,000 (2006: HK$37,349,000).

At the balance sheet date, the building ownership certificates of certain leasehold properties of approximately HK$31,420,000 (2006: HK$25,509,000) have not yet been obtained. The land use rights certificates of these leasehold properties have already been obtained and the net carrying amount of HK$4,335,000 (2006: HK$4,151,000) has been included in prepaid lease payments (note 16). In the opinion of the independent PRC legal advisors of the Group, the Group is entitled to obtain the building ownership certificates without legal impediment.

The analysis of the cost or valuation of the above assets is as follows:

	Leasehold properties HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2006					
— at cost	—	2,940	294	3,936	7,170
— at valuation	44,462	—	—	—	44,462
	44,462	2,940	294	3,936	51,632
At 31 December 2007					
— at cost	**—**	**3,130**	**313**	**4,187**	**7,630**
— at valuation	**60,634**	**—**	**—**	**—**	**60,634**
	60,634	**3,130**	**313**	**4,187**	**68,264**

15. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY *(Continued)*

Company

	Furniture, fixtures and equipment HK$'000
At 1 January 2006	
Cost	63
Accumulated depreciation	(39)
Net book amount	24
Year ended 31 December 2006	
Opening net book amount	24
Additions	1
Depreciation	(12)
Closing net book amount	13
At 31 December 2006 and 1 January 2007	
Cost	64
Accumulated depreciation	(51)
Net book amount	13
Year ended 31 December 2007	
Opening net book amount	13
Depreciation	(9)
Closing net book amount	4
At 31 December 2007	
Cost	64
Accumulated depreciation	(60)
Net book amount	4

16. PREPAID LEASE PAYMENTS — GROUP

The Group's interests in land use rights represent prepaid operating lease payments and are held under long term leases in the PRC.

	2007 HK$'000	2006 HK$'000
Opening net carrying amount	**4,967**	4,862
Currency realignment	**316**	195
Annual charges of prepaid lease payments	**(95)**	(90)
Closing net carrying amount	**5,188**	4,967
Current portion	**(95)**	(90)
Non-current portion	**5,093**	4,877

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2007 HK$'000	2006 HK$'000
Unlisted investment, at cost		
Opening carrying amount	**2,000**	2,000
Currency realignment	**128**	—
Closing carrying amount	**2,128**	2,000

The investment represents the Group's interest in unlisted equity holding in 中國房地產開發集團投資有限公司 (the "Investee"), a company established in the PRC. The Group held a 2% effective equity interest in the Investee. The investment has no fixed maturity date.

18. INVESTMENTS IN SUBSIDIARIES — COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted investments, at cost	**128,074**	128,074

The amounts due from/to subsidiaries are unsecured, interest-free and repayment on demand.

18. INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

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

Name	Place/country of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of issued/registered capital held by the Company	Principal activities
長春長信國際房地產開發有限公司 Changchun Changxin International Real Estate Development Co., Ltd. [1]	PRC for a term of 15 years commencing from 1993[2]	RMB40,000,000	80%	Property development
China Fair Land (Changchun) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,001 [3]	100%	Investment holding
China Fair Land (Qingdao) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Fair Land (Shenyang) Limited (Newly named as "Hengli Properties Development (Group) Limited" as at 3 January 2008)	Hong Kong	Ordinary HK$2	100%	Investment holding
China Fair Land (Suzhou) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Fair Land (Nanjin) Limited	Hong Kong	Ordinary HK$10,002	100%	Investment holding
China Fair Land (Ningbo) Limited ("China Fair Land Ningbo")	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,000 [3]	100%	Investment holding
China Fair Land Properties Limited	British Virgin Islands	Ordinary US$221	100%	Investment holding
China Fair Land (Shanghai) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,002 [3]	100%	Investment holding

18. INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

Name	Place/country of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of issued/registered capital held by the Company	Principal activities
Falcon Fair Development Limited	Hong Kong	Ordinary HK$2 Non-voting deferred HK$10,002 [3]	100%	Investment holding and property investment
青島正輝廣夏房地產開發有限公司 Qingdao Zhenghuiguangsha Real Estate Development Co., Ltd. [1]	PRC for a term of 20 years commencing from 2003	RMB20,000,000	70%	Inactive
寧波拓展房地產開發有限公司 Ningbo Tuozhan Real Estate Development Co., Ltd. ("Ningbo Tuozhan") [1]	PRC for a term of 30 years commencing from 1989	RMB20,000,000	37.5% [4]	Property development
上海正輝房地產開發有限公司 Shanghai Chance Fair Real Estate Development Co., Ltd. [1]	PRC for a term of 70 years commencing from 1999	US$3,000,000	98%	Property development
寧波市江北眾城房地產開發有限公司	PRC for a term of 10 years commencing from 2004 [1]	RMB10,000,000	33.75% [5]	Property development
寧波盛世置業有限公司	PRC for a term of 20 years commencing from 2005	RMB6,000,000	26.25% [6]	Property development
Co-operative joint venture:				
幸福苑合作發展開發項目 Fortune Garden Joint Venture Project [1]	PRC for a period of time to complete the project commencing from 1992	US$12,112,472	65.63%	Property development

18. INVESTMENTS IN SUBSIDIARIES — COMPANY *(Continued)*

1 These are equity joint ventures established in the PRC.

2 The original operation period of this company expired on 11 April 2008. Based on the revised business license dated on 10 April 2008 issued by the relevant PRC authority, the operation period has been extended by 10 years.

3 The rights and restrictions of the non-voting deferred shares of these subsidiaries are set out in paragraph (c) of the section headed *Group reorganisation" in Appendix VI of the prospectus dated 22 May 2002 issued by the Company.

4 On 15 September 1995, China Fair Land Ningbo, a wholly-owned subsidiary of the Company, entered into an irrecoverable agreement (the "1995 Agreement") with 中國房地產開發公司寧波公司 ("Ningbo CSREDC"), a 25% joint venture owner of Ningbo Tuozhan at the time of the 1995 Agreement. Pursuant to the 1995 Agreement, Ningbo CSREDC agreed to cooperate with China Fair Land Ningbo in the management of Ningbo Tuozhan, including the voting by the directors appointed to the board of Ningbo Tuozhan by Ningbo CSREDC, and acting-in-concert with the directors appointed by China Fair Land Ningbo.

On 11 May 2001, China Fair Land Ningbo and Ningbo CSREDC entered into a confirmation and agreement (the "2001 Confirmation") confirming that the directors appointed to the board of Ningbo Tuozhan by Ningbo CSREDC since the signing of the 1995 Agreement have always been voting in concert with and in accordance with the instructions of the directors appointed by China Fair Land Ningbo.

In 2003, Ningbo CSREDC transferred its entire 25% equity interest in Ningbo Tuozhan to four of its employees who became the new 25% joint venture owners of Ningbo Tuozhan (the "New 25% Owners"). On 30 September 2003, China Fair Land Ningbo entered into an agreement with the New 25% Owners that the New 25% Owners agreed to continue to cooperate with China Fair Land Ningbo in accordance with the 1995 Agreement and the 2001 Confirmation, including the voting by the directors appointed to the board of Ningbo Tuozhan by the New 25% Owners and acting-in-concert with the directors appointed by China Fair Land Ningbo.

Based on the above-mentioned documents, the Company's directors consider that the Group holds more than one half of the voting power in the board of directors of Ningbo Tuozhan and effectively controls the financial and operating policies of Ningbo Tuozhan. Accordingly, the Company regards Ningbo Tuozhan as a subsidiary and accounts for as such in these financial statements.

5 Ningbo Tuozhan holds 90% equity interest in this company and the Company's directors consider that the Group holds more than one half of the voting power in the board of directors of this company.

6 Ningbo Tuozhan holds 70% equity interest in this company and the Company's directors consider that the Group holds more than one half of the voting power in the board of directors of this company.

19. PROPERTIES UNDER DEVELOPMENT — GROUP

	2007 HK$'000	2006 HK$'000
Carrying amount of leasehold land	**152,930**	166,234
Development costs	**24,043**	3,821
Borrowing costs capitalised (Note 8)	**1,774**	—
Carrying amount at 31 December	**178,747**	170,055

The amount of properties under development expected to be recovered after more than one year is HK$6,874,000 (2006: HK$144,985,000). All of the other properties under development are expected to be recovered within one year.

The properties under development are situated in the PRC and held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Under long term leases	**1,611**	1,515
Under medium term leases	**177,136**	168,540
Carrying amount at 31 December	**178,747**	170,055

At 31 December 2007, certain properties held under development with net carrying amount of approximately HK$73,365,000 (2006: Nil) were pledged to secure bank loans of the Group (note 31).

20. PROPERTIES HELD FOR SALE — GROUP

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 33 years to 70 years.

At 31 December 2007, certain properties held for sale in the carrying amount of HK$5,887,000 (2006: HK$5,534,000) were held under the name of Mr. Su Chi Ming ("Mr. CM Su") on behalf of the Group. Mr. CM Su is a brother of Mr. Su Bangyuan, a former director of the Company. On 12 November 2005, the Group entered into an agreement with Mr. CM Su in connection with the execution of the aforesaid arrangement (the "CM Su Agreement"). In the opinion of the PRC legal advisors of the Group, the CM Su Agreement is legally binding and enforceable in accordance with the PRC jurisdictions.

At 31 December 2006, certain properties held for sale with net carrying amount of HK$25,776,000 were pledged to secure bank loans of the Group (note 31). The pledge was released upon repayments of the bank loans during the year.

21. ACCOUNT RECEIVABLES — GROUP

An aging analysis of account receivables after impairment provision is as follows:

	2007 HK$'000	2006 HK$'000
Within three months	**84,555**	5,831
Four months to one year	**11,460**	4,534
Between one to two years	**—**	12,920
Over two years	**9,746**	9,572
	105,761	32,857

There is no concentration of credit risk with respect to account receivables, as the Group has a large number of customers.

The carrying amount of account receivables is considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, are expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, the Group's account receivables are individually reviewed to determine impaired. The amount of impairment loss of individually impaired receivable, if any, is recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised. As at 31 December 2007, specific impairment provision of HK$6,756,000 has been made (2006: HK$2,116,000).

Aging analysis of account receivables that are not impaired as follows:

	2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**84,555**	6,260
Not more than 1 year past due	**11,460**	5,862
Over 1 year past due	**9,746**	20,735
	105,761	32,857

21. ACCOUNT RECEIVABLES — GROUP *(Continued)*

Account receivable that were neither past due nor impaired related to a wide range of customers from whom there was no recent history of default. The Group holds the building ownership certificates for those account receivables past due but not impaired. Management believed that no impairment allowance is necessary in respect of these balances as the Group is able to dispose of the respective properties in the open market.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**76,549**	28,370	**—**	—
Deposits	**266**	9,751	**228**	246
Other receivables *	**23,136**	42,084	**7,324**	7,324
	99,951	80,205	**7,552**	7,570

* Included in other receivables of the Company and of the Group as at 31 December 2007, approximately HK$7,324,000 (2006: HK$7,324,000) is the estimated amount indemnified by certain beneficial owners of the Group in relation to the LAT attributable to sales of properties before the listing of the Company in the SEHK (note 35(a)).

23. DUE FROM A MINORITY SHAREHOLDER — GROUP

The amounts due from a minority shareholder is unsecured, interest free and repayable on demand.

24. DUE FROM RELATED COMPANIES — GROUP AND COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

Particulars of amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

	China Fair Land (Wuhan) Limited HK$'000	China Fair Land (Tianjin) Limited HK$'000	南京華僑房產開發建設有限公司 HK$'000	Total HK$'000
At 31 December 2007	**6**	**13**	**364**	**383**
At 31 December 2006	3	10	50	63
Maximum amount outstanding during the year ended 31 December 2007	**6**	**13**	**364**	
Maximum amount outstanding during the year ended 31 December 2006	3	10	50	

Company

	China Fair Land (Wuhan) Limited HK$'000	China Fair Land (Tianjin) Limited HK$'000	Total HK$'000
At 31 December 2007	**6**	**12**	**18**
At 31 December 2006	2	10	12
Maximum amount outstanding during the year ended 31 December 2007	**6**	**12**	
Maximum amount outstanding during the year ended 31 December 2006	2	10	

Mr. So Pang Gen, a director of the Company, has beneficial interest in these related companies.

25. CASH AT BANKS AND IN HAND — GROUP

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included cash at banks and in hand of the Group is HK$23,372,000 (2006: HK$16,952,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. However, under the PRC'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.

26. ACCOUNT PAYABLES — GROUP

The aging analysis of account payables as at 31 December 2007 is as follows:

	2007 HK$'000	2006 HK$'000
Within three months	**—**	366
Four months to one year	**—**	—
Over one year	**28,339**	34,843
	28,339	35,209

27. CUSTOMERS' DEPOSITS RECEIVED, ACCRUED EXPENSES AND OTHER PAYABLES — GROUP AND COMPANY

	Group		**Company**	
	2007 HK$'000	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000
Customers' deposits received *	**1,075**	2,030	**—**	—
Accrued expenses	**3,975**	3,248	**2,439**	2,375
Other payables	**85,205**	94,125	**111**	111
	90,255	99,403	**2,550**	2,486

* Customers' deposits received represented instalments of sales proceeds received from buyers in connection with the Group's pre-sale of properties. Customers' deposits received are expected to be recognised as revenue of the Group within one year.

28. DUE TO MINORITY SHAREHOLDERS — GROUP

	2007 HK$'000	2006 HK$'000
Interest bearing advances	**5,733**	6,474
Non-interest bearing advances	**1,134**	168
	6,867	6,642

The amounts due are unsecured and have no fixed terms of repayment. The interest paid was charged at interest rate of 7.47% (2006: 6.12%) per annum on the interest bearing advances.

29. DUE TO A DIRECTOR — GROUP AND COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

30. DUE TO A SHAREHOLDER — GROUP AND COMPANY

The amounts due are unsecured, interest-free and repayable on demand.

31. BANK BORROWINGS — GROUP AND COMPANY

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Non-current				
Bank loans, secured	**63,829**	—	—	—
Current				
Bank loans, secured	—	39,988	—	—
Bank overdrafts, unsecured	**466**	—	**466**	—
	466	39,988	**466**	—
Total bank borrowings	**64,295**	39,988	**466**	—

31. BANK BORROWINGS — GROUP AND COMPANY *(Continued)*

At 31 December 2007, the Group's bank borrowings were repayable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**466**	39,988	**466**	—
In the second year	**63,829**	—	**—**	—
	64,295	39,988	**466**	—

At 31 December 2007, bank loans of the Group are secured by the pledge of certain properties under development (note 19) of the Group. At 31 December 2006, bank loans of the Group were secured by the pledge of certain of the investment properties (note 14) and properties held for sale (note 20) of the Group.

At the balance sheet date, the Group had outstanding bank borrowings of HK$64,295,000 (2006: HK$39,988,000) of which HK$63,829,000 (2006: HK$21,000,000) carry fixed interest rate ranging from 6.03% to 7.56% per annum (2006: 5.49% per annum) and the remaining HK$466,000 (2006: HK$18,988,000) bear floating interest rate based on daily market rate (2006: HIBOR plus 2.4%) per annum.

The Group's bank borrowings are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong dollars	**466**	18,988
Renminbi	**63,829**	21,000
	64,295	39,988

The carrying amounts of the Group's bank borrowings approximate to their fair value.

32. DEFERRED TAX — GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 25% (2006: 33%).

The movement on deferred tax liabilities during the year is as follows:

	Revaluation of properties	
	2007	2006
	HK$'000	HK$'000
At 1 January	**14,010**	13,557
Currency realignment	**534**	493
Attributable to change in tax rate:		
— Credited to income statement (note 9)	**(3,413)**	—
— Charge to property, plant and equipment revaluation reserve	**15**	—
Charged/(credited) to income statement (note 9)	**154**	(497)
Charged to property, plant and equipment revaluation reserve	**2,038**	365
Charged to minority interests	**1,344**	92
At 31 December	**14,682**	14,010

The movement on deferred tax assets during the year is as follows:

	LAT	
	2007	2006
	HK$'000	HK$'000
At 1 January	**20,004**	—
Currency realignment	**967**	—
Attributable to change in tax rate:		
— Charged to the income statement (note 9)	**(4,850)**	—
Credited to the income statement (note 9)	**10,176**	20,004
At 31 December	**26,297**	20,004

At the balance sheet date, the Group had estimated unused tax losses of approximately HK$15,069,000 (2006: HK$14,727,000) available to offset against future assessable profits. No deferred taxation asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses arose in the PRC can be carried forward for five years and the tax losses of the Group arose elsewhere other than in the PRC can be carried forward indefinitely.

33. SHARE CAPITAL — GROUP AND COMPANY

	2007 Number of shares	2007 HK$'000	2006 Number of shares	2006 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**296,330,000**	**29,633**	292,600,000	29,260

During the year, share options were exercised to subscribe for 3,730,000 (2006: Nil) ordinary shares of HK$0.10 each for total cash consideration of approximately HK$1,342,000 (2006: Nil).

34. SHARE-BASED EMPLOYEE COMPENSATION

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 15 May 2002 (the "Adoption Date") for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme will remain in force for ten years from the Adoption Date (the "Scheme Period").

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time.

Options granted are exercisable in accordance with the terms of the Scheme at any time during a period of 2 years commencing on the date on which the offer of the grant of the options is made, which must not exceed the last day of the Scheme Period, upon payment of HK$1 per option within a vesting period of 28 days from the offer of the grant of the options.

The exercise price is determined by the directors of the Company, and would not be less than the higher of the average closing price of the shares on the SEHK on the five trading days immediately preceding the date of offer of the options; the closing price of the shares on the SEHK on date of offer; and the nominal value of the shares.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Movement of options granted under the Scheme is as follows:

	At 1 January 2006	Lapsed	At 31 December 2006 and 1 January 2007	Exercised during the year	Lapsed	At 31 December 2007
Executive directors of the Company	1,980,000	—	1,980,000	(1,980,000)	—	—
Independent non-executive directors of the Company	500,000	—	500,000	(250,000)	(250,000)	—
Employees of the Group	1,570,000	(70,000)	1,500,000	(1,500,000)	—	—
	4,050,000	(70,000)	3,980,000	(3,730,000)	(250,000)	—

All the above share options were granted on 27 September 2005 and have a vesting period from 27 September 2005 to 25 October 2005. The share options were exercisable from 27 September 2005 to 25 September 2007 at an exercise price of HK$0.36 per share.

During the year, 3,730,000 (2006: Nil) share options were exercised. The weighted average share price of these shares at the date of exercise was HK$0.6 per share. All remaining unexercised share options have been lapsed upon expiry of the exercise period.

35. RESERVES

(a) Group

Capital reserve

In 2002, upon the reorganisation and the listing of the Company, Mr. So Pang Gen, International Offshore Development Limited, Chance Fair International Development Limited and Future Opportunity Limited (hereinafter collectively referred to as the "Convenantors", the beneficial owners of the Company, entered into a deed of tax indemnity with the Company whereby the Convenantors have on joint and several basis, under certain terms and conditions, undertaken to indemnify the Company in respect of the LAT which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date of listing of the Company's shares on the SEHK (the "Listing Date") or by reference to any act, transaction or event occurring or deemed to occur on or before the Listing Date. The capital reserve of the Company and of the Group represents the estimated indemnity of LAT from the Convenantors.

Special reserve

The special reserve of the Group represents the difference between the aggregate nominal value of the share capital of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company prior to a group reorganisation.

35. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000	Capital reserve HK$'000 (Note 35(a))	Special reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	33,450	—	127,961	313	(50,599)	111,125
Lapsed share options under share option scheme	—	—	—	(5)	5	—
Capital contributions arising on shareholders' indemnity	—	7,324	—	—	—	7,324
Loss for the year	—	—	—	—	(7,701)	(7,701)
At 31 December 2006 and 1 January 2007	33,450	7,324	127,961	308	(58,295)	110,748
Exercise of share options	1,258	—	—	(289)	—	969
Lapsed share options under share option scheme	—	—	—	(19)	19	—
Loss for the year	—	—	—	—	(7,870)	(7,870)
At 31 December 2007	34,708	7,324	127,961	—	(66,146)	103,847

The special reserve of the Company represents the difference between the aggregate of the net assets value of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company prior to a group reorganisation.

36. OPERATING LEASE COMMITMENTS

At 31 December 2007, the total future minimum lease payments regarding the office premises under non-cancellable operating leases are payable by the Group as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**380**	898
In the second to fifth years	**28**	408
	408	1,306

The Company does not have any significant operating lease commitments.

37. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 December 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**19,299**	15,703
In the second to fifth years	**65,354**	62,092
After five years	**111,289**	122,284
	195,942	200,079

The Group leases its investment properties (note 14) under operating lease arrangements which run for an initial period of 2 to 15 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

The Company does not have any minimum lease receipts under non-cancellable operating leases.

38. CAPITAL COMMITMENT

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following commitments:

	2007 HK$'000	2006 HK$'000
Contracted, but not provided for, in respect of		
— properties held under development	166,376	—

In addition to the above capital commitment, on 2 October 2007, the Company entered into an acquisition agreement (the "Acquisition Agreement") to acquire the entire issued share capital together with certain shareholder's loans of Amazing Wise Limited ("Amazing Wise") for a consideration of HK$3,008.8 million. The Company is required to settle such consideration amount by i) HK$57.1 million by the issue of 114,117,000 ordinary shares of HK$0.10 each at HK$0.50 per share; ii) HK$2,701.7 million by the issue of 10-year zero coupon convertible bonds at a conversion price of HK$0.50 per share; and iii) HK$250.0 million by the issue of non-interest bearing promissory notes. The acquisition has been completed on 21 January 2008.

39. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2007 HK$'000	2006 HK$'000
Finance costs paid to minority shareholders (note 8)	615	425
Rental expenses paid to an intermediate holding company	—	193

The Group entered into a sub-tenancy agreement with an intermediate holding company on 22 May 2001 pursuant to which the intermediate holding company agreed to sub-lease a portion of the office premises to the Group. The sub-tenancy agreement was renewed for a term commencing from 22 May 2004 to 21 May 2005 (both dates inclusive) and 22 May 2005 to 21 May 2006 (both dates inclusive) at a monthly rental of approximately HK$32,000, exclusive of other charges. The agreement had been expired during the year ended 31 December 2006.

39. RELATED PARTY TRANSACTIONS *(Continued)*

Key management personnel compensation

Included in staff costs are key management personnel compensation and comprises the following categories:

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**3,536**	4,403

40. CONTINGENT LIABILITIES

At 31 December 2007, the Group provided guarantees of approximately HK$17,053,000 (2006: HK$16,030,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as pledges for security to the mortgage loans granted. At the balance sheet date, no provision for the Group's obligation under these guarantee contracts has been made as the directors considered that it was not probable that the repayment of the loans would be in default.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

41.1 Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits (note 25), amounts due to minority shareholders (note 28) and bank borrowings (note 31). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Interest rate sensitivity analysis

At 31 December 2007, if a general increase of 100 basis points in interest rates is estimated, with all other variable held constant, each of the profit after tax for the year and retained profits of the Group would decrease by approximately HK$462,000 (2006: HK$294,000) respectively. The assumed changes have no impact on the Group's other components of equity.

A general decrease of 100 basis points in interest rate would have had the equal but opposite effect on the profit after tax for the year and retained profits to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at the balance sheet date and throughout the year constantly. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2006.

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

41.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheets which are summarised in note 41.6 below, except available-for-sale financial assets. None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

All the Group's bank balances are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of the account receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. No other financial assets carry a significant exposure to credit risk. The major concentration of credit risk arises from the Group's exposure to a substantial number of account receivables in one geographical region, i.e., the PRC.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

41.3 Foreign currency risk

The Group reports its results in HK$. The Group's main operations are the property development and investment activities in the PRC. The functional currency of these operations is RMB and most of the financial instruments are denominated in RMB. The Group's exposure to credit risk is minimal.

As the Company does not have significant exposure to foreign currency risk, the Company's income and operating cash flows are substantially independent of changes in foreign currency rates.

41.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of the funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

41.4 Liquidity risk *(Continued)*

The following table summarises the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows:

Group

	On demand HK$'000	**Less than one year HK$'000**	**One year or above HK$'000**	**Total HK$'000**
At 31 December 2007				
Account payables	**28,339**	**—**	**—**	**28,339**
Other payables	**85,205**	**—**	**—**	**85,205**
Due to minority shareholders	**6,867**	**—**	**—**	**6,867**
Due to a director	**503**	**—**	**—**	**503**
Due to a shareholder	**9,591**	**—**	**—**	**9,591**
Bank borrowings	**466**	**—**	**63,829**	**64,295**
	130,971	**—**	**63,829**	**194,800**

	On demand HK$'000	Less than one year HK$'000	One year or above HK$'000	Total HK$'000
At 31 December 2006				
Account payables	35,209	—	—	35,209
Other payables	94,125	—	—	94,125
Due to minority shareholders	6,642	—	—	6,642
Due to a director	27	—	—	27
Due to a shareholder	10,016	—	—	10,016
Bank borrowings	—	39,988	—	39,988
	146,019	39,988	—	186,007

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

41.4 Liquidity risk *(Continued)*

Company

	On demand HK$'000	Less than one year HK$'000	One year or above HK$'000	Total HK$'000
At 31 December 2007				
Other payables	**111**	**—**	**—**	**111**
Due to a shareholder	**55,962**	**—**	**—**	**55,962**
Due to subsidiaries	**11,160**	**—**	**—**	**11,160**
Bank borrowings	**466**	**—**	**—**	**466**
	67,699	**—**	**—**	**67,699**

	On demand HK$'000	Less than one year HK$'000	One year or above HK$'000	Total HK$'000
At 31 December 2006				
Other payables	111	—	—	111
Due to a director	27	—	—	27
Due to a shareholder	33,708	—	—	33,708
Due to subsidiaries	11,173	—	—	11,173
	45,019	—	—	45,019

41.5 Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of long term liabilities was not disclosed because the carrying value is not materially different from the fair value.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

41.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the balance sheet dates are also analysed into the following categorises. See notes 3.13 and 3.19 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Available-for-sale financial assets	**2,128**	2,000	**—**	—
Loans and receivables				
— Account receivables	**105,761**	32,857	**—**	—
— Other receivables	**23,136**	42,084	**7,324**	7,324
— Due from subsidiaries	**—**	—	**67,970**	51,670
— Due from a minority shareholder	**3,511**	—	**—**	—
— Due from related companies	**383**	63	**18**	12
Cash at banks and in hand	**23,864**	17,030	**—**	63
	158,783	94,034	**75,312**	59,069

Financial liabilities

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Financial liabilities measured at amortised cost				
— Account payables	**28,339**	35,209	**—**	—
— Other payables	**85,205**	94,125	**111**	111
— Due to minority shareholders	**6,867**	6,642	**—**	—
— Due to a director	**503**	27	**—**	27
— Due to a shareholder	**9,591**	10,016	**55,962**	33,708
— Due to subsidiaries	**—**	—	**11,160**	11,173
— Bank borrowings	**64,295**	39,988	**466**	—
	194,800	186,007	**67,699**	45,019

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current years.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. Total debt is calculated as bank loans, as shown in the consolidated balance sheet. Total capital is calculated as total equity, as shown in the consolidated balance sheet. The Group aims to maintain the gearing ratio at a reasonable level.

	2007	2006
	HK$'000	HK$'000
Total debt		
Bank loans, secured	**63,829**	39,988
Total capital	**357,338**	310,306
Total debt to capital ratio	**17.9%**	12.9%

43. COMPARATIVES

As further explained in note 2 to the financial statements, in light of the conclusion of the HKICPA formed in 2007 that the LAT is a form of income tax and is within the scope of HKAS 12 " Income Taxes" and after reviewing the Group's accounting policies on LAT, the directors decided that it is more appropriate to account for and present LAT as income tax under HKAS 12. Accordingly, certain comparative amounts have been reclassified and restated to confirm with the current year's presentation and accounting treatment.

44. POST BALANCE SHEET EVENTS

Save as those disclosed elsewhere in the financial statements, the Group had the following significant post balance sheet events:

(a) According to the Acquisition Agreement with Mr. Chen Chang Wei, an independent third party to the Group at the date of the Acquisition Agreement, the Company agreed to acquire the entire issued share capital in and certain shareholder's loans of Amazing Wise for a total consideration of HK$3,008.8 million. Amazing Wise holds 100% interest in Dalong Industrial Group Limited ("Dalong"), and Dalong in return holds 95% equity interest in Fujian Zhonglu Real Estate Development Co., Ltd., a sino-foreign joint venture company incorporated in the PRC. Please refer to the Company's circular dated on 5 December 2007 for details.

The acquisition has been completed on 21 January 2008. Due to a lack of HKFRS specific data at the completion date of this acquisition, the carrying amount of the acquirees' assets, liabilities and contingent liabilities cannot be determined reliably.

(b) On 21 March 2008, the Group successfully bid for the land use rights from the Land Resources Bureau of Fuzhou City, Fujian Province on a piece of land at a consideration of RMB278,000,000 for property development purpose.

(c) On 1 April 2008, the Group entered into an agreement with an independent third party to sell the land use rights on a piece of land at a consideration of HK$129,000,000. The directors of the Company estimate that this transaction will result in a gain on disposal of approximately HK$70,263,000, before any direct expenses incurred and tax.

(d) On 22 April 2008, the directors of the Company proposed to change the name of the Company from China Fair Land Holdings Limited to Hengli Properties Development (Group) Limited (the "Name Change") and to adopt 恆力房地產發展 (集團) 有限公司 as secondary name of the Company (the "Secondary Name Adoption"). The proposed Name Change and Secondary Name Adoption are conditional upon i) the passing of a special resolution by the shareholders of the Company at the annual general meeting of the Company; and ii) the approval by the Registrar of Companies in Bermuda.

Financial summary

	Year ended 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000 (Restated)	**2007 HK$'000**
RESULTS					
Revenue	190,721	261,947	107,099	56,682	**136,321**
Profit before income tax	37,780	59,469	26,907	1,460	**83,953**
Income tax expense	(3,778)	(21,850)	(2,163)	(40,570)	**(57,982)**
Profit/(loss) for the year	34,002	37,619	24,744	(39,110)	**25,971**
Profit/(loss) attributable to equity holders of the Company	32,513	15,013	20,459	(22,469)	**18,406**
Minority interests	1,489	22,606	4,285	(16,641)	**7,565**
Profit/(loss) for the year	34,002	37,619	24,744	(39,110)	**25,971**

	At 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007 HK$'000**
ASSETS AND LIABILITIES					
Total assets	484,674	629,900	647,354	642,708	**766,003**
Total liabilities	(206,994)	(313,458)	(311,178)	(332,402)	**(408,665)**
Net assets	277,680	316,442	336,176	310,306	**357,338**
Equity attributable to the Company's equity holders	238,669	245,543	266,694	256,919	**294,388**
Minority interests	39,011	70,899	69,482	53,387	**62,950**
Total equity	277,680	316,442	336,176	310,306	**357,338**

PARTICULARS OF PROPERTY FOR DEVELOPMENT

Project name	Approximate Site area sq.m		Approximate Gross Floor Area (GFA) sq.m	Development Status	Completed GFA sq.m	GFA under construction sq.m	Interest held by the Group	Estimated Completion Date
Changchun Haoyuan (Phase I) Xincheng Development Zone Remin Street South, Changchun	N/A	Residential Shop Carpark Kindergarden	9,763 1,295 6,158 1,800 19,016	Completed	9,763 1,295 6,158 1,800 19,016	—	80%	N/A
Xincheng Xiao Qu (Phase IV) Xincheng Development Zone Remin Street South, Changchun	N/A	Residential Shop	14,662 1,248 15,910	Completed	14,662 1,248 15,910	—	80%	N/A
Land Lot No.14 Xincheng Development Zone Remin Street South, Changchun	128,957	Residential	—	Under Planning	—	—	80%	N/A
Building Nos.#1 & #10 Xincheng Xiao Qu Xincheng Development Zone Remin Street South, Changchun	N/A	Residential	13,392	Completed	13,392	—	80%	N/A
Building Nos.#4 to #8 Xincheng Xiao Qu Xincheng Development Zone Remin Street South, Changchun	N/A	Residential	11,774	Completed	11,774	—	80%	N/A
Unit Nos.6601,6602,7601,7602, 8601,8602,9601,9602 and 10601 Block No.1 Fudong Estate (currently known as Mini 格調) Longzheng South Road Dongba Village, Chaoyang District Beijing	N/A	Residential	1,384			—	80%	N/A
Fanjing Garden (Phase III) 288 Yuchai Road, Yonghong Village Wantou County, Ningbo	N/A	Residential Shop	— 61 61	Completed	— 61 61	—	37.5%	N/A
Fanjing Garden (Phase III) High Rise Buildings 288 Yuchai Road, Yonghong Village Wantou County, Ningbo	N/A	Blk A Residential Blk B Residential	147 142 289	Completed	147 142 289	—	37.5%	N/A

PARTICULARS OF PROPERTY FOR DEVELOPMENT (Continued)

Project name	Approximate Site area sq.m		Approximate Gross Floor Area (GFA) sq.m	Development Status	Completed GFA sq.m	GFA under construction sq.m	Interest held by the Group	Estimated Completion Date
Jinxiu Garden Fortune Garden (Phase I & II) Zhongxing Road East, Ningbo	N/A	Residential Shop	3,017 2,332 5,349	Completed	3,017 2,332 5,349	—	37.5%	N/A
Dangui Garden Fortune Garden (Phase III) Zhongxing Road East, Ningbo	N/A	Residential	70 70	Completed	70 70	—	37.5%	N/A
Wenjing Garden Fortune Garden (Phase IV) Zhongxing Road East, Ningbo	N/A	Residential Shop	454 1,009 1,463	Completed	454 1,009 1,463	—	37.5%	N/A
Prosperous Age Garden Xinan Xikou Town Fenghua, Ningbo	N/A	Residential	3,356	Completed	3,356	—	37.5%	N/A
A piece of land in Hongtang Zhong Road Jiangbei District, Ningbo	13,237	Commercial	46,000	Under Development	—		33.75%	Dec 2008
A piece of land in RongSha Zhen, Cixi, Ningbo	17,514	Commercial	—	Under Planning	—		26.25%	N/A
盛世嘉苑 Chung Xing Road Hongtang Zhong Venture Centre, Jiangbei District, Lot No.6, Ningbo	44,698	Residential	81,000	Under Development	—		37.5%	Jan 2008

PARTICULARS OF PROPERTY FOR INVESTMENT

Project name	Site area sq.m		Gross Floor Area (GFA) sq.m	Development Status sq.m	Completed GFA sq.m	GFA under construction	Interest held by the Group	Expected Completion Date
18/F, 19/F, 20/F & 25 car parking spaces in basement 2, Huaxin Building 9 Guangjiaqiao, Gulou District Nanjing	N/A	Commercial Carpark	1,092 1,028 2,120	Completed	1,092 1,028 2,120	—	100%	N/A
Building 113, Type D Fanjing Garden 288 Yuchai Road, Yonghong Village Wantou County, Ningbo	N/A	Residential	369	Completed	369	—	100%	N/A
An industrial complex The junction of Dongnanhu Avenue and Yangpu Avenue Changchun Economic & Technological Development Zone, Changchun	71,374	Industrial	24,258	Completed	24,258		80%	N/A
Shop Nos.1-15 to 1-18, 354-360 Hongtang Zhong Road Jiangbei District, Ningbo	N/A	Commercial	261				37.5%	N/A
Portion of levels 1 and 2, Nos. 416, 416-1 and 416-2 Cuibo Road Jiangbei District, Ningbo	N/A	Commercial	3,111				37.5%	N/A

PARTICULARS OF PROPERTY FOR OWNER OCCUPATION

Project name	Site area sq.m		Gross Floor Area (GFA) sq.m	Development Status sq.m	Completed GFA sq.m	GFA under construction	Interest held by the Group	Expected Completion Date
Fanjing Garden 288 Yuchai Road, Yonghong Village Wantou County, Ningbo	N/A	8 office units Kindergarden Clubhouse	422 2,520 960 3,902	Completed	422 2,520 960 3,902	—	37.5%	N/A
House No.51 Tong Fang Yuan, Baita East Road, Pingjiang District Suzhou	N/A		130	Completed	130	—	37.5%	N/A
Portion of levels 1 to 3, Nos. 271-1, 273, 275 and 275-1 275-1 Fangjiangan Road Jiangbei District, Ningbo	N/A	Commercial	1,726				37.5%	N/A
Unit 503 & 603 of Block 14 and Garage No.9 of Block 13, Yongchang Xiaoqu Yihe Road, Changchun	N/A	Residential	174			—	80%	N/A
The club house of Changchun Haoyuan (Phase I) Xincheng Development Zone Remin Street South, Changchun	N/A	Clubhouse	3,162	Completed	3,162	—	80%	N/A
The club house of Village Garden 558 Gaojin Road Xujin Village, Qingpu County Shanghai	N/A	Clubhouse	1,363	Completed	1,363	—	100%	N/A

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