新銀集團有限公司
THE SUN'S GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 988)

Annual Report 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lee Sammy Sean *(Chairman)*
Lui Ngok Che

Independent Non-executive Directors

Antony Chiu
Kwee Chong Kok, Michael
Leung Chung Sing

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Antony Chiu
Kwee Chong Kok, Michael
Leung Chung Sing

COMPANY SECRETARY & QUALIFIED ACCOUNTANTS

Lui Ngok Che CPA FCPA (Aust.)

AUDITORS

Patrick Ng & Company

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F Tern Centre Tower 1
237 Queen's Road Central
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York
101 Barclay Street
22nd Floor West
New York
NY 10286
USA
Website: http://www.adrbny.com

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to the shareholders the annual report of The Sun's Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2007.

RESULTS

For the year ended 31st December, 2007, the Group's continuing operations turnover was approximately HK$9 million (2006: HK$2 million). The consolidated profit attributable to shareholders amounted to approximately HK$3 million for the year.

The Directors do not recommend the payment of any dividend.

BUSINESS REVIEW

The Group is principally engaged in property investment and development, hotel investment and operation, securities investment and trading and general trading.

During the year, the Group's hotel in Jordon, Kowloon had undergone major renovation in April and May, the occupancy rate increased significantly to almost 100% after renovation. As the Group believes that the hotel business has continued to perform well, we purchased two properties in Mongkok, Kowloon in November to re-develop the site for hotel business.

The renovation work of the Group's low-density luxurious residential properties in Beijing has commenced and will complete in mid 2008, the Group plans to lease out the residential properties unless the price offered by prospective purchasers is attractive.

PROSPECTS

As we had mentioned in last year's annual report that the Group will explore other high potential industries, such as energy and natural resources, for which there has been a growing demand worldwide. On 19th December, 2007, the Group signed a sale and purchase agreement with General Nice Resources (Hong Kong) Ltd., and subsequently on 20th March, 2008, signed a supplemental agreement, to acquire its 50.1% equity interest in Shanxi Loudong-General Nice Coking & Gas Company Limited ("Loudong") at a consideration of HK$1.4 billion. For the year ended 31st March, 2007, Loudong's audited net profit after tax was RMB185 million, the result was audited by Ernst & Young. We believe that Loudong will continue to contribute good returns to the Group after the completion of acquisition.

The Group will continue to be engaged in property investment and development, hotel investment and operations. The Group will explore investment opportunities in the high end retirement homes and luxurious apartments sectors in the UK. Going forward, we intend to also focus on the energy and natural resources industries.

With the above investments, 2008 will be a year of challenges and opportunities.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere thanks to all our shareholders for their continuing support, and all the directors and staff of the Group for their loyalty, commitment and diligence in the past year.

For and on behalf of the Board

Lee Sammy Sean
Chairman

Hong Kong, 25th April, 2008

Management Discussion and Analysis

FINANCIAL RESULTS

During the financial year under review, the Group recorded continuing operations turnover of approximately HK$9 million representing an increase of around 4.4 times, as compared with approximately HK$2 million for the last year. The consolidated profit attributable to shareholders was approximately HK$3 million as compared with profit attributable to shareholders approximately HK$555 million for the preceding year, which was mainly generated from the gain on debt restructuring in 2006. Earnings per share was approximately HK$0.01 as compared with earnings per share of HK$8.33 for the preceding year.

BUSINESS REVIEW

Property investment and development, hotel investment and operations were core businesses of the Group.

During the year, the Hong Kong hotel industry continued to be strong. As a result, the Group's hotel room occupancy rates remained at a satisfactory level.

During the year under review, the low-density luxurious residential properties in Beijing had completed the construction phase, and the decoration works have been commenced. The Group plans to lease out or sell the residential properties depending on prospective offers.

On 5th November, 2007, a subsidiary of the Group purchased two properties in Mongkok, Kowloon from two independent third parties. In line with the principal business of the Group and given the current favourable market conditions, indicated by the strong economic condition and prosperous tourism and retail business in Hong Kong, the Directors believe that the purchase of the properties represents a good opportunity for the Group to enrich its property reserve for its future development at a reasonable cost. The Group has submitted an application to re-develop the site of the properties for hotel business.

On 8th December, 2007, a subsidiary of the Group signed a Sales and Purchase Agreement with General Nice Resources (Hong Kong) Co. Ltd. pursuant to which the subsidiary will acquire 100% of the equity interests of Abterra Coal and Coke Limited ("Abterra HK") and General Nice-Ming Yuan Coal and Coking Co. Ltd. ("Mingyuan BVI") respectively. Abterra HK is interested in 50.1% equity interest in Shanxi Loudong-General Nice Coking & Gas Company Limited ("Loudong PRC") (山西樓東俊安煤氣化有限公司), a company incorporated in the PRC with limited liability; and Mingyuan BVI is interested in 100% equity interest in Qingyuan County Ming Yuan Coal Coking Company Limited ("Mingyuan PRC") (沁源縣明源煤焦有限公司), a company also incorporated in the PRC with limited liability. Loudong PRC is a manufacturer of coke with capacity of approximately 1.8 million tones per annum. Loudong PRC also produces coal gas, coke tar, crude benzene, and electricity of substantial amount. Mingyuan PRC is engaged in metallurgical coke manufacturing with capacity of approximately 800,000 tones per annum. On 20th March, 2008, the subsidiary signed a supplemental agreement with General Nice Resources (Hong Kong) Co. Ltd. pursuant to which the Group has agreed not to purchase Mingyuan PRC owing to the recent approval by the Shanxi Province Bureau of Land and Resources of a coal mine acquisition by Mingyuan PRC whereby majority foreign ownership is not allowed. The revised consideration was reduced to HK$1.4 billion; the consideration shall be increased by HK$280 million in the event that the aggregate of the audited attributable net profits of 50.1% equity interest of Loudong PRC for two financial years ending 31st December, 2009 exceeds HK$230 million.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31st December, 2007, the investment properties in Mainland China were pledged to a bank to secure bank loans granted to a subsidiary of the Company.

The Group had no contingent liability as at 31st December, 2007.

EMPLOYEE

As at 31st December, 2007, the total number of employees of the Group was 18. The Group continues to reward its staff with a reasonable remuneration package which includes medical insurance, retirement benefit and share options, etc.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year under review, the Group completed the disposal of 100% equity interest in The Sun's Property Management Limited (the "SPM") at a consideration of HK$1. Given the continuous loss making operation carrying out by SPM, it is in the benefit of the Group to dispose of SPM in order to improve the financial performance of the Group. The Group recorded a gain on disposal of HK$67,000 with reference to the net liabilities of SPM as at 31st October, 2007 and the consideration.

The Group has no other significant material acquisitions or disposal of subsidiaries and affiliated companies during the year under review.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group has adopted the Hong Kong dollar as its functional and presentation currency. A subsidiary is operated in the People's Republic of China, and is therefore exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

FUND RAISING

Pursuant to the prospectus issued on 8th August, 2007, Rights Issue of 112,038,437 Rights Shares of HK$0.01 each at HK$1 per Rights Share, payable in full on acceptance on the basis of one Rights Share for every two existing shares held, and following the full subscription of the Rights Shares on 31st August, 2007, the Company received net proceeds of approximately HK$111 million (net of expenses of HK$1 million).

Pursuant to the Subscription Agreement dated 25th September, 2007, the Company allotted and issued to Pachmar Limited for a total of 25,000,000 shares at HK$1.20 each. In respect of the subscription of shares, the Company received an amount of approximately HK$30 million (net of expenses in relation to the Subscription).

The directors intended to use the proceeds of the Rights Issue and Subscription of Shares as general working capital and for the purchase of the two properties in Mongkok, Kowloon and future investments in natural resources sectors in overseas, should the appropriate opportunities arise.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31st December, 2007, the Group's net current assets were approximately HK$170.4 million, as compared with HK$101.9 million for last year. Current assets amounted to approximately HK$171.9 million (2006: HK$103.6 million), of which approximately HK$163.2 million (2006: HK$91.1 million) was fixed deposits, cash and bank balances. In terms of the quality of current assets, the Group was therefore in a healthy liquidity position.

As at 31st December, 2007, the Group had short term bank borrowings of approximately HK$0.09 million (2006: HK$0.07 million), which will be due within one year, and long term bank borrowings of approximately HK$3.7 million (2006: HK$3.8 million). All the Group's borrowings were principally denominated in Hong Kong dollars.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING (cont'd)

The gearing ratio of the Group as at 31st December, 2007 measured in terms of total liabilities divided by shareholders' equity was approximately 1.56% (2006: 2.97%).

The Group financed its operations generally with internally generated cash flows.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices (the "Code"). The Remuneration Committee comprises three members namely, Mr. Antony Chiu, Mr. Kwee Chong Kok, Michael and Mr. Leung Chung Sing, the independent non-executive directors of the Company. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the Code. The Audit Committee comprises three members namely Mr. Antony Chiu, Mr. Kwee Chong Kok, Michael and Mr. Leung Chung Sing, the independent non-executive directors of the Company.

The Audit Committee has reviewed with management and the auditors the audited consolidated annual results of the Group for the year ended 31st December, 2007.

Biography of Directors

EXECUTIVE DIRECTORS

Mr. Lee Sammy Sean, aged 49, was appointed as an executive director and chairman of the Company on 13th October, 2006. A lawyer by profession, he has been primarily engaged in real estate, hotel investment and management in the past 10 years. One of the most notable projects undertaken by Mr. Lee was The Knightsbridge, a prestigious new luxury residential development situated in the heart of London, and in which he held an equity interest.

Mr. Lee has extensive connections in the international real estate and hotel investment and management businesses in places such as London, Malaysia, Singapore and the Middle East.

Mr. Lui Ngok Che, aged 48, was appointed as an executive director of the Company on 14th September, 2007. Mr. Lui is responsible for the internal control and day-to-day management of the Company. Mr. Lui has over 20 years' experience in finance, accounting, financial and operational management and corporate planning. He is a fellow member of CPA Australia, and an associate member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor degree of Business and a Master of Business Administration. Mr. Lui is also the company secretary and qualified accountant of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Antony Chiu, aged 64 was appointed as an independent non-executive director, a member of the audit committee and remuneration committee of the Company on 30th June, 2007. Mr. Chiu graduated from McGill University in Montreal, Canada with a Bachelor of Architecture Degree, and from Florida Atlantic University in Boca Raton, Florida, U.S.A with a MBA Degree. For over 25 years, he has been actively engaged in real estate development in Canada in various senior management capacities. From 1986 to 1993, he was the Chief Architect of the Royal Bank of Canada in Montreal, overseeing numerous major developments on behalf of the Bank. Mr. Chiu has also served as a senior consultant to several major real estate projects in recent years, including the Headquarters Building of the Construction Bank of China in Pudong, Shanghai, China.

Mr. Kwee Chong Kok, Michael, aged 61, was appointed as an independent non-executive director on 13th October, 2006. Mr. Kwee, Chairman and Chief Executive Officer, is founding partner of Pama Group Inc. which was established in 1986 as Prudential Asset Management Asia Limited, the Asian private equity arm of Prudential Asia, a unit of The Prudential Insurance Company of America.

Prior to co-founding Prudential Asia, Mr. Kwee served with the American International Group, Inc. (AIG) for 15 years. He was a director and senior vice president-finance of American International Assurance Co. Ltd. (AIA), a major Asian subsidiary of AIG. He was also the Group's chief investment officer, a role in which he had overall responsibility for its treasury functions, real estate holdings and investment portfolios in the region.

After graduating with a Bachelors Degree in Economics from Le Moyne College, Syracuse, New York, Mr. Kwee obtained a Masters Degree in Science at the American Graduate School of International Management in Phoenix, Arizona and received a Diploma from the Harvard Business School's Program for Management Development. He was a member of the Hong Kong Advisory Committee on Legal Education from 1998 to 2004 and also served as a member of the Hong Kong Financial Secretary's Economic Advisory Committee from 1995 to 2004. Currently, he is an independent non-executive director of International Entertainment Corporation, listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Leung Chung Sing, aged 48, was appointed as an independent non-executive director, a member of the audit committee and remuneration committee of the Company on 14th April, 2008. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountant. He graduated from Lingnan College with an Honours Diploma and received an MBA degree from Hong Kong Baptist University. Mr. Leung has more than 20 years experience in accounting, financial management, internal control and business development.

Report of the Directors

The Directors have the pleasure of presenting their annual report together with the audited financial statements of The Sun's Group Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are property investment and development, hotel investment and operation, securities investment and trading and general trading. Particulars of the Company's principal subsidiaries are shown under Note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 15 to 54.

The Directors do not recommend the payment of any dividend, and recommend that the accumulated deficit of approximately HK$14.5 million at 31st December, 2007 be carried forward.

PROPERTY, PLANT AND EQUIPMENT

The three investment properties in Mainland China were revalued at RMB12.7 million in total. The increase in fair value of investment properties amounted to HK$7.5 million, which has been recognized directly to the consolidated income statement for the year ended 31st December, 2007 in accordance with Hong Kong Accounting Standard 40.

Details of movements in properties, plant and equipment, land use rights, investment properties and land held for development during the year are set out in Notes 15, 16, 17 and 18 respectively, to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves of the Group during the year are set out in Note 28 to the consolidated financial statements.

Movements in accumulated deficit of the Group during the year are set out in the consolidated statement of changes in equity on page 17 of this annual report.

DIRECTORS

The directors who held office during the year and up to the date of this report are:

Executive directors

Mr. Lee Sammy Sean *(Chairman)*	
Mr. Lui Ngok Che	(Appointed on 14th September, 2007)
Mr. Chan Wai Hung	(Resigned on 10th May, 2007)
Mr. Pang Ho Chuen, Lawrence	(Resigned on 10th May, 2007)
Mr. Mo Ka Yin, Kenneth	(Resigned on 16th November, 2007)

Independent non-executive directors

Mr. Antony Chiu	(Appointed on 30th June, 2007)
Mr. Kwee Chong Kok, Michael	
Mr. Chan Chi Shing, Paul	(Resigned on 30th June, 2007)
Mr. Lo Wai Keung, Peter	(Resigned on 30th June, 2007)
Mr. Ho Kwan Tat	(Resigned on 14th April, 2008)
Mr. Leung Chung Sing	(Appointed on 14th April, 2008)

In accordance with clause 87 of the Company's Bye-laws, Mr. Lui Ngok Che, Mr. Antony Chiu and Mr. Leung Chung Sing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

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

SHARE OPTION

Details of the share option scheme are set out in Note 27 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2007 and up to the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 31st December, 2007, there is no other contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTOR'S INTEREST IN SHARES

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

Long positions in shares of the Company

Name of director	Number of issued shares	Percentage holding
Lee Sammy Sean	214,358,836	59.36%

Note: These shares were held by Mastermind Assets Management Limited, whose entire issued share capital of which is beneficially owned by Mr. Lee Sammy Sean.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the following entities (not being a director or chief executive of the Company) had long positions in the issued share capital of the Company recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO.

Long positions in shares of the Company

Name of shareholder	Number of issued shares	Percentage holding
Mastermind Assets Management Limited (Note)	214,358,836	59.36%
Pachmar Limited	25,000,000	6.92%

Note: These shares were held by Mastermind Assets Management Limited, whose entire issued share capital is beneficially owned by Mr. Lee Sammy Sean.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2007.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwan Tat, Mr. Antony Chiu and Mr. Leung Chung Sing were appointed as the independent non-executive directors of the Company on 22nd May, 2007, 30th June, 2007 and 14th April, 2008 respectively. Mr. Ho Kwan Tat resigned on 14th April, 2008.

The Company has received from each of the independent non-executive directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors are independent to the Company.

CONNECTED TRANSACTIONS

Pursuant to the tenancy agreement dated 30th November, 2007 entered into between Fortune Smart Investment Limited, a wholly owned subsidiary of the Company, and Rainbow Vast Limited, a company which Mr. Lee Sammy Sean, a director of the Company, has controlling interest. Fortune Smart Investment Limited agreed to rent the office premises owned by Rainbow Vast Limited for the period from 1st May, 2007 to 30th April, 2009. The rental paid to Rainbow Vast Limited in 2007 was approximately HK$145,000.

EMPLOYEES AND EMOLUMENT POLICY

The emolument policy of the employees of the Group is decided by the Board of Directors on the basis of their merit, qualifications and competence.

A Remuneration Committee is set up for reviewing the emolument policy and structure for all remuneration of the executive directors of the Company, having regard to the Group's operating results, duties and responsibilities, and individual performance. The emolument policy of the independent non-executive directors is decided by the board of directors with reference to their duties and responsibilities with the Company. The remuneration of all directors is reviewed on an annual basis.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 34 to the consolidated financial statements.

INDEPENDENT AUDITORS

The accompanying financial statements have been audited by Patrick Ng & Company. Messrs. Patrick Ng & Company retire and offer themselves for re-appointment in name of NCN CPA Limited, which was incorporated to carry on the office of Messrs. Patrick Ng & Company, as auditors.

ON BEHALF OF THE BOARD

Lee Sammy Sean
Chairman

Hong Kong, 25th April, 2008

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Company has complied with the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the year covered by this annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by the code provision A.4.1 of the Code. However, all independent non-executive directors are subject to the retirement by rotation in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the year ended 31st December, 2007.

BOARD OF DIRECTORS

The principal duty of the board of directors (the "Board") of the Company is to ensure that the Company is properly managed in the interest of shareholders.

The Chairman is responsible for the management of the Board. The Board is primarily responsible for the overall management of the Company and oversight of the management. Management is responsible for the day-to-day operations of the Company.

The Board consists of five directors who have appropriate corporate experience. Of the five directors, three of the non-executive directors are deemed to be independent by definition of the Listing Rules.

The attendance of each director at Board meetings during the year ended 31st December, 2007 is as follows:

		Attendance
Executive directors		
Mr. Lee Sammy Sean *(Chairman)*	(Appointed on 13th October, 2006)	26/29
Mr. Lui Ngok Che	(Appointed on 14th September, 2007)	10/11
Independent non-executive directors		
Mr. Kwee Chong Kok, Michael	(Appointed on 13th October, 2006)	11/33
Mr. Ho Kwan Tat	(Appointed on 22nd May, 2007 and resigned on 14th April, 2008)	8/24
Mr. Antony Chiu	(Appointed on 30th June, 2007)	7/17
Mr. Leung Chung Sing	(Appointed on 14th April, 2008)	0/0

In accordance with clause 87 of the Company's Bye-laws, Messrs. Antony Chiu, Lui Ngok Che and Leung Chung Sing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

AUDIT COMMITTEE

Three independent non-executive directors of the Company were appointed as members of the Audit Committee, one of whom possesses recognised professional qualification in accounting.

The Audit Committee has reviewed with the management and auditors the audited consolidated annual results of the Group for the year ended 31st December, 2007.

The main duties of the Audit Committee include the following:

– To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

– To review the relationships with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

– To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three independent non-executive directors. The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for setting policy on the remuneration of the executive directors and for fixing the remuneration packages of all directors and senior management. The Remuneration Committee is also responsible for ensuring the remuneration packages are sufficient to attract and retain the directors needed to run the Company successfully, to avoid over-paying and ensure no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

AUDITORS' REMUNERATION

During the year ended 31 December 2007, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditors is set out below:

	2007 HK$'000	2006 HK$'000
Types of services		
Audit services	400	200
Non-audit services	164	–
Total	564	200

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors are set out in Note 11 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 25th June, 2007, the Company adopted a new share option scheme and terminated the 2002 Share Option Scheme, under which it may grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 27 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Independent Auditors' Report

TO THE SHAREHOLDERS OF
THE SUN'S GROUP LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of The Sun's Group Limited set out on pages 15 to 54, which comprise the consolidated balance sheet as at 31st 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st 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.

PATRICK NG & COMPANY
Certified Public Accountants
20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

Hong Kong, 25th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS			
Turnover	(5)	9,172	2,106
Cost of sales		(2,010)	–
Gross profit		7,162	2,106
Other operating income	(5)	5,379	1,118
Gain on the debt restructuring	(7)	–	560,459
Restructuring cost		–	(12,043)
Negative goodwill	(8)	–	893
Increase in fair value of investment properties		7,489	2,244
Administrative and operating expenses		(16,569)	(2,357)
Change in fair value of held for trading investment		–	(11)
Profit from operations	(9)	3,461	552,409
Finance costs	(10)	(154)	(434)
Profit before tax		3,307	551,975
Income tax expense	(12)	(413)	2,466
Profit for the year from continuing operations		2,894	554,441
DISCONTINUED OPERATIONS	(13)		
(Loss)/profit for the year from discontinued operations		(154)	562
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		2,740	555,003
		HK$	HK$
Earnings per share:	(14)		
From continuing and discontinued operations			
– Basic		0.01	8.33
– Diluted		0.01	8.33
From continuing operations			
– Basic		0.01	8.32
– Diluted		0.01	8.32

Consolidated Balance Sheet

As at 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	(15)	13,836	9,509
Land use rights	(16)	69,058	66,634
Investment properties	(17)	13,568	–
Land held for development	(18)	60,941	–
Deposit paid for acquisition of investment properties		–	5,883
Goodwill	(19)	2,811	2,811
Deferred tax assets	(20)	1,605	1,790
TOTAL NON-CURRENT ASSETS		161,819	86,627
CURRENT ASSETS			
Held for trading investment	(21)	–	352
Available for sales investment	(22)	–	7,765
Trade and other receivables	(23)	8,645	4,128
Bank balances and cash		163,211	91,097
Tax in advance		–	239
Total Current Assets		171,856	103,581
CURRENT LIABILITIES			
Trade and other payables	(24)	1,133	1,647
Bank borrowings – secured	(25)	85	70
Tax payable		229	–
Total Current Liabilities		1,447	1,717
NET CURRENT ASSETS		170,409	101,864
TOTAL ASSETS LESS CURRENT LIABILITIES		332,228	188,491
NON-CURRENT LIABILITIES			
Bank borrowings – secured	(25)	(3,676)	(3,762)
NET ASSETS		328,552	184,729
CAPITAL AND RESERVES			
Share capital	(26)	3,611	2,241
Reserves	(28)	324,941	182,488
SHAREHOLDERS' EQUITY		328,552	184,729

Approved and authorised for issue by the board of directors on 25th April, 2008.

Lee Sammy Sean
Director

Lui Ngok Che
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2006	22,408	722,854	1,026	(1,317,234)	(570,946)
Reduction of capital	(22,184)	(722,854)	–	745,038	–
Issue of ordinary shares through placement and subscription	2,017	199,652	–	–	201,669
Share issue expenses	–	(997)	–	–	(997)
Profit for the year	–	–	–	555,003	555,003
At 31st December, 2006 and at 1st January, 2007	2,241	198,655	1,026	(17,193)	184,729
Issue of ordinary shares through rights issue	1,120	110,918	–	–	112,038
Issue of ordinary shares through placement	250	29,750	–	–	30,000
Share issue expenses	–	(955)	–	–	(955)
Profit for the year	–	–	–	2,740	2,740
At 31st December, 2007	3,611	338,368	1,026	(14,453)	328,552

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing and discontinued operations		3,153	552,537
Adjustments for:			
Depreciation of property, plant and equipment		2,964	610
Amortisation of land use rights		1,066	266
Impairment on trade and other receivables		–	104
Change in fair value of held for trading investment		–	11
Negative goodwill		–	(893)
Gain on the debt restructuring		–	(560,459)
Increase in fair value of investment properties		(7,489)	(2,244)
Interest paid		154	434
Bank interest income		(5,281)	(907)
Gain on disposal of subsidiary		67	–
Operating loss before changes in working capital		(5,366)	(10,541)
Increase in trade and other receivables		(4,242)	(2,873)
Decrease/(increase) in held for trading investment		8,117	(363)
Increase in available for sales investment		–	(7,765)
Decrease in trade and other payables		(1,722)	(1,837)
Cash used in operations		(3,213)	(23,379)
Tax refund/(paid)		240	(496)
Net cash surplus arising from debt restructuring	(7)	–	1,937
Net cash used in operating activities		(2,973)	(21,938)

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring subsidiaries		–	(47,123)
Payment to purchase property, plant and equipment		(71,918)	(19)
Bank interest income		5,281	907
Disposal of subsidiary	(29)	865	–
Net cash used in investing activities		(65,772)	(46,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		(71)	(27,906)
Repayment of loans payables		–	(2,411)
Issue of shares through placement and subscription		141,084	200,672
Interest paid		(154)	(434)
Net cash generated from financing activities		140,859	169,921
NET INCREASE IN CASH AND CASH EQUIVALENTS		72,114	101,748
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		91,097	(10,651)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		163,211	91,097
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		163,211	91,097

1. CORPORATE INFORMATION

The Sun's Group Limited ("the Company") was incorporated in Bermuda on 9th July, 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited ("HKEX") since January 1994. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 19/F., Tern Centre Tower 1, No. 237 Queen's Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. At 31st December, 2007, the Company's subsidiaries (which together with the Company are collectively referred to as "the Group") were principally engaged in property investment and development, hotel investment and operation, securities investment and trading and general trading.

In the opinion of the directors, the ultimate holding company is Mastermind Asset Management Limited, a company incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied a number of new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to its operations and are effective for accounting periods beginning on or after 1st January, 2007. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these consolidated financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards or interpretations will have no material impact on the results and the financial position of the Group.

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

(1) Effective for annual periods beginning on or after 1st March, 2007
(2) Effective for annual periods beginning on or after 1st January, 2008
(3) Effective for annual periods beginning on or after 1st July, 2008
(4) Effective for annual periods beginning on or after 1st January, 2009
(5) Effective for annual periods beginning on or after 1st July, 2009

3. PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of preparation

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2007. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. Minority interest represents the interests of the outside shareholders in the results and net assets of the Company's subsidiaries, if any.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The gain or loss on disposal of subsidiary represents the difference between the proceeds of the sales and the Group's share of its net assets together with any unauthorised goodwill or negative goodwill and which was not previously charged or recognised in the income statement.

(c) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Related party transactions

A party is 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 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 a joint venture in which the entity is a venture;

c. the party is an associate;

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

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

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.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Goodwill

Goodwill arising from an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising from an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated balance sheet and is carried at cost less any accumulated impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Goodwill (cont'd)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising from an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Impairment of tangible and intangible assets excluding goodwill

(i) Impairment of trade and other receivables

At each balance sheet date, the Group reviews the carrying amounts of its trade and other receivables to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Impairment loss recognised in respect of trade debtors included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account. Other changes in the allowance account and subsequent recoveries of amount previously written off directly are recognised in income statement.

(ii) Impairment of other assets

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

- property, plant and equipment (other than properties carried at revalued amount);
- land use rights; and
- land held for development

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Impairment of tangible and intangible assets excluding goodwill (cont'd)

(ii) Impairment of other assets (cont'd)

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Property, plant and equipment

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	:	2% (over the remaining lease term)
Leasehold improvement	:	20% or over the lease terms, whichever is shorter
Furniture and fixtures	:	20%

The gain or loss on disposal or retirement of a property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of self-constructed items of property, plant and equipment includes the cost of land, materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 3(p)).

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Investment properties

Investment properties, being properties owned or held under finance leases to earn rentals, are stated at fair value.

Gain or loss arising from the retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Land lease premium is stated at cost less amortisation and any identified impairment loss. The cost of land lease premium is amortised over the period of the premium using the straight-line method.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Trade and other receivables

Trade receivables are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment losses for bad and doubtful debts.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments which are non-derivatives with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity are classified as held-to-maturity investments and are measured at subsequent reporting dates at amortised cost, using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts.

Investments held for trading are classified as investments at fair value through profit and loss and are measured at subsequent reporting dates at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Investments which are non-derivatives and classified neither as held-to-maturity investments nor investments at fair value through profit and loss are classified as available-for-sale investments and are measured at subsequent reporting dates at fair value. Changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Impairment losses are recognised in profit or loss. For available-for-sale equity investments, impairment losses will not reverse in profit and loss in subsequent periods.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(v) Trade and other payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(k) Provision and contingent liabilities

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

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

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Revenue recognition

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

(i) Hotel operation and services income, in the period in which such services are rendered;

(ii) Property management income, in the period in which such services are rendered;

(iii) Net gains or losses from the sale of marketable securities, on the transaction dates when the relevant contract notes are exchanged;

(iv) Rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(v) Interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to that financial asset's net carrying amount;

(vi) Dividend income, when the shareholders' right to receive payment has been established; and

(vii) Sales of goods, when goods are delivered and title has passed.

(n) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(n) Foreign currency translation (cont'd)

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translation at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(o) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("the MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated 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.

(iii) Share option scheme

The fair value of the share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into accounting the probability that the options will vest.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Discontinued operation occurs upon disposal or when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(r) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowing, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated provision for impairment of trade and other receivables

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

(c) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(d) Income tax

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

5. TURNOVER AND OTHER REVENUE

Analysis of turnover and other revenue in the consolidated income statement is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
Continuing operations:		
Gain on sales of marketable securities	911	119
Property rental income	–	389
Hotel operations and services income	6,045	1,598
Sales of goods	2,216	–
	9,172	2,106
Discontinued operations:		
Building management income	1,465	1,788
	10,637	3,894

	2007 HK$'000	2006 HK$'000
Other revenue		
Continuing operations:		
Bank interest income	5,281	907
Dividend income	6	6
Sundry income	92	205
	5,379	1,118
Discontinued operations:		
Sundry income	597	7
	5,976	1,125

6. SEGMENTAL INFORMATION

(a) Primary reporting format – business segments

For management purposes, the Group is currently organized into four operating divisions:

(i) the hotel operation

(ii) the securities trading

(iii) the property investment

(iv) the general trading

6. SEGMENTAL INFORMATION (cont'd)

(a) Primary reporting format – business segments (cont'd)

The Group disposed of its property management business during the year.

An analysis of the Group's results by business segment is as follows:

	2007						
	Continuing operations					Discontinued operations	
	Hotel operation HK'000	Securities trading HK'000	Property investment HK'000	General trading HK'000	Total HK'000	Property management HK'000	Consolidated HK'000
Turnover	6,045	911	–	2,216	9,172	1,465	10,637
Segment results							
Segment result	(1,138)	1,510	7,461	392	8,225	(221)	8,004
Unallocated revenue less cost					(4,764)	–	(4,764)
Profit from operations					3,461	(221)	3,240
Finance costs					(154)	–	(154)
Gain on disposal of subsidiary					–	67	67
Profit before income tax expense					3,307	(154)	3,153
Income tax expense					(413)	–	(413)
Profit for the year					2,894	(154)	2,740
Assets							
Segment assets	139,497	5,317	13,856	2,208	160,878	–	160,878
Unallocated corporate assets					172,797	–	172,797
Total assets					333,675	–	333,675
Liabilities							
Segment liabilities	257	–	3,764	–	4,021	–	4,021
Unallocated corporate liabilities					1,102	–	1,102
Total liabilities					5,123	–	5,123
Other segment information							
Capital expenditure	64,660	–	7,062	–	71,722	–	71,722
Amortisation of land use rights	1,063	–	3	–	1,066	–	1,066
Depreciation of property, plant and equipment	2,827	–	137	–	2,964	–	2,964

6. SEGMENTAL INFORMATION (cont'd)

(a) Primary reporting format – business segments (cont'd)

	2006					
	Continuing operations				Discontinued operations	
	Hotel operation HK'000	Securities trading HK'000	Property investment HK'000	Total HK'000	Property management HK'000	Consolidated HK'000
Turnover	1,897	119	90	2,106	1,788	3,894
Operating results						
Segment result	2,512	2	3	2,517	562	3,079
Unallocated revenue less cost				549,892	–	549,892
Finance costs				(434)	–	(434)
Income tax expense				2,466	–	2,466
Profit for the year				554,441	562	555,003
Assets						
Segment assets	79,361	11,279	–	90,640	916	91,556
Unallocated corporate assets				98,652	–	98,652
Total assets				189,292	916	190,208
Liabilities						
Segment liabilities	365	30	–	395	793	1,188
Unallocated corporate liabilities				4,291	–	4,291
Total liabilities				4,686	793	5,479
Other segment information						
Capital expenditure	19	–	–	19	–	19
Amortisation of land use rights	266	–	–	266	–	266
Depreciation of property, plant and equipment	610	–	–	610	–	610
Changes in fair value of held for trading securities	–	11	–	11	–	11
Impairment loss on trade receivables	–	–	–	–	104	104

(b) Geographical segments

No geographical segment analysis is presented as over 90% of the Group's turnover and segment assets are situated in Hong Kong.

7. GAIN ON THE DEBT RESTRUCTURING

The gain on the Group's debt restructuring in last year was as follows:

	HK$'000
Net liabilities disposed of:	
Investment properties	1,200
Other receivables	411
Bank balances and cash	2,197
Trade and other payables	(75,393)
Due to related companies	(31)
Due to former directors	(135,121)
Bank loans	(286,411)
Bank overdraft	(14,134)
Other loans	(18,985)
Tax payable	(10,777)
Due to shareholders	(33,415)
	(570,459)
Cash settlement of scheme creditors	10,000
Gain on the debt restructuring	(560,459)
Net cash surplus arising from the debt restructuring:	
Bank overdraft	14,134
Cash settlement of scheme creditors	(10,000)
Bank balances and cash	(2,197)
	1,937

8. NEGATIVE GOODWILL

In the year 2006, City Joint investments limited, a wholly-owned subsidiary of the company acquired an entire issued share capital of Kingfund Corporation Limited ("Kingfund") at a consideration of HK$1. The net assets of Kingfund at the date of the acquisition were approximately HK$893,000. Accordingly, negative goodwill arising from the acquisition was approximately HK$893,000.

9. PROFIT FROM OPERATIONS

Profit from operations in the consolidated income statement was determined after charging the following items:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Staff costs (including directors' remuneration)						
– Wages and salaries	4,163	271	1,413	409	5,576	680
– Retirement benefits scheme contributions	83	5	7	16	90	21
Auditors' remuneration	400	150	–	50	400	200
Depreciation of property, plant and equipment	2,964	610	–	–	2,964	610
Amortisation of land use rights	1,066	266	–	–	1,066	266
Impairment loss on trade receivables	–	–	–	104	–	104
Operating lease rentals-land and buildings	340	–	87	174	427	174

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings interest	154	400	–	–	154	400
Bank overdraft interest	–	34	–	–	–	34
	154	434	–	–	154	434

11. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(a) Directors' remuneration

The details of emoluments of every Director are shown below:

Year ended 31st December, 2007

Name of Director	Notes	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Share option based payment HK$'000	Total HK$'000
Executive directors						
Lee Sammy Sean		125	–	–	–	125
Chan Wai Hung	1	960	–	–	–	960
Mo Ka Yin, Kenneth	2	109	–	–	–	109
Pang Ho Chuen, Lawrence	3	1,095	–	–	–	1,095
Lui Ngok Che	4	–	197	4	–	201
Independent non-executive directors						
Chan Chi Shing, Paul	5	75	–	–	–	75
Kwee Chong Kok, Michael		125	–	–	–	125
Lo Wai Keung, Peter	6	75	–	–	–	75
Ho Kwan Tat	7	61	–	–	–	61
Chiu Antony	8	50	–	–	–	50
		2,675	197	4	–	2,876

Notes:

1. Mr. Chan Wai Hung resigned on 10th May, 2007.

2 Mr. Mo Ka Yin, Kenneth resigned on 16th November, 2007.

3 Mr. Pang Ho Chuen, Lawrence resigned on 10th May, 2007.

4 Mr. Lui Ngok Che was appointed on 14th September, 2007.

5 Mr. Chan Chi Shing, Paul resigned on 30th June, 2007.

6 Mr. Lo Wai Keung, Peter resigned on 30th June, 2007.

7 Mr. Ho Kwan Tat was appointed on 22nd May, 2007.

8 Mr. Chiu Antony was appointed on 30th June, 2007.

11. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (cont'd)

(a) Directors' remuneration (cont'd)

Year ended 31st December, 2006

Name of Director	Notes	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Share option based payment HK$'000	Total HK$'000
Executive directors						
Lee Sammy Sean	1	–	–	–	–	–
Chan Wai Hung		–	–	–	–	–
Mo Ka Yin, Kenneth	2	–	–	–	–	–
Pang Ho Chuen, Lawrence		–	–	–	–	–
Independent non-executive directors						
Chan Chi Shing, Paul	3	–	–	–	–	–
Kwee Chong Kok, Michael	4	–	–	–	–	–
Lo Wai Keung, Peter	5	–	–	–	–	–
		–	–	–	–	–

Notes:

1. Mr. Lee Sammy Sean was appointed on 13th October, 2006.

2 Mr. Mo Ka Yin, Kenneth was appointed on 13th October, 2006.

3 Mr. Chan Chi Shing, Paul was appointed on 13th October, 2006.

4 Mr. Kwee Chong Kok, Michael was appointed on 13th October, 2006.

5 Mr. Lo Wai Keung, Peter was appointed on 13th October, 2006.

11. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (cont'd)

(b) Five highest paid employees

The five highest paid employees during the year included 3 (2006: nil) executive directors whose remuneration are set out in directors' remuneration in (a) above. Details of remuneration of the remaining 2 (2006: 5) employees are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries, allowances and other benefits	913	486
Retirement benefits scheme contributions	18	19
	931	505

Their emoluments were within the following band:

	Number of highest paid individuals 2007	2006
Nil to HK$1,000,000	2	5

There were no emoluments paid by the Group to the employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2006: Nil).

12. INCOME TAX EXPENSE

(a) Income tax expense in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Hong Kong profits tax:						
Current provision	228	1	–	–	228	1
Over provision in prior year	–	(69)	–	–	–	(69)
	228	(68)	–	–	228	(68)
Deferred tax (note 20)	185	(2,398)	–	–	185	(2,398)
	413	(2,466)	–	–	413	(2,466)

The Company is exempt from taxation in Bermuda until 2016. The provision for Hong Kong Profits Tax for 2007 is calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

12. INCOME TAX EXPENSE (cont'd)

(b) A reconciliation of the tax charge/(credit) applicable to the Group's profit before income tax expense per consolidated income statement is as follows:

	2007 HK$'000	2006 HK$'000
Profit/(loss) before income tax expense		
– Continuing operations	3,307	551,975
– Discontinued operations	(154)	562
	3,153	552,537
Tax credit calculated at Hong Kong profits tax rate of 17.5%	552	96,832
Tax effect of non-deductible expenses	823	236
Tax effect of non-taxable income	(2,387)	(98,607)
Tax effect of loss not recognised	1,548	(107)
Tax effect of temporary difference	(213)	–
Tax effect of unused tax losses not previously recognised	(525)	1,647
Tax effect of unused tax losses carried forward	430	–
Overprovision in prior year	–	(69)
Deferred tax related to the origination and reversal of temporary differences	185	(2,398)
Income tax charge/(credit) for the year	413	(2,466)

13. DISCONTINUED OPERATIONS

Disposal of the property management business

On 31st October, 2007, the Group entered into a sale agreement to dispose of the entire interest in The Sun's Property Management Limited which was an indirectly wholly-owned subsidiary of the Group. The disposal was completed on 31st October, 2007.

The result of the discontinued operations included in the consolidated income statement is as follows:-

	Notes	2007 HK$'000	2006 HK'000
Revenue		2,062	1,795
Expenses		(2,283)	(1,233)
(Loss)/profit from operations before income tax expense	(9)	(221)	562
Income tax expense		–	–
		(221)	562
Gain on disposal of operations	(29)	67	–
(Loss)/profit for the year from discontinued operations		(154)	562

14. EARNINGS PER SHARE

From continuing and discontinued operations:

(a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK$ 2,740,000 (2006: HK$555,003,000).

Weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2007 '000	2006 '000
Number of ordinary shares:		
Issue ordinary shares at beginning	224,077	22,407,692
Effect of shares consolidation	–	(22,385,284)
Effect of shares issued through rights issue	37,448	–
Effect of shares issued through placement	4,849	44,201
Weighted average number of ordinary shares	266,374	66,609

(b) No diluted earnings per share is presented as there are no outstanding potential dilutive ordinary shares in issue for each of the year ended 31st December, 2007 and 2006.

From continuing operations:

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the company	2,740	555,003
Add: Loss/(profit) for the year from discontinued operations	154	(562)
Profit for the purpose of basic earnings per share	2,894	554,441

(a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK$2,894,000 (2006: HK$554,441,000).

(b) No diluted earnings per share is presented as there are no outstanding potential dilutive ordinary shares in issue for each of the year ended 31st December, 2007 and 2006.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:				
At 1st January, 2006	–	–	–	–
Additions	–	–	19	19
Transfer from investment properties	10,100	–	–	10,100
At 31st December, 2006 and at 1st January, 2007	10,100	–	19	10,119
Additions	2,140	4,925	226	7,291
At 31st December, 2007	12,240	4,925	245	17,410
Accumulated depreciation and impairment losses:				
At 1st January, 2006	–	–	–	–
Charge for the year	606	–	4	610
At 31st December, 2006 and at 1st January, 2007	606	–	4	610
Charge for the year	2,467	477	20	2,964
At 31st December, 2007	3,073	477	24	3,574
Net carrying amount:				
At 31st December, 2007	9,167	4,448	221	13,836
At 31st December, 2006	9,494	–	15	9,509

As at 31st December, 2007, the Group's buildings were appraised by an independent Hong Kong professional valuer, DTZ Debenham Tie Leung Limited. The buildings were appraised on the basis of depreciated replacement cost with fair market value of approximately HK$14,500,000 as at 31st December, 2007.

The buildings are held under long-term lease in Hong Kong.

16. LAND USE RIGHTS

The Group's land use rights comprise:

	2007 HK$'000	2006 HK$'000
Land held under long-term lease in Hong Kong:		
At the beginning of the year	66,634	–
Additions	3,490	–
Transfer from investment properties	–	66,900
Amortisation for the year	(1,066)	(266)
At the end of the year	69,058	66,634

As at 31st December, 2007, the Group's land use rights were appraised by an independent Hong Kong professional valuer, DTZ Debenham Tie Leung Limited. The buildings were appraised on the basis of depreciated replacement cost with fair market value of approximately HK$78,900,000 as at 31st December, 2007.

17. INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
At the beginning of the year	–	–
Acquisition of a subsidiary	–	1,200
Transfer from deposit paid for acquisition of investment properties	6,079	(77,000)
Increase in fair value of investment properties	7,489	74,756
Disposals	–	2,244
Transfer to property, plant and equipment and land use rights	–	(1,200)
At the end of the year	13,568	–

All investment properties located in the PRC were revalued as at 31st December, 2007 on an open market value basis. The valuation were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

18. LAND HELD FOR DEVELOPMENT

	2007 HK$'000	2006 HK$'000
Land held under long-term lease in Hong Kong:		
Balance at the beginning of the year	–	–
Additions	60,941	–
Balance at the end of the year	60,941	–

19. GOODWILL

The amount of goodwill capitalized as assets in the consolidated balance sheet arising from the acquisition of Rolling Development Limited in 2006 is as follows:

	2007 HK$'000	2006 HK$'000
At the beginning of the year	2,811	–
Acquisition of a subsidiary	–	2,811
At the end of the year	2,811	2,811

There was no impairment loss for goodwill at the balance sheet date.

20. DEFERRED TAX ASSETS

	Depreciation allowance in excess of the related depreciation HK$'000	Tax losses HK$'000	Deferred tax assets/ (liabilities) HK$'000
At 1st January, 2006	–	–	–
Acquisition of a subsidiary	(2,214)	1,606	(608)
Credited to income statement	2,586	(188)	2,398
At 31st December, 2006 and at 1st January, 2007	372	1,418	1,790
Charged to income statement	340	(525)	(185)
At 31st December, 2007	712	893	1,605

At 31st December, 2007, the Group has unused tax losses of HK$5,103,171 (2006: HK$8,106,154) available for offset against future taxable profits. All losses may be carried forward indefinitely subject to the approvals of tax authorities in respective jurisdictions.

21. HELD FOR TRADING INVESTMENT

	2007 HK$'000	2006 HK$'000
Listed equity securities in Hong Kong	–	352

22. AVAILABLE FOR SALES INVESTMENT

	2007 HK$'000	2006 HK$'000
Equity linked notes	–	7,765

23. TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables	2,659	329
Prepayments, deposits and other receivables	5,986	3,799
	8,645	4,128

In previous year, the trade receivables were primarily attributable to the property management business segment and the credit terms granted to trade receivables ranged from 7 days to 30 days, after which interest ranging from 1% to 5% above the best lending rate can be charged on default of repayment.

The credit terms currently granted by the Group to customers are determined on a case-by-case basis with reference to the size of sales contracts, recurrent sales with the customers and their credit history. The Group makes provision for impairment on trade receivables based on specific review. Provision for impairment is made against trade receivables after considering the amount due, creditability of customers and other qualitative factors.

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

	2007 HK$'000	2006 HK$'000
Outstanding balances aged:		
0 to 30 days	318	210
31 to 60 days	130	80
61 to 90 days	27	59
Over 90 days	2,184	1,528
	2,659	1,877
Less: Impairment losses	–	(1,548)
	2,659	329

24. TRADE AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
Trade payables	–	–
Accruals and other payables	1,133	1,647
	1,133	1,647

25. BANK BORROWINGS

Details of bank borrowings are as follows:-

	2007 HK$'000	2006 HK$'000
Bank mortgage loans	3,761	3,832
Carrying amount repayable:		
On demand or within one year	85	70
After one year but within two years	85	70
After two years but within five years	303	218
After five years	3,288	3,474
	3,761	3,832
Less: Shown under current liabilities	(85)	(70)
Shown under non-current liabilities	3,676	3,762

The bank mortgage loans are secured by investment properties in Mainland China at the prevailed interest rates.

26. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised (ordinary shares of HK$0.01 each):		
As at 1st January, 2006	2,000,000,000	2,000,000
Consolidation of every 1,000 shares of HK$0.001 each into 1 consolidated share of HK$1.00 each	(1,998,000,000)	–
Subdivision of each authorised but unissued consolidated share of HK$1.00 each into 100 adjusted shares of HK$0.01 each	198,000,000	–
As at 31st December, 2006, 1st January, 2007 and 31st December, 2007	200,000,000	2,000,000
Issued and fully paid (ordinary shares of HK$0.01 each):		
As at 1st January, 2006	22,407,692	22,408
Capital reduction	(22,385,284)	(22,184)
Issue of ordinary shares through placement and subscription	201,669	2,017
As at 31st December, 2006 and 1st January, 2007	224,077	2,241
Issue of rights shares	112,038	1,120
Issue of ordinary shares through placement	25,000	250
As at 31st December, 2007	361,115	3,611

During the year, the movements in the issued share capital of the Company were as follows:

(i) Rights issue of 112,038,457 rights shares of HK$0.01 each at HK$1 per rights share in the proportion of 1 rights share for every 2 existing shares held pursuant to rights issue as set out in the Prospectus dated 8th August, 2007. Shares were allotted on 31st August, 2007;

(ii) Pursuant to the subscription agreement and supplemental agreement entered into with an independent subscriber on 25th September, 2007 and 17th October, 2007, 25,000,000 subscription shares at the subscription price of HK$1.20 per share were placed to an independent subscriber. Shares were allotted on 18th October, 2007 and 22nd October, 2007; and

(iii) All of the above new shares rank pari passu with the then existing shares in all respects.

27 SHARE OPTION SCHEME

Pursuant to ordinary resolutions passed on 25th June, 2007, the shareholders of the Company approved (i) the termination of share option scheme adopted on 14th November, 2002 (the "2002 Share Option Scheme") and (ii) the adoption of a new share option scheme (the "2007 Share Option Scheme"). No options have been granted under the 2002 Share Option Scheme sine its adoption and termination.

2007 Share Option Scheme

The 2007 Share Option Scheme was adopted by the Company on 25th June, 2007. Under the 2007 Share Option Scheme, the board of directors of the Company may, at its absolute discretion, grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group), exceed 30% of the shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the 2007 Share Option Scheme at any time during a period to be notified by the board of directors of the Company to the grantee and commencing on the expiry of 6 months after the date of grant of an option and in any event expiring on a date no later than the last date of the period of 10 years commencing on the date of adoption of the 2007 Share Option Scheme. Upon acceptance of the option, the grantee shall pay HK$10.00 to the Company by way of consideration for the grant of the option.

The subscription price for any particular option shall be determined by the board of directors of the Company and shall be at least the highest of:

a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date;

b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and

c) the nominal value of the shares on the grant date.

and subject to the compliance with the requirements for share option schemes under the listing rules.

No options have been granted under the 2007 Share Option Scheme since its adoption. The 2007 Share Option Scheme will expire on 24th June, 2017.

28. RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2006	722,854	1,026	(1,317,234)	(593,354)
Capital reorganization	(722,854)	–	745,038	22,184
Issue of ordinary shares through placement and subscription	199,652	–	–	199,652
Share issue expenses	(997)	–	–	(997)
Profit for the year	–	–	555,003	555,003
At 31st December, 2006 and at 1st January, 2007	198,655	1,026	(17,193)	182,488
Issue of ordinary shares through rights issue	110,918	–	–	110,918
Issue of ordinary shares through placement	29,750	–	–	29,750
Share issue expenses	(955)	–	–	(955)
Profit for the year	–	–	2,740	2,740
At 31st December, 2007	338,368	1,026	(14,453)	324,941

29. DISPOSAL OF SUBSIDIARY

The Group discontinued its property management business operations at the time of disposal of its subsidiary as set out in note 13. The consideration for the disposal of subsidiary is HK$1. Details of disposal of subsidiary during the year 2007 are as follows:

	HK$'000
Net liabilities disposed of:	
Trade and other receivables	275
Cash and bank balances	865
Trade and other payables	(1,207)
	(67)
Gain on disposal	67
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and bank balances disposal of	(865)
	(865)

Note: Provision for impairment on amount due from the disposed subsidiary of approximately HK$220,000 was charged to consolidated income statement during the year.

30. COMMITMENTS AND CONTINGENT LIABILITIES

a) Capital commitments

Pursuant to sale and purchase agreement and supplemental agreement entered into between a wholly-owned subsidiary of the Company (the "subsidiary") and vendor on 8th December, 2007 and 20th March, 2008 respectively, the subsidiary will acquire 50.1% equity interest of Shanxi Loudong General Nice Coking and Gas Company Limited, a company incorporated in the People's Republic of China, from vendor at a consideration of HK$1,400 million upon fulfillment of a number of conditions precedent as set out in the announcements dated 19th December, 2007 and 30th March, 2008 and the approval of the Company's shareholders.

30. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

b) Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	218	77
Second to fifth years	58	–
	276	77

Operating lease payments represent rental payable by the Group for its office properties.

c) Contingent liabilities

At 31st December, 2007 the Group had no significant contingent liabilities.

31. RELATED PARTY TRANSACTIONS

(i) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(ii) During the year, Mr. Lee Sammy Sean, the executive director of the Company, has provided personal guarantee to a bank to secure banking facilities granted to a wholly-owned subsidiary of the Company.

(iii) Compensation of key management personnel of the Group is disclosed in note (11).

(iv) Rental of approximately HK$145,000 paid to Rainbow Vast Limited, a company in which Mr. Lee Sammy Sean, the executive director of the company, has controlling interest.

32. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Financial risk factors

The Group is exposed to a variety of financial risks which result from its operating and investing activities.

Management regularly manage the financial risks of the Group. Because of the simplicity of the financial structure and the current operation of the Group, no major hedging activities are undertaken by management.

32. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (cont'd)

(a) Financial risk factors (cont'd)

The most significant financial risks to which the Group is exposed to are as follows:

(i) *Foreign currency risk*

The Group has adopted the Hong Kong dollar as its functional and presentation currency. A subsidiary is operated in the People's Republic of China, and is therefore exposed to foreign exchange risk. However in view of the stable currency policies adopted by the PRC government, the directors consider that the foreign exchange risk is insignificant.

The Group currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies. However, the directors monitor exchange rate exposure and will consider hedging significant exchange rate exposure should the need arise.

(ii) *Credit risk*

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31st December, 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced. At the balance sheet date, the Group has a certain concentration of credit risk as 82% (2006: Nil) of the total trade receivables was due from the Group's largest customer within the general trading business segment.

The credit risk on liquid funds is limited because the counterparties are banks of good standing.

(iii) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions, if any, to meet its liquidity requirements in the short and longer term.

(iv) *Fair value and cash flow interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to fair value and cash flow interest rate risks is minimal as the Group has no significant long-term financial assets and liabilities, as such its income and operating cash flows are substantially independent of changes in market interest rates.

(b) Capital risk management

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

32. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (cont'd)

(b) Capital risk management (cont'd)

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated balance sheet). Total equity represents the equity as shown in the balance sheet. The gearing ratios at 31st December, 2007 and 2006 are as follows:

	2007 HK$'000	2006 HK$'000
Total debt	5,123	5,479
Total equity	328,552	184,729
The gearing ratio	0.016	0.030

The decrease in gearing ratio at 31st December, 2007 resulted primarily from the fund raising through rights issue and placement of shares.

33. SUBSEQUENT EVENTS

A wholly-owned subsidiary of the Company, Fortune Smart Investment Limited, disposed of its land use rights and buildings located in Hong Kong in the net carrying amounts of approximately HK$3,487,000 and HK$2,097,000 respectively at the balance sheet date at a consideration of approximately HK$8,200,000 pursuant to a sale and purchase agreement entered into with an independent third party on 31st January, 2008.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of all subsidiaries as at 31st December, 2007, all held directly or indirectly by the Company were set out below:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held %	Principal activities
Buddies Power Enterprises Limited	British Virgin Islands	US$1	100	Investment holding
City Joint Investments Limited	British Virgin Islands	US$1	100	Investment holding
Ever Mark Limited	Hong Kong	HK$1	100	General trading
First Hope Profits Limited	British Virgin Islands	US$1	100	Securities trading
Fortune Smart Investment Limited	Hong Kong	HK$1	100	Property investment

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held %	Principal activities
Kingfund Corporation Limited	Hong Kong	HK$1	100	Property investment
New Fortune Development Limited	Hong Kong	HK$1	100	Hotel investment
New Point Management Limited	Hong Kong	HK$1	100	Hotel management
Profit Made Limited	Hong Kong	HK$2	100	Dormant
Rolling Development Limited	Hong Kong	HK$10,000	100	Hotel investment
The Sun's Corporate (B.V.I.) Limited	British Virgin Islands	US$10,000	100	Investment holding
The Sun's (B.V.I.) Limited	British Virgin Islands	US$1	100	Investment holding
The Sun's Group (H.K.) Limited	Hong Kong	Ordinary HK$10,000 Deferred HK$20,000,000(i)	100	Investment holding

Note:

(i) The non-voting deferred shares shall entitle the holders to a fixed non-cumulative dividend at the rate of Hong Kong 1 cent in respect of any one non-voting deferred share per annum for any financial year of the Company in respect of which the audited net profits of the Company available for dividend exceed HK$1,000,000,000; on a winding-up the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the Company to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company.

35. COMPARATIVE FIGURES

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

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the company's board of directors on 25th April, 2008.

Particulars of the Group's Major Properties

1. LAND HELD FOR DEVELOPMENT

Location	Intended use	Site area (sq m)	Lease term
Nos. 423 and 425 Reclamation Street, Mong Kok, Kowloon, Hong Kong	Hotel	193.05	Long lease

2. HOTEL OPERATION

Location	Existing use	Site area (sq m)	Lease term
Goodrich Hotel Nos 92-94 Woosung Street, Yaumatei Kowloon, Hong Kong	Hotel	123.22	Long lease

3. LAND AND BUILDINGS OCCUPIED BY THE GROUP

Location	Existing use	Site area (sq m)	Lease term
Offices A and B, 14th Floor, Tern Centre Tower 1, No. 237 Queen's Road Central Hong Kong	Office	202.53	Long lease

4. INVESTMENT PROPERTIES IN MAINLAND CHINA

Location	Intended use	Site area (sq m)	Lease term
Unit 3-01, Parkview Block 3, Nos. 3-4 The Greenwich, Yaojiayuan New Village, Chaoyang District, Beijing, PRC	Residential	253.71	Long lease
Unit 1-601, Parkview Block 2, Nos. 3-4 The Greenwich, Yaojiayuan New Village, Chaoyang District, Beijing, PRC	Residential	250.03	Long lease
Unit 3-801, Parkview Block 5, Nos. 3-4 The Greenwich, Yaojiayuan New Village, Chaoyang District, Beijing, PRC	Residential	127.12	Long lease

Summary of Financial Information

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group, were set out below:

	Year ended 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	9,172	2,106	120	729	8,607
Profit/(loss) before tax	3,307	551,975	(9,893)	100,666	(95,263)
Income tax expense	(413)	2,466	(150)	–	(17)
Profit/(loss) for the year from continued operations	2,894	554,441	(10,043)	100,666	(95,280)
Profit/(loss) for the year from discontinued operations	(154)	562	69	(877)	2,252
	2,740	555,003	(9,974)	99,789	(93,028)
Attributable to:					
Equity holders of the Company	2,740	555,003	(9,974)	99,789	(93,028)
Minority interests	–	–	–	–	–
	2,740	555,003	(9,974)	99,789	(93,028)

	As at 31st December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	333,675	190,208	7,077	4,717	788,596
Total liabilities	(5,123)	(5,479)	(578,023)	(565,689)	(1,449,357)
NET ASSETS/(LIABILITIES)	328,552	184,729	(570,946)	(560,972)	(660,761)