SHANGHAI ZENDAI
上海証大房地產有限公司



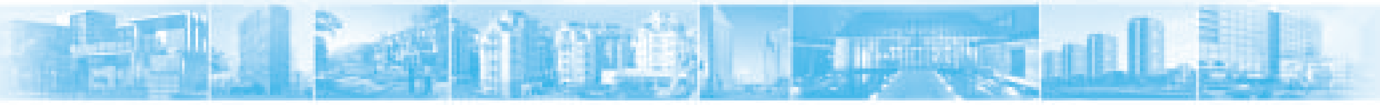

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 755

Annual Report 2007

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Dai Zhikang
Mr. Fang Bin
Mr. Zhang Wei
Mr. Lu Puling
Mr. Wang Xiangang
Mr. Tang Jian
Mr. Ye Wenbin

Independent non-executive directors:

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of China
Hua Xia Bank
Shanghai Pudong Development Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Construction Bank

SOLICITORS

Hong Kong

Kirkpatrick & Lockhart Preston Gates Ellis
35th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Bermuda

Appleby Spurling Hunter
8th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6108
61/F, The Centre
99 Queen's Road Central
Hong Kong

AUDITORS

BDO McCabe Lo Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Tso Shiu Kei Vincent

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

AUDIT COMMITTEE

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 26, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

During the year under review, turnover of the Group amounted to approximately HK$1,556,209,000, approximately 11% increase as compared to approximately HK$1,401,553,000 last year. Profit attributable to the shareholders of the Company (the "Shareholders") increased by approximately 34% to approximately HK$309,013,000 against approximately HK$230,481,000 last year. Basic earnings per share of the Company (the "Share") were HK5.0 cents (2006: HK4.6 cents). The Group's turnover and profit was mainly derived from:

- sale and delivery of office units in "Zendai Cube Tower" in Shanghai
- sale and delivery of "Mandarin Palace" villas in Shanghai
- sale and delivery of residential units in Phase I of "山水國際" (Valley International) in Jilin
- revaluation surplus of retail units in "Zendai Thumb Plaza" in Shanghai

DIVIDEND

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

BUSINESS REVIEW

2007 was a year laden with opportunities and challenges for the Group. During the year, the economy in the People's Republic of China (the "PRC") continued to grow rapidly with investment in urban construction growing and people earning more income. These phenomena fuelled demand for different types of properties from the market. At the same time, the central government of the PRC continued to launch macroeconomic austerity measures and related credit control policies, which have helped to stabilise property prices and bring the property market back on to a more healthy and orderly growth track. Guided by aggressive development strategies and with finger on the pulse of the market, the Group actively pursued potential residential and commercial property projects in Shanghai and other cities in the PRC to expand market coverage and strategically strengthened its financial base to boost the scale of its business.

The Group raised net proceeds of approximately US$144,800,000 (equivalent to HK$1,129,440,000) through issuing bonds in June 2007 and approximately HK$269,800,000 through placing of 600,000,000 new Shares in November 2007, allowing it to secure adequate capital reserve to support acquisition of new projects. With a strengthened capital base, the Group was able to gain more property development projects with great potential and increased its land reserves through a number of acquisitions during the year.

During the year under review, the Group completed a number of acquisitions including the commercial project "Zhongke Langfang Technology Valley" in Langfang city, Hebei Province, the integrated property project "Hengsheng Pavilion" in Pudong Shanghai, the residential and hotel project in Qingdao, Shangdong Province and the commercial project in Haikou, Hainan. Moreover, the Group acquired the remaining 20% interest in Shanghai Zendai Real Estate Company Limited ("Zendai Land") at a consideration of RMB305,000,000 (equivalent to HK$316,029,000), making it an indirect wholly-owned subsidiary of the Company. The acquisition was completed in February 2008. The acquisition has not only enlarged the Group's assets base, but is expected to also enhance its overall financial performance in the future. Subsequent to the balance sheet date, the Group also completed a number of acquisitions in Chenmai County in Hainan, Huzhou in Zhejiang Province and Haimen in Jiangsu Province to expand project portfolio and increase land reserves.

RESIDENTIAL PROJECTS

Shanghai

Mandarin Palace

"Mandarin Palace" villas, the Group's premium residential project in Shanghai, maintained satisfactory sales. As at 31 December 2007, a cumulative 37 individual villas with total saleable area of 26,578 square metres (17,383 square metres above-ground and 9,195 square metres underground) were sold, generating RMB1,070,365,000 (equivalent to HK$1,109,072,000) in terms of contract value for the Group. During the year under review, 9 individual villas with total saleable area of 6,664 square metres (4,472 square metres above-ground and 2,192 square metres underground) were sold, generating RMB369,100,000 (equivalent to HK$382,447,000) in terms of contract value for the Group. During the year under review, 25 villas with total floor area of 17,602 square metres (11,589 square metres above-ground and 6,013 square metres underground) were delivered and booked for the year at the total contract value RMB755,844,000 (equivalent to HK$783,177,000).

Other cities

"山水國際" (Valley International) in Jilin

Occupying site area of 190,000 square metres, "山水國際" (Valley International), a residential property project in Jilin, boasts a total saleable area of approximately 196,000 square metres. The project will be developed in four phases. Sales of "楓林別墅", the first phase of the project, comprising 118 town houses and 11 villas with total saleable area of 39,252 square metres began in November 2006. As at 31 December 2007, a cumulative 115 town houses and 5 villas with total saleable area of 35,062 square metres were sold, generating RMB143,381,000 (equivalent to HK$148,566,000) in terms of contract value for the Group. During the year under review, a total of 114 town houses and 4 villas with total floor area of 34,155 square metres were delivered at total contract value booked for the year at RMB137,320,000 (equivalent to HK$142,286,000). Construction of the second phase of the project comprising 4 low-rise blocks and 7 high-rise blocks, which together provide 568 residential units and ancillary commercial facilities with total saleable area of about 87,000 square metres, started in July 2007. Pre-sale of the residential units project had begun in November 2007. During the year under review, a total of 30 residential units with total saleable area of 3,006 square metres were sold, generating RMB11,219,000 (equivalent to HK$11,625,000) in terms of contract value for the Group. The third phase of the project will include villas and town houses with total saleable area of about 31,000 square metres and construction is expected to begin in May 2008. The fourth phase is still in planning stage.

"証大光明城" (Zendai Ideal City) in Changchun

Located in Changchun, "証大光明城" (Zendai Ideal City) comprises residential properties and ancillary retail spaces with a land area of 405,000 square metres and total saleable area of approximately 600,000 square metres. The project will be developed in five phases. The first phase occupying a land area of approximately 77,300 square area will comprise 23 multi-storey residential buildings and three high-rise residential buildings offering a total of 1,210 units and related ancillary commercial facilities with total saleable area of 112,000 square metres. Pre-sale of the first phase commenced in October 2007. During the year under review, a total of 432 units with total saleable area of 40,562 square metres were sold, generating RMB134,080,000 (equivalent to HK$138,929,000) in terms of contract value for the Group. The second phase will be developed into multi-storey residential buildings, high-rise residential buildings and shops with total saleable area of approximately 115,000 square metres and construction will start in May 2008. The other phases are still in planning stage.

"Zendai Garden-Riverside Town" in Haimen

The Group's "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province is not a major property project for sale during the year under review. The project will be developed in two parts with total land area of approximately 577,485 square metres. "Zendai-Dong Zhou Mansion", the first part of the project, is developed in three phases with Phase I including 52 villas with total saleable area of approximately 17,457 square metres. As at 31 December 2007, a cumulative 41 units with total saleable floor area of 13,903 square metres were sold, generating RMB64,483,000 (equivalent to HK$66,815,000) in terms of contract value for the Group. Phases II and III of "Zendai-Dong Zhou Mansion" are still in the planning stage. "滿庭芳" (Multiflora Garden), the second part of "Zendai Garden-Riverside Town" will be developed in four phases into an integrated residential area comprising low density town houses. Construction of Phase I offering 212 units with total saleable area of 57,000 square metres is expected to be completed by end of 2008. As at 31 December 2007, a cumulative 66 units with total saleable floor area of 18,171 square metres were sold, generating RMB77,014,000 (equivalent to HK$79,799,000) in terms of contract value for the Group. The other three phases of "滿庭芳" (Multiflora Garden) are in planning stage.

The Group also acquired another piece of land with site area of approximately 811,000 square metres for the development of residential properties in Haimen in 2006. It is still in the planning stage.

COMMERCIAL PROPERTY PROJECTS

Shanghai

Zendai Cube Tower

The Group's grade A office project "Zendai Cube Tower" comprising offices and commercial properties with a total gross floor area of 33,149 square metres in Pudong, Shanghai was completed in August 2007. As at 31 December 2007, a cumulative total floor area of 26,325 square metres was sold, generating RMB573,333,000 (equivalent to HK$594,066,000) in terms of contract value for the Group. During the year under review, a total floor area of 19,509 square metres was sold, bringing in RMB461,321,000 (equivalent to HK$478,003,000) in terms of contract value for the Group. A total floor area of 24,420 square metres was delivered during the year with contract value booked totaling RMB520,464,000 (equivalent to HK$539,285,000).

Wu Dao Kou Financial Centre

"Wu Dao Kou Financial Centre" is another grade A commercial property project of the Group in Pudong, Shanghai. The entire project was completed in early 2008. The south tower was acquired by Evergreen Group in Taiwan as its headquarters in the Asia Pacific region during the year under review and was delivered in February 2008. As for the north tower, pre-sale of 15 floors of office units with total floor area of 32,113 square metres commenced in November 2007. As at 31 December 2007, a total saleable area of 8,564 square metres were sold, bringing in RMB270,099,000 (equivalent to HK$279,866,000) in terms of contract value for the Group. The remaining 10 floors of office units with total floor area of 14,498 square metres and commercial areas with total floor area of 8,396 square metres will be reserved for rental. Pre-letting has commenced in February 2008.

Hengsheng Pavilion

During the year under review, the Group acquired 95% interest in "Hengsheng Pavilion", an integrated property project in Pudong, at a total consideration of RMB427,500,000 (equivalent to HK$442,959,000). The project is on a 12,789-square-metre site with a total saleable area of 52,300 square metres. It will comprise a 17-storey office building with a podium consists of two levels of commercial spaces and two 18-storey serviced apartments with ground level as commercial spaces. There will be two levels of underground spaces designed for entertainment and leisure related commercial use and as car parking spaces. The Group topped out the project during the year under review and exterior work is in progress. It is expected to start sale in the second half of 2008. The Group acquired the remaining 5% interest in "Hengsheng Pavilion" in March 2008.

Zendai Thumb Plaza

The Group holds interest in part of the shopping mall of "Zendai Thumb Plaza" in Pudong, Shanghai for rental purpose. During the year under review, the Group strengthened the position of the project as a new landmark in Pudong by introducing more prominent brands and increased rental income from the project. According to the payment terms of the acquisition agreement, the total consideration of RMB680,000,000 will be paid by installments and the consideration will be fully paid by end of 2008. The rental income for 2009 is estimated at approximately RMB50,000,000.

Other Cities

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment uses in the heart of Yangzhou city. The project has a total saleable area of approximately 90,000 square metres and will include a cultural sightseeing area and a commercial district. It will be developed in two phases. Construction of the first phase with total saleable floor area of approximately 18,000 square metres commenced in January 2008 and pre-sale is expected to start in September 2008.

"Zhongke Langfang Technology Valley" in Langfang city

In July 2007, the Group entered into a framework agreement with Shan Shan Investment Holdings Co., Limited to jointly develop "Zhongke Langfang Technology Valley" in Langfang city, Hebei Province. The technology valley has a total site area of approximately 3,300,000 square metres, 30% of which will be for developing commercial properties. The overall planning of the project is underway. According to the framework agreement, the Group acquired 30% interest in Zhongke Langfang Technology Valley Co., Ltd. at a consideration of RMB63,000,000 in October 2007, marking the first phase of the cooperation. Other detailed terms of cooperation are under negotiation. As Bohai Bay Rim has been identified as a major development focus in the PRC's Eleventh Five-Year Plan, the strategic cooperation will allow the Group to gain foothold and seize business opportunities in the Bohai Bay Rim. It will also increase the land reserve of the Group by 1,000,000 square metres in total saleable area.

Qingdao Project

During the year under review, the Group acquired 25% interest in "青島上實地產有限公司" which owns a parcel of land of approximately 43,920 square metres located in Lao Shan District of Qingdao City for developing into a residential project and a hotel with total saleable area approximately 65,000 square metres and 43,000 square metres respectively. The entire project is expected to be completed in 2010.

Haikou Project

By end of 2007, the Group acquired 95% interest in "海南新世界發展有限公司" and "海南華僑會館有限公司" respectively, through which it obtained a project under development with gross floor area of approximately 72,000 square metres and a parcel of land of approximately 7,745 square metres in Haikou, Hainan. The Group intends to convert the project under development into office with total saleable area of approximately 72,000 square metres. Construction of the project commenced in April 2008 and pre-sale is expected to start in November 2008. The project will be completed and delivered by end of 2009. The parcel of land of approximately 7,745 square metres is still in planning stage.

ISSUE OF FIXED RATE NOTES

During the year under review, the Group issued a five-year term 10% fixed rate notes of an aggregate principal amount of US$150,000,000. The net proceeds from the issue were approximately US$144,800,000 (equivalent to HK$1,129,440,000) for acquisition of new property projects. The notes have been rated "B+" by Standard & Poor's Ratings Group, Inc., "B+" by Fitch Ratings, Ltd. and "B2" by Moody's Investors Services, Inc. The Group has the notes listed on the Singapore Exchange Securities Trading Limited. The move has not only generated timely capital for the Group, but also allowed the Group to expand financing source for promoting long-term development.

PLACING OF NEW SHARES

In November 2007, the Company entered into an agreement with China Alliance Properties Limited ("China Alliance") to place to China Alliance 600,000,000 new ordinary shares of the company at a subscription price of HK$0.45 per new share. The new shares represent approximately 8.57% of the enlarged issued share capital of the Company. Net proceeds from the placing amounted to approximately HK$269,800,000 for future property acquisition in the PRC. The placing also broadened the Group's shareholder base.

PROSPECTS

In January 2008, the Group acquired 100% interest in Meiyi International Limited at a total consideration of RMB206,260,000 (equivalent to HK$213,719,000), through which it obtained 60% interest in Hainan Huayi Land Company Limited. The project company owns a parcel of land of 1,309,563 square metres in Chenmai County, Hainan, the PRC, which is intended to be developed into a leisure-related commercial property and residential property project.

In the same month, the Group also acquired a parcel of land in Huzhou, Zhejiang province with a total site area of approximately 59,935 square metres and total saleable floor area of approximately 119,000 square metres at a total consideration of RMB122,000,000 (equivalent to HK$126,412,000), which will be developed into a residential and related commercial property project.

In January 2008, the Group also completed the acquisition of a parcel of 133,200 square metre land in Haimen, at a total consideration of RMB27,000,000 (equivalent to HK$27,976,000). The land acquired is close to the Group's existing development project "Zendai Garden-Riverside Town". Apart from expanding its land bank, the acquisition has also allowed the Group to perfect the overall planning of "Zendai Garden-Riverside Town".

Looking forward, with urbanisation taking place at increasing speed and living standard continuing to improve in the country, the PRC property market has ample room for growth. Furthermore, government macroeconomic austerity measures and credit control are expected to bring the property market back on to a more healthy and orderly growth track. The Group has laid down relevant development strategies with reference to current market conditions. Regarding operational coverage, its business spans from its headquarters in Shanghai across the Yangtze River Delta region (Haimen, Yangzhou and Zhejiang), Bohai Bay Rim (Langfang), Northeastern China (Changchun, Jilin and Qingdao) and Southeastern China (Hainan). The Group will continue to look for potential acquisition targets to extend business coverage. Also, the Group will continue its two-pronged approach putting weight on both residential and commercial property development, and retain some commercial properties as investment properties to increase recurring rental income. The Group believes the PRC property industry will continue to grow and present tremendous opportunities to market players. Drawing from its years of property development experience and integrated with an enhanced capital structure and financial base, the Group is committed to developing and strengthening its business in the market with the aim of bringing satisfactory returns to Shareholders.

REVIEW OF OPERATIONS

The Group achieved satisfactory results for the year ended 31 December 2007. The profit for the year was mainly attributable to sales and delivery of office units of Zendai Cube Tower, 25 villas of Mandarin Palace, residential units of Phase I of "山水國際" (Valley International) in Jilin and revaluation surplus of shopping mall of Zendai Thumb Plaza. The Group is engaged in the development of mid to high end properties in Shanghai and certain selected second tier cities in China. During the year, several residential and commercial projects went on sale. For residential projects, they were villas in Mandarin Palace, villas and detached houses in Haimen, villas and apartments in Jilin and apartments in Changchun. In respect of commercial projects, they were office premises in Zendai Cube Tower and Wu Dao Kou Financial Centre.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2007 the Group had a healthy financial position with net assets increased from approximately HK$1,598 million in 2006 to approximately HK$2,530 million. Net current assets amounted to approximately HK$3,101 million (2006: approximately HK$1,585 million) with current ratio of approximately 2.26 times (2006: 1.96 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2007, the Group had consolidated bank loans of approximately HK$709 million in which HK$199 million was repayable within one year and HK$510 million was repayable more than one year. As at 31 December 2007, the Group's bank balances and cash are approximately HK$1,328 million. The gearing ratio of the Group slightly increased from 0.8 times in 2006 to 0.9 times in 2007 (basis: total of amounts due to related companies, bank loans, notes payable and convertible notes divided by Shareholders' funds).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year amounted to HK$1,507,675,000 (2006: HK$1,360,648,000). It resulted from the increase in high value properties available for delivery to buyers by the Group during the year.

Travel and related business

The turnover of this segment for the year reached approximately HK$15,367,000 (2006: HK$22,186,000).

Investment properties

The turnover of this segment for the year was approximately HK$33,167,000 (2006: HK$18,719,000).

FOREIGN CURRENCY EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in Renminbi, the exchange rate risks of the Group is considered to be minimal.

EMPLOYEES

As at 31 December 2007, the Group employed approximately 280 employees (2006: 230 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance.

MAJOR ACQUISITIONS

20% shareholding in Zendai Land

In October 2007, the Company's wholly owned subsidiary, Amply Century Limited entered into an agreement to purchase 20% interest in Zendai Land at a total consideration of RMB305,000,000 (equivalent to approximately HK$316,029,000). The acquisition was completed in February 2008, which increased the Group's shareholding in Zendai Land from 80% to 100%. As Zendai Land is the Group's flagship real estate company in PRC, the acquisition will enhance the Group's overall financial performance.

Hengsheng Pavilion in Pudong, Shanghai

During the year under review, the Group also acquired 95% of the registered capital of Shanghai Hengjin Property Development Co., Ltd. ("Shanghai Hengjin") for a consideration of RMB427,500,000. The remaining 5% of the registered capital was also acquired in March 2008. Shanghai Hengjin is developing an integrated commercial and residential project named Hengsheng Pavilion in Pudong, Shanghai which will be available for sale in the second half of 2008.

CHARGE ON ASSETS

As at 31 December 2007, the Group's properties for development and sales of approximately HK$465 million and investment properties of approximately HK$884 million had been pledged to banks to secure bank loans granted to the Group.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year.

The Company's annual results for the year ended 31 December 2007 has been reviewed by the audit committee of the Company.

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

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

A. EXECUTIVE DIRECTORS

Mr. DAI Zhikang, aged 43, who joined the Group in March 2002, is an executive director and chairman of the Company. He is also the founder and chairman of 上海證大投資集團 (Shanghai Zendai Investment Group) ("Zendai Group"), graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree in economics (finance). He is also a post-graduate of 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). He founded Zendai Group in 1994, restructured the group and became the founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which is interested in 2,733,990,000 shares of the Company, representing approximately 39.04% of the issued share capital of the Company.

Mr. FANG Bin, aged 34, who joined the Board in October, 2005, is an executive director and chief executive officer of the Company and is currently the director and president of* 上海証大置業有限公司(Shanghai Zendai Real Estate Company Limited)* a subsidiary of the Company. Mr. Fang also serves as the director of 上海証大三角洲置業有限公司 (Shanghai Zendai Delta Land Company Limited), 上海天海有限責任公司 (Shanghai Tianhai Company Limited), 上海證大大拇指置業有限公司 (Shanghai Zendai Thumb Real Estate Company Limited) and 長春證大置業有限公司 (Changchun Zendai Real Estate Company Limited), all of which are subsidiaries of the Company. Mr. Fang obtained a master degree of engineering in urban planning from 同濟大學 (Tong Ji University), the PRC, in 1997. Mr. Fang has over five years of experience in the real estate business in the PRC.

Mr. ZHANG Wei, aged 36, who joined the Board in May, 2003, is an executive director. Mr. Zhang graduated from 北京航空航天大學管理學院 (Management College of the Beijing Hang Tian University) specialising in international finance. Mr. Zhang also obtained a master degree in business administration specialising in strategic management from the Masstricht Commercial Management College (荷蘭馬斯特裏赫特工商管理學院). He has previously worked for 中國航空技術進出口上海公司 (China Aero Technology Import and Export Company of Shanghai) and is currently the director and general vice president of 上海証大置業有限公司(Shanghai Zendai Real Estate Company Limited)*, a subsidiary of the Company. Mr. Zhang also serves as the director of 上海証大三角洲置業有限公司 (Shanghai Zendai Delta Land Company Limited), 上海天海有限責任公司 (Shanghai Tianhai Company Limited), 上海證大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Real Estate Company Limited), 揚州證大商旅發展有限公司 (Yangzhou Zendai Commerce and Tourism Development Company Limited) and 嘉興東方名家房地產開發有限公司 (Jiaxing Oriental Real Estate Company Limited), all of which are subsidiaries of the Company.

Mr. LU Puling, aged 53, who joined the Board in May, 2003, is an executive director and is currently a director of 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited) and 上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Real Estate Company Limited), both of which are subsidiaries of the Company. Mr. Lu obtained a master degree in engineering management from 上海大學 (Shanghai University), the PRC, in 1996 and has over 10 years of experience in the real estate business in the PRC.

Mr. WANG Xiangang, aged 35, who joined the Board in October 2005, is an executive director and is currently the vice president of 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited). Mr. Wang also serves as the director of 吉林市證大華城房地產開發有限公司 (Jilin Zendai Huacheng Real Estate Company Limited) and 長春証大置業有限公司 (Changchun Zendai Real Estate Company Limited), both of which are subsidiaries of the Company. Mr. Wang obtained a bachelor's degree in construction management from 清華大學 (Tsinghua University), the PRC, in 1995 and, since then, has been working in the field of real estate development.

Mr. TANG Jian, aged 31, who joined the Board in May 2003 and is an executive director and was appointed as authorised representative of the Company in June 2003. Mr. Tang obtained a bachelor's degree from 上海財經大學 (Shanghai University of Finance and Economics) specialising in finance and has previously worked for 上海銀行 (Bank of Shanghai). Mr. Tang is responsible for the business management and corporate governance of the Group and has more than 5 years experience in this respect. Mr. Tang is a director of Giant Glory Assets Limited, which is interested in 2,733,990,000 shares of the Company, representing approximately 39.04% of the issued share capital of the Company.

Mr. YE Wenbin, aged 38, who joined the Board in October, 2005, is an executive director and is currently the vice president of 上海証大置業有限公司 (Shanghai Zendai Real Estate Company Limited) and 楊州證大商旅發展有限公司 (Yangzhou Zendai Commerce and Tourism Development Company Limited). Mr. Ye obtained a bachelor degree in landscaping from 華南農業大學 (South China Agricultural University), the PRC, in 1994 and a master degree in business administration from 上海交通大學 (Shanghai Jiao Tong University), the PRC, in 2003. Mr. Ye has over 5 years of experience in the real estate business in the PRC.

B. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Mun Lam, Raymond, aged 55, is the principal of an investment and corporate advisory firm. Trained as a chartered accountant from London, he is licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for providing Type 6 (Corporate Finance) advisory. He has extensive expertise and experience in international corporate finance, mergers and acquisitions, cross-border direct investments and hedge funds investment, with emphases in lifestyle, real estate and hospitality sectors.

He held directorate level or strategist positions with multinational financial and emerging companies internationally. He currently serves as the non-executive Chairman of the Board of Luk Fook Holdings Limited, the Executive Chairman of Golife Concepts Holdings Limited, Vice Chairman and non-executive director of Asian Capital Resources (Holdings) Limited, all these are companies listed in Hong Kong.

He graduated from University of Wisonsin-Madison and holds post-graduate degrees and professional designations in accountancy, law, finance, real estate and hospitality disciplines, specializes in corporate finance initiatives.

Mr. LAI Chik Fan, Raymond, aged 59, was born in China and educated in Hong Kong and the U.S. A seasoned investment banker with over 25 years' experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equities sales and distribution. Mr. Lai is currently the Managing Director of AR Evans Capital Limited. In the past, he had worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd.

Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non-executive director of China Medical and Bio Science Ltd (listed on the GEM Board) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board).

Dr. TSE Hiu Tung, Sheldon, aged 43, who joined the Board in October 2005, is a partner at a law firm in Hong Kong practising corporate and commercial law and has over 10 years' experience in corporate finance, mergers and acquisitions, private equity transactions, joint ventures and regulatory matters, relating to business in the PRC. Dr. Tse was admitted to practise law in Hong Kong, England & Wales and the PRC. He graduated with a bachelor of laws degree from Zhongshan University in Guangzhou in 1986. Dr. Tse obtained a master of laws degree and a doctorate of philosophy in law from the University of London, the United Kingdom in 1989 and 1993 respectively. He is appointed to the arbitrators' panel of the Guangzhou Arbitration Commission and is also a member of the Hong Kong Securities Institute.

C. COMPANY SECRETARY

Mr. TSO Shiu Kei, Vincent, aged 41, is a solicitor practising in Hong Kong and a partner of Kirkpatrick & Lockhart Preston Gates Ellis. He has extensive experience in corporate finance, corporate compliance and China practice in Hong Kong. Mr. Tso obtained a bachelor's degree in laws and a bachelor's degree in commerce from the University of Queensland, Australia. He was admitted as a solicitor in Australia in 1992 and then of the High Court of Hong Kong in 1994.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments and provision of travel related services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 32.

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 121.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 43 to the financial statements.

In November 2007, the Company placed 600,000,000 shares (the "Shares") in the capital of the Company to China Alliance Properties Limited, a wholly owned subsidiary of Shanghai Forte Land Co. Ltd., the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The placing Shares (at the placing price of HK$0.45 per Share) accounted for 8.57% of the then enlarged issued share capital of the Company. The aforesaid placing brought about approximately HK$269,800,000 net proceeds to the Group, which may use to fund future land acquisitions in the PRC.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2007 are set out in the consolidated statement of changes in equity and note 44 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2007 are set out in note 15 to the financial statements.

PROPERTIES FOR SALE

Details of movement in properties for sale of the Group during the year are set out in note 25 to the financial statements.

DIRECTORS

The Directors during the year 2007 and up to the date of this report were as follows:

Executive Directors

Mr. Dai Zhikang
Mr. Fang Bin
Mr. Zhang Wei
Mr. Lu Puling
Mr. Wang Xiangang
Mr. Tang Jian
Mr. Ye Wenbin

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

According to bye-laws of the Company, Mr. Lu Puling, Mr. Wang Xiangang, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting.

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of issued share capital
Mr. Dai Zhikang	The Company	Interests of controlled corporation *(Note)*	2,733,990,000 Shares (L)	39.04%
Mr. Fang Bin	The Company	Beneficial owner	50,000,000 Shares (L)	0.71%
Mr. Zhang Wei	The Company	Beneficial owner	50,000,000 Shares (L)	0.71%
Mr. Lu Puling	The Company	Beneficial owner	30,000,000 Shares (L)	0.43%
Mr. Wang Xiangang	The Company	Beneficial owner	20,000,000 Shares (L)	0.29%
Mr. Tang Jian	The Company	Beneficial owner	10,000,000 Shares (L)	0.14%
Mr. Ye Wenbin	The Company	Beneficial owner	5,000,000 Shares (L)	0.07%

(L) denotes long position

Note: These 2,733,990,000 Shares were held by Giant Glory Assets Limited. Giant Glory Assets Limited is a company wholly-owned by Mr. Dai Zhikang. Mr. Dai Zhikang is therefore deemed to be interested in the 2,733,990,000 Shares held by Giant Glory Assets Limited pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2007.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company.

DIRECTORS', SUPERVISORS AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors, supervisors and senior management are set out in note 11 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 43(c) to the financial statements. At the date of this report, no share option has been granted under the share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 43(c) to the financial statements, at no time during the year 2007 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the connected transactions set out in note 50 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year 2007 or any time during the year 2007.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2007, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules and details of these transactions are set out in note 50 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2007 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business.

As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2007, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of ordinary shares of the Company	Approximate percentage of the issued share capital
Giant Glory Assets Limited *(Note 1)*	Beneficial owner	2,733,990,000(L)	39.04%
China Alliance Properties Limited *(Note 2)*	Beneficial owner	600,000,000(L)	8.57%
Shanghai Forte Land Co., Ltd. *(Note 2)*	Interests of controlled corporation	600,000,000(L)	8.57%
Shanghai Fosun High Technology (Group) Company Limited *(Note 2)*	Interests of controlled corporation	600,000,000(L)	8.57%
Fosun Holdings Limited *(Note 2)*	Interests of controlled corporation	600,000,000(L)	8.57%
Fosun International Holdings Limited *(Note 2)*	Interests of controlled corporation	600,000,000(L)	8.57%
Guo Guangchang *(Note 2)*	Interests of controlled corporation	600,000,000(L)	8.57%

Name	Capacity	Number of ordinary shares of the Company	Approximate percentage of the issued share capital
Honour Great Holdings Limited *(Note 3)*	Beneficial owner	538,130,000(L)	7.68%
Ms. Liu Lijuan *(Note 3)*	Interests of controlled corporation	538,130,000(L)	7.68%
Value Partners Limited *(Note 4)*	Investment manager	365,828,333(L)	5.22%
Value Partners Group Limited *(Note 4)*	Interests of controlled corporation	365,828,333(L)	5.22%
Cheah Capital Management Limited *(Note 4)*	Interests of controlled corporation	365,828,333(L)	5.22%
Mr. Cheah Company Limited *(Note 4)*	Interests of controlled corporation	365,828,333(L)	5.22%
Hang Seng Bank Trustee International Limited *(Note 4)*	Trustee	365,828,333(L)	5.22%
Cheah Cheng Hye *(Note 4)*	Interests of controlled corporation and person who has set up discretionary trust	365,828,333(L)	5.22%
Ms. To Hau Yin *(Note 4)*	Interests of spouse	365,828,333(L)	5.22%

(L) denotes long position

Notes:

1. Giant Glory Assets Limited is a company wholly-owned by Mr. Dai Zhikang, an executive Director and the chairman of the Company. Mr. Dai Zhikang is therefore deemed to be interested in these 2,733,990,000 Shares held by Giant Glory Assets Limited pursuant to the SFO.

2. Mr. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 77.67% control of Fosan International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Company Limited, which has 47.12% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited. Thus, Mr. Guo Guangchang is deemed to be interested in these 600,000,000 Shares held by China Alliance Properties Limited pursuant to the SFO.

3. Ms. Liu Lijian is the beneficial owner of the entire issued share capital of Honour Great Holdings Limited and therefore is deemed to be interested in the 538,130,000 Shares held by Honour Great Holdings Limited pursuant to the SFO.

4. Interests in these 365,828,333 Shares include derivative interests in 265,833,333 Shares. Hang Seng Bank Trustee International Limited has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hey also has 100% control of Cheah Capital Management Limited and is the founder of the CH Cheah Family Trust. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye, therefore, she is deemed to be interested in these Shares pursuant to the SFO.

Save as disclosed above, as at 31 December 2007, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year 2007.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2007, the Group's sales to the five largest customers accounted for 17% of the Group's turnover for the year, of which the largest customer accounted for 4% of the Group's turnover for the year.

During the year 2007, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 4% and 13% respectively, of the Group's total purchases for the year.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 52 to the financial statements.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo Limited as auditors of the Company.

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 10 April 2008, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Dai Zhikang
Director
10 April 2008

CORPORATE GOVERNANCE REPORT

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are in the opinion that the Company has met the code provisions in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The composition of the board of Directors (the "Board") for the year ended 31 December 2007 was as follows:

Executive Directors

Mr. Dai Zhikang *(chairman)*
Mr. Fang Bin
Mr. Zhang Wei
Mr. Lu Puling
Mr. Wang Xiangang
Mr. Tang Jian
Mr. Ye Wenbin

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

For the year ended 31 December 2007, 13 Board meetings were held, among which Mr. Dai Zhikang attended 6 Board meetings, Mr. Fang Bin attended 12 Board meetings, Mr. Zhang Wei attended 12 Board meetings, Mr. Lu Puling attended nil Board meetings, Mr. Wang Xiangang attended 7 Board meetings, Mr. Tang Jian attended 12 Board meetings and Mr. Ye Wenbin attended 8 Board meetings, Mr. Lai Chik Fan attended 1 Board meetings, Mr. Lo Mun Lam, Raymond attended 2 Board meetings and Dr. Tse Hiu Tung, Sheldon attended 1 Board meetings.

The independent non-executive Directors were appointed for a fixed term of 2 years, with Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan's term commencing from 1 January 2007 and Dr. Tse Hiu Tung, Sheldon's term commencing from 14 October 2007.

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Fang Bin, the Company's chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Fang Bin. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. Mr. Dai Zhikang was responsible for overseeing the management of the Board whereas Mr. Fang Bin was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

REMUNERATION OF DIRECTORS

The remuneration committee was responsible for, among others, making recommendations on the remuneration of Directors and was responsible for approving any change to existing remuneration package made available to the Directors. The remuneration committee consists of Mr. Tang Jian, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. The remuneration committee did not hold any meeting during the year as no change to the remuneration package had been made to any of the Directors.

NOMINATION OF DIRECTORS

Candidates for proposed appointment of Directors were first nominated by one of the executive Directors and were assessed according to their work experience and academic achievements in the past. For the year ended 31 December 2007, nil meeting was held by the Board in relation to nomination of Directors as there was no proposal received for nomination of new Directors.

AUDITORS' REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2007, the Group has engaged its auditors to provide non-audit service in relation to the Company's issue of US$150 million fixed rate senior notes (details of the issue of the senior notes were set out in the announcement of the Company dated 21 May 2007). The services were related to the review and report of certain financial information contained in the Offering Memorandum dated 30 May 2007 in relation to the issue of the notes. The auditors were remunerated according to the complexity and time required for the assignment and the prevailing market conditions. The fee paid for such service was approximately HK$260,000.

AUDIT COMMITTEE

The audit committee comprised of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2007, the audit committee held 2 meetings, which all of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon attended 2 meetings. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditors regarding their works performed. The Company's annual results for the year ended 31 December 2007 has been reviewed by the audit committee.

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO McCabe Lo Limited, the auditors of the Group are stated in the auditors' report on pages 30 to 31 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors.

INDEPENDENT AUDITOR'S REPORT

BDO McCabe Lo Limited
Certified Public Accountants
德豪嘉信會計師事務所有限公司

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TO THE SHAREHOLDERS OF
SHANGHAI ZENDAI PROPERTY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Zendai Property Limited set out on pages 32 to 120, which comprise the consolidated and Company balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

BDO McCabe Lo Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 10 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	**1,556,209**	1,401,553
Cost of sales		**(937,488)**	(1,011,932)
Gross profit		**618,721**	389,621
Other income and gains	5	**91,415**	49,188
Distribution costs		**(44,845)**	(14,598)
Administrative expenses		**(69,333)**	(51,073)
Other operating expenses		**–**	(60,779)
Fair value gain/(loss) on investment properties		**192,665**	(18,836)
Profit from operations	7	**788,623**	293,523
Share of results of associates		**5,139**	(43,302)
Gain on disposal of an associate		**–**	124,182
Finance costs	9	**(94,376)**	(29,913)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	10	**944**	80,240
Profit before income tax expense		**700,330**	424,730
Tax expenses	12	**(343,065)**	(155,867)
Profit for the year		**357,265**	268,863
Attributable to:			
– Equity holders of the Company		**309,013**	230,481
– Minority interests		**48,252**	38,382
		357,265	268,863
Earnings per share	14		
Basic		**HK5.0 cents**	HK4.6 cents
Diluted		**HK4.7 cents**	HK4.2 cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**12,822**	12,942
Investment properties	16	**955,107**	293,597
Goodwill	18	**172,281**	60,131
Investment in an associate	20	**72,606**	–
Investment in a jointly controlled entity	21	**62,385**	–
Deposits for acquisition of investment properties	22	**–**	262,283
Available-for-sale investments	23	**24,858**	17,809
Restricted cash	24	**–**	500
Total non-current assets		**1,300,059**	647,262
Current assets			
Properties for development and sales	25	**3,818,309**	2,359,963
Trade and other receivables	26	**254,021**	156,228
Deposits for property development	27	**5,105**	64,073
Financial assets at fair value through profit or loss	28	**103,584**	36,086
Available-for-sale investments	23	**3,419**	3,200
Amounts due from related companies	29	**43,767**	10,580
Amount due from a minority owner of a subsidiary	30	**908**	17,127
Tax prepayment	37	**18,892**	2,675
Cash and cash equivalents	40	**1,327,861**	587,055
Total current assets		**5,575,866**	3,236,987
Assets classified as held for sale	31	**32,471**	–
Total assets		**6,908,396**	3,884,249
Liabilities			
Current liabilities			
Trade and other payables	32	**650,431**	378,704
Receipts in advance from customers		**1,067,051**	478,276
Amounts due to related companies	33	**190**	57,545
Amount due to a minority owner of a subsidiary	34	**33,632**	30,679
Bank loans	35	**198,776**	350,689
Convertible notes	36	**64,894**	138,259
Tax payable	37	**459,532**	218,264
Total current liabilities		**2,474,506**	1,652,416
Net current assets		**3,101,360**	1,584,571
Total assets less current liabilities		**4,433,890**	2,231,833

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Bank loans	*35*	**510,160**	463,625
Convertible notes	*36*	**–**	64,686
Senior loan notes	*38*	**1,135,998**	–
Deferred tax liabilities	*39*	**258,207**	105,580
Total non-current liabilities		**1,904,365**	633,891
Total liabilities		**4,378,871**	2,286,307
TOTAL NET ASSETS		**2,529,525**	1,597,942
Capital and reserves attributable to equity holders of the Company			
Share capital	*43*	**140,075**	115,575
Reserves		**1,986,624**	1,250,052
Equity attributable to equity holders of the Company		**2,126,699**	1,365,627
Minority interests		**402,826**	232,315
TOTAL EQUITY		**2,529,525**	1,597,942

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*15*	**49**	68
Investments in subsidiaries	*19*	**227,936**	100,001
Total non-current assets		**227,985**	100,069
Current assets			
Other receivables	*26*	**669**	244
Amounts due from subsidiaries	*19*	**1,617,562**	791,396
Cash and cash equivalents	*40*	**579,477**	97,354
Total current assets		**2,197,708**	888,994
Total assets		**2,425,693**	989,063
Liabilities			
Current liabilities			
Other payables	*32*	**80,148**	700
Amounts due to subsidiaries	*19*	**238,231**	200,869
Convertible notes	*36*	**64,894**	138,259
Total current liabilities		**383,273**	339,828
Net current assets		**1,814,435**	549,166
Total assets less current liabilities		**2,042,420**	649,235
Non-current liabilities			
Convertible notes	*36*	**–**	64,686
Senior loan notes	*38*	**1,135,998**	–
Deferred tax liabilities	*39*	**–**	3,110
Total non-current liabilities		**1,135,998**	67,796
Total liabilities		**1,519,271**	407,624
TOTAL NET ASSETS		**906,422**	581,439
Capital and reserves attributable to equity holders of the Company			
Share capital	*43*	**140,075**	115,575
Reserves	*44*	**766,347**	465,864
TOTAL EQUITY		**906,422**	581,439

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2007

	Share capital *(Note 43)* HK$'000	Share premium *(Note 44 (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 44(b))* HK$'000	Special capital reserve *(Note 44(c))* HK$'000	Statutory surplus reserve HK$'000	Convertible notes reserve *(Note 44 (d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(Note)* HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	98,225	249,314	1,074	–	68,541	19,849	1,034	204,699	8,358	–	651,094	143,996	795,090
Translation differences on overseas operation	–	–	–	–	–	–	–	–	27,637	–	27,637	6,806	34,443
Profit for the year	–	–	–	–	–	–	–	230,481	–	–	230,481	38,382	268,863
Total recognised income and expenses	–	–	–	–	–	–	–	230,481	27,637	–	258,118	45,188	303,306
Reduction of share premium *(Note 44(b))*	–	(249,314)	–	157,315	–	–	–	91,999	–	–	–	–	–
Issue of shares	16,000	236,000	–	–	–	–	–	–	–	–	252,000	–	252,000
Transaction costs attributable to issue of new shares	–	(7,835)	–	–	–	–	–	–	–	–	(7,835)	–	(7,835)
Revaluation of properties for development and sales upon acquisition of additional interest in associates	–	–	–	–	–	–	–	–	–	214,931	214,931	23,591	238,522
Release of revaluation reserve on disposal of properties for development and sales	–	–	–	–	–	–	–	–	–	(33,540)	(33,540)	(3,642)	(37,182)
Issue of shares upon conversion of convertible notes	1,350	14,850	–	–	–	–	(209)	209	–	–	16,200	–	16,200
Equity component of convertible notes	–	–	–	–	–	–	17,769	–	–	–	17,769	–	17,769
Deferred tax liabilities	–	–	–	–	–	–	(3,110)	–	–	–	(3,110)	–	(3,110)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	3,573	3,573
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	19,609	19,609
At 31 December 2006	115,575	243,015	1,074	157,315	68,541	19,849	15,484	527,388	35,995	181,391	1,365,627	232,315	1,597,942

	Share capital (Note 43) HK$'000	Share premium (Note 44 (a)) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (Note 44(b)) HK$'000	Special capital reserve (Note 44(c)) HK$'000	Statutory surplus reserve HK$'000	Convertible notes reserve (Note 44 (d)) HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve (Note) HK$'000	Equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	115,575	243,015	1,074	157,315	68,541	19,849	15,484	527,388	35,995	181,391	1,365,627	232,315	1,597,942
Translation differences on overseas operation	–	–	–	–	–	–	–	–	110,560	–	110,560	24,879	135,439
Profit for the year	–	–	–	–	–	–	–	309,013	–	–	309,013	48,252	357,265
Total recognised income and expenses	–	–	–	–	–	–	–	359,013	110,560	–	419,573	73,131	492,704
Issue of shares	12,000	258,000	–	–	–	–	–	–	–	–	270,000	–	270,000
Transaction costs attributable to issue of new shares	–	(334)	–	–	–	–	–	–	–	–	(334)	–	(334)
Release of revaluation reserve on disposal of properties for development and sales	–	–	–	–	–	–	–	–	–	(70,365)	(70,365)	(11,540)	(81,905)
Issue of shares upon conversion of convertible notes	12,500	126,588	–	–	–	–	(17,769)	17,769	–	–	139,088	–	139,088
Reverse of deferred tax liabilities	–	–	–	–	–	–	3,110	–	–	–	3,110	–	3,110
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	28,249	28,249
Contribution by a minority owner	–	–	–	–	–	–	–	–	–	–	–	132,479	132,479
Distribution to minority owner	–	–	–	–	–	–	–	–	–	–	–	(51,808)	(51,808)
Transfer to statutory surplus reserve	–	–	–	–	–	36,341	–	(36,341)	–	–	–	–	–
At 31 December 2007	140,075	627,269	1,074	157,315	68,541	56,190	825	817,829	146,555	111,026	2,126,699	402,826	2,529,525

Note: Other revaluation reserve was arising from the revaluation of properties for sales upon acquisition of additional interest in associates. The reserve will be released to income statement on the disposal of relevant properties.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit before income tax expense		**700,330**	424,730
Adjustments for:			
Interest income		**(28,355)**	(4,684)
Dividend income		**(550)**	(529)
Interest expense		**118,065**	55,064
Gain on disposal of assets classified as held for sale		**–**	(22,059)
Release of revaluation reserve on disposal of properties		**(70,365)**	–
Fair value gain on financial assets at fair value through profit or loss		**(22,505)**	(3,177)
(Gain)/loss on disposal of financial assets at fair value through profit or loss		**(32,223)**	9,266
Loss on disposal of property, plant and equipment		**–**	53
Written off of property, plant and equipment		**64**	–
Gain on disposal of available-for-sales investment		**(518)**	–
Gain on disposal of an associate		**–**	(124,182)
Loss on disposal of a subsidiary		**181**	–
Reversal of impairment loss on deposits for property development		**–**	(13,725)
Fair value (gain)/loss on investment properties		**(192,665)**	18,836
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	*10*	**(944)**	(80,240)
Depreciation of property, plant and equipment		**3,384**	2,334
Share of results of an associate		**(5,139)**	43,302
Operating profit before working capital changes		**468,760**	304,989
(Increase)/decrease in trade and other receivables		**(123,601)**	154,578
(Increase)/decrease in properties for development and sales		**(371,231)**	36,525
Decrease in deposits for property development		**63,349**	178,848
Increase in amounts due from associates		**–**	(37,059)
(Increase)/decrease in amounts due from related companies		**(32,551)**	11,269
(Increase)/decrease in amount due from a minority owner of a subsidiary		**(908)**	16,000
Increase/(decrease) in trade and other payables		**22,808**	(49,688)
Increase/(decrease) in receipts in advance from customers		**556,072**	(893,964)
Increase in amounts due to associates		**–**	14,536
(Decrease)/increase in amounts due to related companies		**(61,512)**	43,931
Increase in amount due to a minority owner of a subsidiary		**855**	30,679
Cash generated from/(used in) operations		**522,041**	(189,356)
Interest received		**28,355**	4,684
Interest paid		**(115,505)**	(48,781)
Income taxes paid		**(109,634)**	(64,313)
Net cash from/(used in) operating activities carried forward		**325,257**	(297,766)

	Notes	2007 HK$'000	2006 HK$'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired	*45a*	**(683,734)**	(9,901)
Acquisition of additional interest in a subsidiary		**–**	(30,000)
Purchase of property, plant and equipment		**(2,429)**	(864)
Proceeds from disposal of property, plant and equipment		**–**	439
Proceeds from disposal of an associate		**–**	143,659
Purchase of financial assets at fair value through profit or loss		**(78,456)**	(44,120)
Proceeds from disposal of financial assets at fair value through profit or loss		**65,546**	5,869
Proceeds from disposal of assets classified as held for sale		**–**	147,500
Proceeds from disposal of available-for-sale investment		**518**	1,892
Disposal of a subsidiary, net of cash disposed of	*46*	**255**	–
Deposits for acquisition of investment properties		**(184,428)**	(219,396)
Purchase of available-for-sale investments		**(6,944)**	(3,200)
Dividends received		**550**	529
Investment in an associate		**(67,467)**	–
Net cash used in investing activities		**(956,589)**	(7,593)
Financing activities			
Increase in bank borrowings		**176,283**	288,232
Repayment of bank borrowings		**(330,765)**	(220,031)
Proceeds from issue of shares		**270,000**	252,000
Proceeds from issue of senior loan notes		**1,170,000**	–
Transaction costs attributable to issue of senior loan notes		**(34,002)**	–
Transaction costs attributable to issue of new shares		**(334)**	(7,835)
Contribution by a minority owner of a subsidiary		**132,479**	19,609
Distribution to minority owner of a subsidiary		**(51,808)**	–
Proceeds from issue of convertible notes		**–**	150,000
Net cash flows from financing activities		**1,331,853**	481,975
Net increase in cash and cash equivalents		**700,521**	176,616
Cash and cash equivalents at beginning of year		**587,055**	361,598
Effect of foreign exchange rate changes		**40,285**	48,841
Cash and cash equivalents at end of year	*40*	**1,327,861**	587,055

1. GENERAL

Shanghai Zendai Property Limited ("the Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office and principal place of business is situated at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 53.

Its parent and the ultimate holding company is Giant Glory Assets Limited, a private company incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. The board of directors considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Company has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for the current accounting period.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "HKFRS 7 Financial instruments: Disclosure" and "Amendment to HKAS 1, Presentation of financial statements: Capital disclosures" resulted a much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information have been restated to achieve a consistent presentation.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Potential impact arising on the new accounting standards not yet effective

The Company has not yet applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the impact of these new and revised HKFRSs cannot be reasonable estimated except for the adoption of HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosure and the adoption of HKAS 27 (Revised) and HKFRS 3 (Amendment) may result in a change in accounting policy.

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

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Use of estimate and judgment

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(d) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Basis of consolidation *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

(e) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company has the power 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.

(f) Associates

Where the Group has the power to participate in (but not control or joint control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are accounted for using the equity method whereby they are initially recognised in the consolidated balance sheet at cost and thereafter, they are accounted under the equity method their earnings values are adjusted for the Group's share of the post-acquisition change in the Group's share of the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and subject to impairment in the same way as goodwill arising on a business combination.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement as share of results of associates.

(g) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of post acquisition results of jointly controlled entities is included in the consolidated income statement. The Group's interests in jointly controlled entities are accounted for using the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition changes in the Group's share of the net assets of the jointly controlled entities.

Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable. The Company's interests in jointly controlled entities are stated at cost less impairment losses, if any.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in the income statement. Interests in jointly controlled entities that are classified as held for sale are accounted for in accordance with HKFRS 5.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in the consolidated income statement up to the date of disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant 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 on 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 to 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences is also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rate approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the foreign exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss: These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. They are carried at fair value with changes in fair value recognised directly in equity.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables

An impairment loss is recognised in the income statement and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Any impairment losses are recognised in the income statement on available-for-sale debt investments, are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Other financial liabilities:
Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities (Continued)

- Bank borrowings and the debt element of convertible debt issued by the Group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iv) Convertible debt

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to retained profits. Where the option remains unexercised at the expiry dates, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contact is discharged, cancelled or expires.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the income statement when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Property, plant and equipment

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The useful lives are as follows:

Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5-20 years

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Properties for development and sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by prevailing market conditions.

(o) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value. Changes in fair value are recognised in the income statement.

(p) Impairment of other non-financial assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- investments in subsidiaries, joint venture and associates

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

Sales of properties

Income from sales of properties is recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities.

Income from travel and related services

Income from travel and related services is recognised when the services are rendered.

Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Dividend income

Dividend income is recognised when the rights to receive the dividend is established.

Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(r) Leases

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. 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. Deferred tax is measured at the tax rates 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 at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(t) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are also discussed below.

(a) Impairment loss on loans and receivables

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectibility and aging analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the annual impairment test described in note 18. The results of the tests undertaken as at 31 December 2007 indicated that no further impairment charge was necessary. The results of the tests undertaken as at 31 December 2006 indicated that impairment charge of HK$9,128,000 was necessary and was recognised in consolidated income statement in the year.

(c) Land appreciation taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to LAT in the People's Republic of China, other than Hong Kong and Macau (the "PRC") which has been included in tax expenses of the Group. However, the implementation of these tax varies amongst various PRC province and the Group has not finalised its LAT returns with various local tax bureaus. Accordingly, significant estimation is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimation, the Group considers information from a variety of sources including:

(i) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(ii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

(e) Provision for properties for development and sales

The Group assesses the carrying amounts of properties for development and sales according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment.

5. TURNOVER/OTHER INCOME AND GAINS

Turnover represents the aggregate of proceeds from sales of properties, amounts received and receivable for the provision of travel and related services, to outside customers and rental income from investment properties, and is summarised as follows:

	Group	
	2007	2006
Turnover	**HK$'000**	HK$'000
Sales of properties	**1,507,675**	1,360,648
Rental income	**33,167**	18,719
Travel and related services	**15,367**	22,186
	1,556,209	1,401,553

	Group	
	2007	2006
Other income and gains	**HK$'000**	HK$'000
Fair value gains on financial assets at fair value through profit or loss	**22,505**	3,177
Gain on disposal of financial assets at fair value through profit or loss	**32,223**	–
Bank interest income	**28,355**	4,684
Gain on disposal of assets classified as held for sale	**–**	22,059
Rental income from car parks	**1,161**	350
Dividend income from listed equity securities	**550**	529
Gain on disposal of available-for-sale investment	**518**	–
Exchange gain, net	**574**	548
Reversal of impairment loss on deposit of property development	**–**	13,725
Others	**5,529**	4,116
	91,415	49,188

6. SEGMENT INFORMATION

(a) Business segment

For management purpose, the Group is currently organised into three operating divisions, sales of properties, provision of travel and related services and properties investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business is presented below:

	Sales of properties		Travel and related services		Properties investment		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue – external sales	**1,507,675**	1,360,648	**15,367**	22,186	**33,167**	18,719	**1,556,209**	1,401,553
Results								
Segment results	**538,928**	266,597	**(1,000)**	26	**218,183**	(8,948)	**756,111**	257,675
Unallocated corporate income							**91,531**	50,892
Unallocated corporate expenses							**(59,019)**	(15,044)
Profit from operations							**788,623**	293,523
Share of results of associates	**5,139**	(43,302)	**–**	–	**–**	–	**5,139**	(43,302)
Gain on disposal of an associate	**–**	124,182	**–**	–	**–**	–	**–**	124,182
Finance costs							**(94,376)**	(29,913)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**944**	80,240	**–**	–	**–**	–	**944**	80,240
Profit before income tax expense							**700,330**	424,730
Income tax expense							**(343,065)**	(155,867)
Profit for the year							**357,265**	268,863

6. SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

	Sales of properties		Travel and related services		Properties investment		Unallocated		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets										
Segment assets	**5,615,885**	3,042,060	**2,371**	3,840	**1,042,614**	565,294	**–**	–	**6,660,870**	3,611,194
Interests in associates	**72,606**	–	**–**	–	**–**	–	**–**	–	**72,606**	–
Unallocated assets									**174,920**	273,055
Total assets									**6,908,396**	3,884,249
Liabilities										
Segment liabilities	**2,337,440**	1,182,151	**1,946**	2,918	**1,199**	2,630	**–**	–	**2,340,585**	1,187,699
Unallocated liabilities									**2,038,386**	1,098,608
Total liabilities									**4,378,971**	2,286,307
Other information										
Capital expenditure	**2,348**	723	**81**	141	**–**	–	**–**	–	**2,429**	864
Depreciation	**3,325**	2,204	**59**	70	**–**	–	**–**	60	**3,384**	2,334
Loss on disposal of a subsidiary	**–**	–	**181**	–	**–**	–	**–**	–	**181**	–
Loss on disposal of property, plant and equipment	**–**	53	**–**	–	**–**	–	**–**	–	**–**	53
Written off of property, plant and equipment	**64**	–	**–**	–	**–**	–	**–**	–	**64**	–
Loss on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	9,266	**–**	9,266
Impairment loss on amount due from minority owner	**–**	15,686	**–**	–	**–**	–	**–**	–	**–**	15,686
Impairment loss on other receivables	**–**	45,518	**–**	–	**–**	–	**–**	–	**–**	45,518
Fair value gains on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**22,505**	3,177	**22,505**	3,177
Gain on disposal on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**32,741**	–	**32,741**	–
Fair value gain/(loss) on investment properties	**–**	–	**–**	–	**192,665**	(18,836)	**–**	–	**192,665**	(18,836)
Gain on disposal of assets classified as held for sales	**–**	22,059	**–**	–	**–**	–	**–**	–	**–**	22,059
Gain on disposal of available-for-sales investment	**–**	–	**–**	–	**–**	–	**518**	–	**518**	–
Reversal of impairment loss on deposits for property development	**–**	13,725	**–**	–	**–**	–	**–**	–	**–**	13,725

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segment

The Group's operations are principally located in Hong Kong, Macau and the PRC. Group administration is carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market and analysis of total assets and capital expenditure by the geographical area in which the assets are located.

Group

	Turnover		Carrying amount of assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**1,540,842**	1,379,366	**6,797,401**	3,622,063	**2,348**	14,455
Hong Kong	**13,201**	17,574	**110,996**	260,761	**81**	136
Macau	**2,166**	4,613	**–**	1,425	**–**	5
	1,556,209	1,401,553	**6,908,397**	3,884,249	**2,429**	14,596

7. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Group	
	2007	2006
	HK$'000	HK$'000
Staff costs *(note 8)*	**39,560**	30,215
Depreciation of property, plant and equipment	**3,384**	2,334
Auditor's remuneration	**2,614**	1,154
Loss on disposal of a subsidiary *(note 46)*	**181**	–
Loss on disposal of financial assets at fair value through profit or loss	**–**	9,266
Loss on disposal of property, plant and equipment	**–**	53
Written off of property, plant and equipment	**64**	–
Impairment loss on amount due from a minority owner of a subsidiary	**–**	15,686
Impairment loss on other receivables	**–**	45,518
Share of tax of associates (included in share of results of associates)	**–**	35,473
and after crediting:		
Gross rental income from investment properties	**33,167**	18,719
Less: direct operating expenses from investment properties that generated rental income during the year	**–**	–
	33,167	18,719

8. STAFF COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**38,433**	29,682
Contributions to defined contribution retirement plans	**1,127**	533
	39,560	30,215

9. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**23,710**	25,162
Interest on bank loans repayable after five years	**20,079**	16,722
Less: amount capitalised in properties for sales	**(23,689)**	(25,151)
	20,100	16,733
Interest on convertible notes *(note 36)*	**7,326**	13,180
Interest on senior loan notes *(note 38)*	**66,950**	–
	94,376	29,913

10. EXCESS OF THE GROUP'S INTEREST IN THE NET FAIR VALUE OF ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER COST

	Group	
	2007	2006
	HK$'000	HK$'000
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost on:		
Acquisition of additional interests from associates to subsidiaries *(note 45(b))*	**–**	76,464
Acquisition of additional interest in a subsidiary	**–**	3,776
Acquisition of subsidiaries *(note 45(a))*	**944**	–
	944	80,240

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Group	
	2007	2006
	HK$'000	HK$'000
Details of directors' remuneration are as follows:		
Fees:		
– Executive directors	**–**	–
– Independent non-executive directors	**360**	360
	360	360
Other emoluments:		
– basic salaries and allowances for executive directors	**4,352**	4,493
– retirement benefits scheme contributions	**226**	194
	4,938	5,047

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

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

11. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

Details of directors' remuneration for the year ended 31 December 2007 are as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Dai Zhikang	–	1,079	12	1,091
Mr. Tang Jian	–	836	52	888
Mr. Fang Bin	–	703	41	744
Mr. Zhang Wei	–	666	41	707
Mr. Wang Xiangang	–	567	40	607
Mr. Ye Wenbin	–	501	40	541
Independent non-executive directors:				
Mr. Lai Chik Fan	120	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	120
Mr. Tse Hi Tang, Sheldon	120	–	–	120
Total	360	4,352	226	4,938

11. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' remuneration *(Continued)*

Details of directors' remuneration for the year ended 31 December 2006 are as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Dai Zhikang	–	1,061	12	1,073
Mr. Tang Jian	–	822	46	868
Mr. Fang Bin	–	721	34	755
Mr. Zhang Wei	–	703	34	737
Mr. Wang Xiangang	–	621	34	655
Mr. Ye Wenbin	–	565	34	599
Independent non-executive directors:				
Mr. Lai Chik Fan	120	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	120
Mr. Tse Hi Tang, Sheldon	120	–	–	120
Total	360	4,493	194	5,047

(b) The five highest paid individuals

In the year ended 31 December 2007, the five highest paid individuals included four directors and the remuneration of the remaining individual was within remuneration band of less than HK$1,000,000. For the year ended 31 December 2006, the five highest paid individuals were all directors of the Company and details of their remuneration are included in note 11(a) above.

12. TAX EXPENSES

The amount of tax expenses in the consolidated income statement represents:

	Group	
	2007	2006
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**105,578**	81,651
– under/(over) provision in respect of prior years	**35,187**	(15,902)
	140,765	65,749
Current tax – LAT		
– tax for the year	**182,140**	25,565
– tax attributable to sales in prior years	**7,250**	80,444
	189,390	106,009
Deferred tax *(note 39)*		
– current year	**9,718**	(15,891)
– effect of change in tax rate	**3,192**	–
	12,910	(15,891)
	343,065	155,867

Hong Kong Profits Tax and Macau Complementary Income Tax

No provision for Hong Kong Profits Tax and Macau Complementary Income Tax has been made as the Group has no assessable profit in Hong Kong and Macau for the year ended 31 December 2007 and 2006.

PRC Enterprise Income Tax

PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 15% to 33% (2006: 15% to 33%).

12. TAX EXPENSES *(Continued)*

PRC Enterprise Income Tax *(Continued)*

The Tenth National People's congress enacted a new Enterprise Income Tax Law ("EIT Law") on 16 March 2007, which provides for a unified income tax rate of 25% to both domestic enterprises and foreign-invested enterprises. The new tax law will become effective on 1 January 2008. As a result, the tax rate for domestic enterprises will be reduced to 25%, whereas the tax rate for foreign-invested enterprises that have enjoyed preferential tax treatment, shall have five years from the time when the EIT Law takes effect to transition progressively to the legally prescribed tax rate. During this period, an enterprise that enjoyed the 15% enterprise income tax rate shall be subject to the 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012; an enterprise that previously enjoyed the 24% tax rate shall be subject to the 25% tax rate starting the year 2008.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

12. TAX EXPENSES *(Continued)*

LAT *(Continued)*

The income tax expense for the year can be reconciled to the profit per the consolidated income statement as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax expense	**700,330**	424,730
Tax calculated at the Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**122,558**	74,328
Tax effect of share of result of associate	**899**	7,577
Tax effect of expenses not deductible for tax purposes	**27,566**	27,562
Tax effect of revenue not taxable for tax purposes	**(29,059)**	(25,589)
Tax effect of tax losses not recognised	**26,575**	22,779
Utilisation of tax losses previously not recognised	**(3,938)**	(8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,310**	(22,338)
Effect on opening deferred tax balances resulting from the change in applicable tax rate	**2,720**	–
Under/(over) provision in respect of prior years	**35,187**	(15,902)
	186,818	68,409
LAT	**189,390**	106,009
Tax effect of LAT deductible for calculation of income tax purpose	**(33,143)**	(18,551)
	156,247	87,458
Tax expenses	**343,065**	155,867

13. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2006: Nil).

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2007 **HK$'000**	2006 HK$'000
Profit attributable to equity holders	**309,013**	230,481
Weighted average number of ordinary shares in issue (thousands)	**6,228,396**	4,972,451
Basic earnings per share (HK cents per share)	**5.0**	4.6

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares on convertible notes issued.

	2007 **HK$'000**	2006 HK$'000
Profit attributable to equity holders	**309,013**	230,481
Adjustments for interest on convertible notes	**7,326**	13,180
Profit attributable to equity holders for diluted earnings per share	**316,339**	243,661
Weighted average number of ordinary shares in issue (thousands)	**6,228,396**	4,972,451
Effect of dilutive potential ordinary shares on convertible notes (thousands)	**523,367**	879,244
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**6,751,763**	5,851,695
Diluted earnings per share (HK cents per share)	**4.7**	4.2

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2007				
Cost				
At 1 January 2007	**7,878**	**456**	**9,889**	**18,223**
Exchange differences	**687**	**19**	**778**	**1,484**
Acquired through business combinations	**182**	**–**	**107**	**289**
Assets classified as held for sale	**(353)**	**–**	**(468)**	**(821)**
Additions	**408**	**77**	**1,944**	**2,429**
Written off	**(181)**	**–**	**(30)**	**(211)**
Disposal of a subsidiary	**(141)**	**(34)**	**(71)**	**(246)**
At 31 December 2007	**8,480**	**518**	**12,149**	**21,147**
Accumulated depreciation				
At 1 January 2007	**2,538**	**145**	**2,598**	**5,281**
Exchange differences	**323**	**3**	**287**	**613**
Assets Classified as held for sale	**(88)**	**–**	**(493)**	**(581)**
Provided for the year	**1,974**	**93**	**1,317**	**3,384**
Eliminated on written off	**(123)**	**–**	**(24)**	**(147)**
Disposal of a subsidiary	**(127)**	**(34)**	**(64)**	**(225)**
At 31 December 2007	**4,497**	**207**	**3,621**	**8,325**
2006				
Cost				
At 1 January 2006	5,237	341	3,300	8,878
Exchange differences	322	11	273	606
Acquired through business combinations	3,609	–	5,952	9,561
Additions	316	104	444	864
Disposals	(1,606)	–	(80)	(1,686)
At 31 December 2006	7,878	456	9,889	18,223
Accumulated depreciation				
At 1 January 2006	2,180	59	1,677	3,916
Exchange differences	131	–	94	225
Provided for the year	1,390	86	858	2,334
Eliminated on disposals	(1,163)	–	(31)	(1,194)
At 31 December 2006	2,538	145	2,598	5,281
Net book values				
At 31 December 2007	**3,983**	**311**	**8,528**	**12,822**
At 31 December 2006	5,340	311	7,291	12,942

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2007			
Cost			
At 1 January 2007	**37**	**254**	**291**
Additions	**–**	**30**	**30**
At 31 December 2007	**37**	**284**	**321**
Accumulated depreciation			
At 1 January 2007	**32**	**191**	**223**
Provided for the year	**4**	**45**	**49**
At 31 December 2007	**36**	**236**	**272**
2006			
Cost			
At 1 January 2006	37	244	281
Additions	–	10	10
At 31 December 2006	37	254	291
Accumulated depreciation			
At 1 January 2006	25	140	165
Provided for the year	7	51	58
At 31 December 2006	32	191	223
Net book values			
At 31 December 2007	**1**	**48**	**49**
At 31 December 2006	5	63	68

16. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Fair value		
At beginning of year	**293,597**	–
Exchange difference	**5,724**	–
Transfer from deposits for acquisition of investment properties *(note 22)*	**463,121**	257,112
Transfer from properties for sales	**–**	55,321
Fair value changes	**192,665**	(18,836)
At end of the year	**955,107**	293,597

17. ANALYSIS OF INVESTMENT PROPERTIES

(a) The analysis of the carrying amount of investments properties is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Lands and buildings held in the PRC:		
– Long lease	**55,534**	33,597
– Medium-term lease	**899,573**	260,000
	955,107	293,597

(b) The Group's investment properties with carrying amount of HK$912,393,000 and HK$42,714,000 were revalued at 31 December 2007 on an open market value basis by qualified valuers, Jones Lang LaSalle Sallmanns Limited and 上海長信資產評估有限公司respectively, the independent firms of surveyors. The basis of fair value estimation is disclosed in note 4(d).

(c) Investment properties with carrying amount of HK$883,526,000 (2006: HK$260,000,000) are pledged to bank to secure bank loans granted to the Group (note 35).

18. GOODWILL

Group

	HK$'000
Cost	
At 1 January 2006	9,128
Exchange differences	350
Transferred from interests in associates *(note 20(b))*	41,710
Arising from business combinations *(note 45(b))*	512
Arising from acquisition of additional interests from associates to subsidiaries	17,559
Impairment	(9,128)
At 31 December 2006 and 1 January 2007	60,131
Exchange differences	3,977
Arising from business combinations *(Note 45(a))*	108,173
At 31 December 2007	172,281

The carrying amount of goodwill as at 31 December 2007 allocated to five subsidiaries in the sales of properties segment is as follows:

	2007 HK$'000	2006 HK$'000
Sales of properties		
– 上海証大三角洲置業有限公司	**31,963**	30,043
– 上海天海有限責任公司	**31,598**	29,576
– 嘉興市東方名家房地產開發有限公司	**547**	512
– Lanrich International Limited	**65,417**	–
– 上海恒錦房地產開發有限公司	**42,756**	–
	172,281	60,131

18. GOODWILL *(Continued)*

Goodwill acquired through business combination has been allocated to the Group's cash-generating unit ("CGU"), identified according to business segment, for impairment testing. The recoverable amount of each CGU is determined based on value-in-use calculations. The calculation primarily uses cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimation involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realized for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectorations. The discount rate applied to the cash flow projections is 13% (2006: 12%). Cash flows beyond the five-year period are extrapolated using the estimated growth rate. The growth rate does not exceed the projected long-term average growth rate for property development in the PRC. Estimation is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

The carrying values of goodwill were tested for impairment as at 31 December 2007 and 2006. The results of tests undertaken at 31 December 2007 indicated no further impairment charge was necessary. The results of the tests undertaken as at 31 December 2006 indicated that impairment charge of HK$9,128,000 was necessary and was recognised in consolidated income statement in the year.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**227,936**	100,001
Amounts due from subsidiaries	**1,617,562**	791,396
Amounts due to subsidiaries	**(238,231)**	(200,869)

Particulars of the Company's principal subsidiaries at 31 December 2007 are set out in note 53.

As at 31 December 2007 and 2006, the amounts due from/to subsidiaries are unsecured, interest free and repayable on demand and included in the Company's current assets and current liabilities respectively.

20. INVESTMENT IN AN ASSOCIATE

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets other than goodwill	**72,606**	–
Goodwill *(note (b))*	**–**	–
	72,606	–

20. INVESTMENT IN AN ASSOCIATE *(Continued)*

The investment is unlisted shares and details of the Group's associate at 31 December 2007 are as follows:

Name of associate	Place of establishment and operations	Paid-up registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Zongke Langfang Technology Valley Company Limited (中科廊坊科技谷有限公司)	The PRC	RMB200,000,000	30%	Property development

(a) The summarised financial information for the year ended 31 December 2007 in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**343,627**	–
Total liabilities	**(101,605)**	–
Net assets	**242,022**	–
Group's share of net assets of associates	**72,606**	–
Revenue	**–**	–
Loss for the year	**4,961**	–
Group's share of losses of the associate for the year	**–**	–
Excess of the Group's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**5,139**	–

The associate was acquired near year end, no post acquisition loss was shared by the Group as the loss was insignificant.

20. INVESTMENT IN AN ASSOCIATE *(Continued)*

(b) As at 1 January 2006, included in the interests in associates is goodwill of HK$40,219,000 arising on acquisition of associates. During the year ended 31 December 2006, the Group had acquired further interests in associates as detailed in note 45(b) and the associates became the subsidiaries of the Group subsequent to the acquisition. The movement of goodwill is set out below:

Group

	2007 **HK$'000**
Cost	
At 1 January 2006	**40,219**
Exchange adjustment	**1,491**
Transferred to goodwill of the Group *(note 18)*	**(41,710)**
At 31 December 2006	**–**

(c) In August 2006, the Group disposed of an associate to an independent third party, at a consideration of HK$140,842,000 which resulted in a net gain of HK$124,182,000.

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2007 **HK$'000**	2006 HK$'000
Share of net assets	**62,385**	–

The Group has a 25% interest in a jointly controlled entity,青島上實地產有限公司 which is accounted for using the equity method.

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarised financial information for the year ended 31 December 2007 in respect of the Group's jointly controlled entity is set out below:

	2007 **HK$'000**	2006 HK$'000
Non-current assets	**696**	–
Current assets	**591,531**	–
Current liabilities	**(53,967)**	–
Non-current liabilities	**(288,719)**	–
Net assets	**249,541**	–
Group's share of net assets of jointly controlled entity	**62,385**	–
Income	**2,687**	–
Expenses	**(7,925)**	–
Loss for the year	**(5,238)**	–
Group's share of losses of the jointly controlled entity	**–**	–

The Group's share of 青島上實地產有限公司's capital commitments is HK$1,474,000.

The jointly controlled entity was acquired near year end, no post-acquisition loss was shared by the Group as the loss was insignificant.

Particulars of the Group's jointly controlled entity are as follows:

Name of jointly controlled entity	**Place of establishment and operations**	**Paid-up registered capital**	**Proportion of nominal value of issued capital held by the Company**	**Principal activities**
青島上實地產有限公司	The PRC	US$3,620,000	25%	Property development

22. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES

The amount represents deposits paid for the acquisition of investment properties as detailed in note 50(c).

	Group	
	2007	2006
	HK$'000	HK$'000
At the beginning of year	**262,283**	288,461
Exchange difference	**16,410**	11,538
Additions	**184,428**	219,396
Transfer to investment properties	**(463,121)**	(257,112)
At end of year	**–**	262,283

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at cost *(Note (a))*	**21,333**	21,009
Unlisted investment funds, at cost *(Note (b))*	**6,944**	–
	28,277	21,009

	Group	
	2007	2006
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current assets	**3,419**	3,200
Non-current assets	**24,858**	17,809
	28,277	21,009

23. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(a) (i) The above unlisted investment represents investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that the fair value cannot be measured reliably.

(a) (ii) The balance included an investment cost of HK$3.4 million (2006: HK$3.2 million) in a private entity. In August 2006, the Group signed an agreement with an independent third party to acquire 40% equity interest in a limited liability company ("Investee") incorporated in the PRC at a consideration of RMB3.2 million (2006: RMB3.2 million) and advance a loan of RMB21.8 million (2006: RMB16.8 million) to the Investee. The loan was included in the other receivables (Note 26) Pursuant to the agreement, the vendor is entitled to exercise a call option to repurchase the 40% equity interests within one year and the Group is also entitled to exercise a put option to sell the 40% equity interests to the vendor after one year. Upon exercise of these options, the Group is entitled to receive from the vendor a certain sum as stipulated in the agreement. The Group is not entitled to profit distribution from the Investee.

The investment cost of RMB3.2 million (2006: RMB3.2 million) was not classified as investment in an associate under HKAS 28 "Investment in Associates", as the directors believe that the Group is not able to exercise significant influence over the financial and operational decision of the Investee. The investment cost has been classified as available-for-sales financial assets under HKAS 39 "Financial Instruments: Recognition and Measurement".

(b) These funds are operated by the Agricultural Bank of China, according to the funds prospectus, these funds will be invested to listed and unlisted securities in the PRC and other commodities contracts. The expected return to these funds ranging from 4% to 9% as assessed by the issuers. The directors considered that no impairment is required with reference to the past performance of funds with similar nature.

24. RESTRICTED CASH

At 31 December 2006, the amount represents deposits pledged with the Government of Macau Special Administrative Region for provision of travel related service. The subsidiary carrying out the travel related service was disposed of during the year.

25. PROPERTIES FOR DEVELOPMENT AND SALES

	Group	
	2007	2006
	HK$'000	HK$'000
Properties for sale		
– Completed	**1,538,349**	123,439
– Under development	**2,279,960**	2,236,524
	3,818,309	2,359,963

Properties for development and sales with carrying amount of HK$464,552,000 (2006: HK$1,096,350,000) are pledged to banks to secure bank loans granted to the Group.

Accumulated finance cost of approximately HK$124,536,000 (2006: HK$59,631,000) were capitalised in the properties for development and sales.

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note (a))*	**71,759**	80,275	**–**	–
Deposits	**78,825**	4,399	**452**	191
Prepayments	**60,666**	26,558	**217**	53
Other receivables *(note (b))*	**42,771**	44,996	**–**	–
	254,021	156,228	**669**	244

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

(a) The ageing analysis of trade receivables at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current *(i)*	**356**	810
0-30 days past due	**64,299**	1,961
31-60 days past due	**2,288**	883
61-90 days past due	**65**	1,140
91-180 days past due	**73**	2,909
Over 180 days past due	**4,678**	72,572
Amount past due at balance sheet date but not impaired *(ii)*	**71,403**	79,465
	71,759	80,275

(i) The current balance related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$71,403,000 (2006: HK$79,465,000) was past due but not impaired, these related to a number of customers. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 3(k)(ii).

(b) The balance is neither past due nor impaired and there was no recent history of default.

27. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group 2007 HK$'000	Group 2006 HK$'000
Prepayment to property construction contractors	**5,105**	64,073

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2007 HK$'000	Group 2006 HK$'000
Financial assets at fair value through profit or loss (held for trading)		
– Open-ended mutual funds quoted in the PRC at fair value	**1,068**	4,000
– Equity securities listed in Hong Kong at fair value	**102,516**	32,086
	103,584	36,086
Market value of investments listed in Hong Kong	**102,516**	32,086

29. AMOUNTS DUE FROM RELATED COMPANIES

Related companies	Directors having beneficial interests	Group 2007 HK$'000	Group 2006 HK$'000	Maximum amount outstanding during the year HK$'000
上海証大西鎮發展有限公司	Dai Zhikang	**11,303**	10,580	11,303
Zendai Investment Development Limited	Dai Zhikang	**11,956**	–	11,956
証大商業旅遊投資發展有限公司	Dai Zhikang	**20,508**	–	20,508
		43,767	10,580	

The amounts are unsecured, interest-free, repayable on demand and in non-trading nature.

30. AMOUNT DUE FROM A MINORITY OWNER OF A SUBSIDIARY

The amount is unsecured, interest-free, repayable on demand and in non-trading nature.

31. ASSETS CLASSIFIED AS HELD FOR SALE

On 3 April 2008, the Group entered into an agreement with an independent third party to disposal of a subsidiary, 四川博覽置業有限公司 at a consideration of RMB42,160,000. The board anticipates that the sale will be completed in 2008. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated balance sheet.

	2007 **HK$'000**
Property, plant and equipment	**240**
Trade and other receivables	**18,298**
Amounts due from minority owners	**653**
Taxation recoverable	**11,084**
Cash and cash equivalents	**37,687**
	67,962
Trade and other payables	**(35,491)**
Total net assets	**32,471**

32. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Trade payables *(a)*	**324,057**	272,459	**–**	–
Other payables and accruals	**326,374**	106,245	**80,148**	700
	650,431	378,704	**80,148**	700

32. TRADE AND OTHER PAYABLES *(Continued)*

Included in the Group's trade and other payables are the following significant amounts denominated in currencies other than the functional currency of the group entities.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**8,450**	–	**8,450**	–
RMB	**69,698**	–	**69,698**	–

(a)

The ageing analysis of trade payables at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**212,834**	504
0-30 days past due	**34,376**	2,657
31-60 days past due	**2,150**	74,990
61-90 days past due	**926**	5,304
91-180 days past due	**409**	227
181-360 days past due	**1,664**	98,449
Over 360 days past due	**34,198**	68,328
	286,557	250,459
Retention money	**37,500**	22,000
	324,057	272,459

The trade payables mainly represent accrued construction costs payable to contractors and the amounts will be paid upon the completion of cost verification process between the contractors and the Group.

33. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free, repayable on demand and non-trading nature. The Company's director, Mr. Dai Zhikang, has beneficial interests in these related companies.

34. AMOUNT DUE TO A MINORITY OWNER OF A SUBSIDIARY

The amount was unsecured, interest-free, repayable on demand and in non-trading nature.

35. BANK LOANS

	Group	
	2007	2006
	HK$'000	HK$'000
Secured *(note (a))*	**612,782**	769,314
Unsecured	**96,154**	45,000
	708,936	814,314
Bank loans repayable:		
Within one year	**198,776**	350,689
In the second year	**323,594**	33,169
In the third year	**37,252**	254,751
In the forth year	**39,553**	36,443
In the fifth year	**42,051**	38,252
More than five years	**67,710**	101,010
	708,936	814,314
Less: Amount due within one year shown under current liabilities	**(198,776)**	(350,689)
Amount due after one year	**510,160**	463,625

(a) The bank loans are secured by the Group's investment properties (note 17) and properties for development and sales (note 25).

Bank loans include approximately HK$240,385,000 (2006: HK$228,000,000) fixed-rate borrowings which carry interest arranging from 6.12% to 7.88% (2006: 5.12% to 6.30%) per annum. The remaining bank loans are variable-rate borrowings which carry interest ranging from 4.57% to 7.56% (2006: 4.94% to 6.63%) per annum.

35. BANK LOANS *(Continued)*

The effective interest rate at 31 December 2007 and 2006 were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fixed rate borrowings	**6.91%**	5.01%
Floating rate borrowings	**7.08%**	5.19%

Note:

Corporate guarantee had been given by 上海証大投資發展有限公司, which is beneficially owned by Mr. Dai Zhikang, a director and substantial shareholder of the Company.

36. CONVERTIBLE NOTES

The convertible notes recognised in the balance sheet is calculated as follows:

	Group and Company		
	Convertible notes due 2008	**Convertible notes due 2009**	
	(note a)	*(note b)*	**Total**
	HK$'000	HK$'000	HK$'000
Face value of convertible notes issued	80,000	150,000	230,000
Equity component	(1,034)	(17,769)	(18,803)
Liability component on initial recognition	78,966	132,231	211,197

36. CONVERTIBLE NOTES *(Continued)*

The movement of liability component of convertible notes as follows:

	Group and Company		
	Convertible notes due 2008 *(Note a)* HK$'000	**Convertible notes due 2009** *(Note b)* HK$'000	**Total** HK$'000
Liability component at 1 January 2006	80,631	–	80,631
Arising on initial recognition	–	132,231	132,231
Interest expense *(note 9)*	4,152	9,028	13,180
Interest paid	(3,897)	(3,000)	(6,897)
Conversion to share capital	(16,200)	–	(16,200)
Liability component at 31 December 2006	64,686	138,259	202,945
Interest expense *(note 9)*	3,478	3,848	7,326
Interest paid	(3,270)	(3,019)	(6,289)
Conversion to share capital	–	(139,088)	(139,088)
Liability component at 31 December 2007	64,894	–	64,894

	Group and Company	
	2007 **HK$'000**	2006 HK$'000
Liability component of convertible notes analysed for reporting purpose as:		
Current liabilities	**64,894**	138,259
Non-current liabilities	**–**	64,686
	64,894	202,945

36. CONVERTIBLE NOTES *(Continued)*

The fair values of the liability component and the equity component were determined at the issuance of the convertible notes. The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

(a) Pursuant to a subscription agreement dated 1 February 2005 made between Value Partners Limited and the Company, the convertible notes in the principal amount of HK$80,000,000 with interest bearing were issued by the Company.

The convertible notes are, at the option of the holder, convertible in the period from the date after three months from 24 February 2005 to 23 February 2008 inclusive, into fully paid ordinary shares of the Company with a par value of HK$0.02 per share, at an initial conversion price of HK$0.24 per share, subject to adjustment under certain events.

On 20 December 2006, the convertible notes in the principal amount of HK$16,200,000 were converted into fully paid shares at the conversion price of HK$0.24 per share, 67,500,000 shares were issued upon conversion.

The fair value of the liability component of the convertible notes at 31 December 2007 and 2006 amounted to approximately HK$64,894,000 and HK$64,686,000 respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5.5%.

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5.5% to the liability component.

On 21 February 2008, the convertible notes were fully repaid by cash.

36. CONVERTIBLE NOTES *(Continued)*

(b) Pursuant to a subscription agreement dated 24 February 2006 made between Penta Investment Advisers Limited ("Penta Investment") and the Company, the convertible notes in the principal amount of HK$150,000,000 with interest bearing were issued by the Company to Penta Investment.

The interest is payable semi-annually in arrears at 4% per annum in the principal amount outstanding from time to time accruing from 15 March 2006, the date of issue of the convertible notes on a daily basis.

The convertible notes are, at the option of the holder, convertible in the period from 15 March 2006 to 14 February 2009 inclusive, into fully paid ordinary shares of the Company with a par value of HK$0.02 per share, at an initial conversion price of HK$0.24 per share, subject to adjustment under certain events.

The fair value of the liability component of the convertible notes at 31 December 2006 amounted to approximately HK$138,259,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.6%.

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 8.6% to the liability component.

During the year ended 31 December 2007, the convertible notes in the principal amount of HK$150,000,000 were converted into fully paid shares at the conversion price of HK$0.24 per share, 624,999,990 shares were issued upon conversion.

37. TAX PREPAYMENT/PAYABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Tax prepayment		
PRC Enterprise Income Tax prepayments	**18,320**	2,675
LAT prepayment	**572**	–
	18,892	2,675
Tax payable		
PRC Enterprise Income Tax payable	**109,297**	24,524
LAT provision *(note)*		
– attributable to sales in current year	**168,263**	26,076
– attributable to sales in prior years	**181,972**	167,664
	459,532	218,264

Note:

The Group is subject to LAT in the PRC. However, the implementation of these tax varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus except the Sichuan project completed in 2005.

For the year ended 31 December 2005, the local tax bureaus in Sichuan province collected the LAT of the development project in Sichuan province. Except for the amount of LAT paid in the Sichuan project, no further provision of LAT had been made for any project for the years prior to 31 December 2005 as the Group has not been required to pay LAT by other local tax bureaus.

Starting from October 2006, the local tax bureaus in Shanghai Pudong New District requested the Group to pay 1% to 2% of the proceeds from sale and pre-sale of the Group's properties in Shanghai Pudong New District. On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Local tax bureau, including the Shanghai tax bureaus, are required to issue local implementation in detail. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in according to the requirements of State Administration of Taxation even though detailed implementation rules and procedures have not yet been issued by the relevant local tax bureaus.

38. SENIOR LOAN NOTES

On 6 June 2007, the Group issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007 and it was guaranteed by certain subsidiaries. The Notes are listed on the Singapore Exchange Securities Trading Limited.

39. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities/(assets) recognised and movements during the current and prior years were as follows:

	Group			
	Revaluation of investment properties HK$'000	**Revaluation of properties for sale** HK$'000	**Convertible notes** HK$'000	**Total** HK$'000
At 1 January 2006	–	21,041	–	21,041
Credit to income statement for the year	(2,770)	(13,121)	–	(15,891)
Charge to equity for the year	–	–	3,110	3,110
Arising from acquisitions of additional interest from associates to subsidiaries	–	95,731	–	95,731
Exchange differences	–	1,589	–	1,589
At 31 December 2006	(2,770)	105,240	3,110	105,580
Exchange differences	647	4,707	–	5,354
Charge/(credit) to income statement for the year	45,413	(35,695)	–	9,718
Charge to equity for the year	–	–	(3,110)	(3,110)
Effect of change in tax rate	470	2,722	–	3,192
Arising from business combinations	–	137,473	–	137,473
At 31 December 2007	43,760	214,447	–	258,207

	Company
	Convertible notes HK$'000
At 1 January 2006 and at 31 December 2006	3,110
Charge to equity for the year	(3,110)
At 31 December 2007	–

39. DEFERRED TAX LIABILITIES *(Continued)*

At the balance sheet date, the Group and the Company has unprovided deferred tax liabilities of approximately HK$181,000 (2006: HK$181,000) in respect of the convertible notes.

At the balance sheet date, the Group has unused tax losses of HK$40,796,583 (2006: HK$42,929,000) available for offset against future profits. No deferred tax asset in respect of the tax losses has been recognised due to the unpredictability of future profits streams. Included in unrecognised tax losses are losses of HK$1,329,000 (2006: HK$34,787,000) that will expire in five year's time. Other losses can be carried forward indefinitely.

40. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**1,327,861**	587,055	**579,477**	97,354

Included in the cash and cash equivalents of the Group and the Company are the following significant amounts denominated in currencies other than the functional currency.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**394,203**	–	**339,172**	–

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

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

Significant non-cash transactions are as follows:

	2007	2006
	HK$'000	HK$'000
Financing activities		
Conversion of convertible notes	**139,088**	16,200

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following risks from its use of financial instruments:

- Market risks (Interest rate risk, Foreign exchange risk and Equity price risk)
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Market risks

(a) Interest rate risk

The Group has exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates.

The Group's interest rate risk relates primarily to its fixed and floating interest rate bank borrowings subject to negotiation on annual basis (see note 35). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Company's convertible notes and senior loan notes were issued at fixed rate and expose the Company to fair value interest rate risk.

Interest rate sensitivity

At the respective balance sheet dates, if lending interest rates set by the People's Bank of China had been increased by 100 basis points and all other variables were held constant, the Group's profit would decrease by approximately HK$4,756,000 for the year ended 31 December 2007 (2006: HK$2,776,000).

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

Market risks *(Continued)*

(b) Foreign exchange risk

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group and the Company's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follow:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
USD	**394,203**	–	**339,172**	–
Liabilities				
USD	**1,144,448**	–	**1,144,448**	–

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

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Foreign currency sensitivity

The Group and the Company mainly exposes to the currency risk of United States.

The following table details the Group and Company's sensitivity to a 4% increase in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 4% change in foreign currency rates. A positive number indicates an increase in profit for the year where the RMB strengthens against the relevant currency. If there is 4% increase in RMB against the relevant foreign currencies, the increase in the profit for the year is shown as below:

	Group and Company	
	2007	2006
	HK$'000	HK$'000
USD		
Profit for the year	**30,006**	–

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

Market risks *(Continued)*

(c) Equity price risk

The Group is exposed to equity price risk on the financial assets at fair value through profit or loss (held for trading) (Note 28). Where the Group has generated a significant amount of surplus cash, it will invest in high quality listed investments to improve profitability. The Group's investments in the above are limited to equity instruments listed in Hong Kong. The Group diversifies its investment portfolio to optimize the risk and return. The directors believe that the exposure to equity price risk from these activities is acceptable in the Group's circumstances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on investments at fair value through profit or loss at the reporting date.

If the prices of the respective equity instruments had been 5% higher, profit for the year would increase by HK$5,279,000 (2006: increase in profit for the year by HK$1,804,000) for the Group as a result of a lower amount of impairment loss recognised for investments at fair value through profit or loss. On the other hand, if the prices of the respective equity instruments had been 5% lower, profit for the year would decrease by HK$5,279,000 (2006: decrease in profit for the year by HK$1,804,000) for the Group as a result of a higher amount of impairment loss recognised for investments at fair value through profit or loss.

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

Liquidity risk

Internally generated cash flow, bank loans, senior loan notes and convertible notes are the general sources of funds to finance the operations of the Group. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly review its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

The contractual maturities of financial liabilities are shown as below:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
In less than one year	**2,131,974**	1,451,686	**500,273**	339,828
In more than one year but not more than two years	**440,593**	99,513	**117,000**	64,686
In more than two years but not more than three years	**154,252**	267,489	**117,000**	–
In more than three years but not more than four years	**156,553**	38,265	**117,000**	–
In more than four years but not more than five years	**1,329,051**	40,165	**1,287,000**	–
In more than five years	**67,711**	106,059	**–**	–
	4,280,134	2,003,177	**2,138,273**	404,514

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 and 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

42. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- The director considered that the carrying amounts of the financial assets and liabilities approximate to their fair value.

43. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
	2007 Number	**2007 HK$'000**	2006 Number	2006 HK$'000
Authorised				
Ordinary shares of HK$0.02 each	**10,000,000,000**	**200,000**	10,000,000,000	200,000
Issued and fully paid				
Ordinary shares of HK$0.02 each				
At beginning of the year	**5,778,738,192**	**115,575**	4,911,238,192	98,225
Other issues for cash during the year *(note (a))*	**600,000,000**	**12,000**	800,000,000	16,000
Debt conversion rights exercised *(note (b))*	**624,999,990**	**12,500**	67,500,000	1,350
At end of the year	**7,003,738,182**	**140,075**	5,778,738,192	115,575

Note:

During the two years ended 31 December 2006 and 2007, the following changes in the Company's issued share capital took place:

(a) On 5 December 2006, the Company issued 800,000,000 shares at HK$0.315 per share as detailed in note 47(b). The share capital increased by HK$16,000,000 and share premium of HK$236,000,000 was credited to the share premium reserve.

On 12 November 2007, the Company issued 600,000,000 shares at HK$0.45 per share. The share capital increased by HK$12,000,000 and share premium of HK$258,000,000 was credited into the share premium reserve.

(b) On 20 December 2006, the Company allotted and issued 67,500,000 shares upon the conversion of convertible notes at the conversion price of HK$0.24 per share. The share capital increased by HK$1,350,000 and share premium of HK$14,850,000 was credited to the share premium reserve.

During the year ended 31 December 2007, the convertible notes in the principal amount of HK$150,000,000 were converted into fully paid shares at an conversion price of HK$0.24 per share, 624,999,990 shares were issued upon conversion.

43. SHARE CAPITAL *(Continued)*

(b) Capital management policy

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 35, convertible notes disclosed in note 36, and senior loan notes disclosed in note 38, and equity attributable to equity holders of the Company which comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the corporate finance department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the issue of new shares and new debts or the redemption of existing debts.

(c) Share option scheme

The Company has adopted a share option scheme on 18 July 2002 (the "Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the Share Option Scheme are as follows:

On 18 July 2002, the Company adopted the Share Option Scheme which will expire on 17 July 2012. Pursuant to the terms of the Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

43. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other option scheme of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the share option scheme has been adopted (the "Scheme").

The Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

At the date of this report, no share option has been granted to any participant under the Scheme.

44. RESERVES

Company

	Share premium *(note (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(note (b))* HK$'000	Special capital reserve *(note (c))* HK$'000	Convertible notes reserve *(note (d))* HK$'000	Accumulated (losses) HK$'000	Total HK$'000
At 1 January 2006	249,314	1,074	–	68,541	1,034	(91,999)	227,964
Equity component of convertible notes	–	–	–	–	17,769	–	17,769
Deferred tax liabilities	–	–	–	–	(3,110)	–	(3,110)
Reduction of share premium *(note (b))*	(249,314)	–	157,315	–	–	91,999	–
Issue of shares	236,000	–	–	–	–	–	236,000
Transaction cost attributable to issue of new shares	(7,835)	–	–	–	–	–	(7,835)
Issue of shares upon conversion of convertible notes	14,850	–	–	–	(209)	209	14,850
Loss for the year	–	–	–	–	–	(19,774)	(19,774)
At 31 December 2006	243,015	1,074	157,315	68,541	15,484	(19,565)	465,864
Deferred tax liabilities	–	–	–	–	3,110	–	3,110
Issue of shares	258,000	–	–	–	–	–	258,000
Transaction costs attributable to issue of new shares	(334)	–	–	–	–	–	(334)
Issue of shares upon conversion of convertible notes	126,588	–	–	-–	(17,769)	17,769	126,588
Loss for the year	–	–	–	–	–	(86,881)	(86,881)
At 31 December 2007	**627,269**	**1,074**	**157,315**	**68,541**	**825**	**(88,677)**	**766,347**

At 31 December 2006 and 2007, the Company has no reserves available for distribution to shareholders.

44. RESERVES *(Continued)*

Notes:

(a) Amount subscribed for share capital in excess of nominal value.

(b) Pursuant to a special resolution passed at a special general meeting held on 12 July 2006, the reduction of share premium of HK$249,314,000 was fully set off against the Company's accumulated losses of HK$91,999,000 at 31 December 2005 and the remaining balance of the credit arising therefrom of HK$157,315,000 be transferred to the Company's contributed surplus account.

(c) The special capital reserve of the Company represents the credit arising from the effect of reduction in share capital in previous years.

(d) Amount of proceeds on issue for convertible notes relating to the equity component (i.e. option to convert the debt into share capital).

45. ACQUISITION OF SUBSIDIARIES

(a) Details of the net assets acquired by the Group during the year ended 31 December 2007 were as follows:

	上海恒錦房地產開發有限公司 (note aa)			海南新世界發展有限公司 (note ab)			海南華僑會館有限公司 (note ac)			Lanrich International Ltd. (note ad)			
	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Total HK$'000
Fair value of net assets acquired													
Property, plant and equipment	37	–	37	252	–	252	–	–	–	–	–	–	289
Properties for development and sale	375,317	421,691	797,008	67,369	49,333	116,702	22,436	1,144	23,580	–	–	–	937,290
Interest in Joint venture	–	–	–	–	–	–	–	–	–	5,418	56,967	62,385	62,385
Trade and other receivables	136	–	136	1,497	–	1,497	27	–	27	–	–	–	1,660
Bank balances and cash	18,869	–	18,869	3,691	–	3,691	17	–	17	134	–	134	22,711
Trade and other payables	(234,103)	–	(234,103)	(12,797)	–	(12,797)	(12,477)	–	(12,477)	–	–	–	(259,377)
Tax payable	–	–	–	(14)	–	(14)	(6)	–	(6)	–	–	–	(20)
Deferred taxation	–	(137,187)	(137,187)	–	–	–	–	(286)	(286)	–	–	–	(137,473)
Minority interest	(8,013)	(14,225)	(22,238)	(3,001)	(2,467)	(5,468)	(500)	(43)	(543)	–	–	–	(28,249)
Net assets acquired	152,243	270,279	422,522	56,997	46,866	103,863	9,497	815	10,312	5,552	56,967	62,519	599,216
Excess of the Group's interest in the net fair value of acquiree's identifiable asset, liabilities and contingent liabilities over cost *(note 10)*			–			(782)			(162)			–	(944)
Goodwill *(note 18)*			42,756			–			–			65,417	108,173
Total consideration			465,278			103,081			10,150			127,936	706,445
Total consideration satisfied by:													
Cash			465,278			103,081			10,150			127,936	706,445
Net cash (inflow)/outflow arising on acquisition:													
Cash consideration paid			465,278			103,081			10,150			127,936	706,445
Cash and cash equivalents acquired			(18,869)			(3,691)			(17)			(134)	(22,711)
			446,409			99,390			10,133			127,802	683,734

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Notes:

(aa) On 25 December 2007, the Group acquired 95% of the issued share capital of 上海恒錦房地產開發有限公司 from an independent third party for a consideration of HK$465,278,000. This transaction has been accounted for using the purchase method of accounting 上海恒錦房地產開發有限公司 had no contribution to the Group's turnover and profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, it would have no contribution to the Group's turnover and profit for the year. The proforma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

(ab) On 24 December 2007, the Group acquired 95% of the issued share capital of 海南新世界發展有限公司 from an independent third party for a consideration of HK$103,081,000. This transaction has been accounted for using the purchase method of accounting 海南新世界發展有限公司 had no contribution to the Group's turnover and profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, it would have no contribution to the Group's turnover, but the loss for the year would have been HK$45,826,000. The proforma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

(ac) On 24 December 2007, the Group acquired 95% of the issued share capital of 海南華僑會館有限公司 from an independent third party for a consideration of HK$10,150,000. This transaction has been accounted for using the purchase method of accounting 海南華僑會館有限公司 had no contribution to the Group's turnover and profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, it would have no contribution to the Group's turnover, but the loss for the year would have been HK$252,000. The proforma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

(ad) On 17 December 2007, the Group acquired 100% of the issued share capital of Lanrich International Limited from an independent third party for a consideration of HK$127,936,000. This transaction has been accounted for using the purchase method of accounting. Lanrich International Limited had no contribution to the Group's turnover and profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, it would have no contribution to the Group's turnover, but the profit for the year would have been HK$63,033,000. The proforma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Details of the net assets acquired by the Group during the year ended 31 December 2006 were as follows:

	上海証大三角洲置業有限公司 *(note ba)*			嘉興市東方名家房地產開發有限公司 *(note bb)*			
	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Total HK$'000
Fair value of net assets acquired							
Property, plant and equipment	9,536	–	9,536	25	–	25	9,561
Goodwill	17,559	–	17,559	–	–	–	17,559
Available for sale investments	19,601	–	19,601	–	–	–	19,601
Properties for sale	951,409	579,831	1,531,240	22,189	–	22,189	1,553,429
Trade and other receivables	33,241	–	33,241	112	–	112	33,353
Amount due from an associate	33,410	–	33,410	–	–	–	33,410
Financial assets at fair value through profit or loss	980	–	980	–	–	–	980
Deposits for property development	61,596	–	61,596	20	–	20	61,616
Tax recoverable	4,096	12,591	16,687	–	–	–	16,687
Bank balances and cash	235,471	–	235,471	3,765	–	3,765	239,236
Trade and other payables	(196,245)	–	(196,245)	(5)	–	(5)	(196,250)
LAT payable	–	(83,934)	(83,934)	–	–	–	(83,934)
Receipts in advance	(459,204)	–	(459,204)	–	–	–	(459,204)
Amounts due to a minority owner	(87,059)	–	(87,059)	(3,800)	–	(3,800)	(90,859)
Amounts due to related companies	(455)	–	(455)	(13,159)	–	(13,159)	(13,614)
Bank loans	(350,980)	–	(350,980)	–	–	–	(350,980)
Deferred tax liabilities	(8,756)	(86,975)	(95,731)	–	–	–	(95,731)
Minority interests	(38,996)	(20,049)	(59,045)	(3,659)	–	(3,659)	(62,704)

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

	上海証大三角洲置業有限公司 *(note ba)*			嘉興市東方名家房地產開發有限公司 *(note bb)*			
	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**	**Acquiree's carrying amount before combination**	**Fair value adjustment**	**Fair value**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired	225,204	401,464	626,668	5,488	–	5,488	632,156
Interest in associate			(307,067)				(307,067)
Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost *(note 10)*			(76,464)			–	(76,464)
Goodwill *(note 18)*			–			512	512
Total consideration			243,137			6,000	249,137
Total consideration satisfied by:							
Cash			243,137			6,000	249,137
Net cash inflow arising on acquisition:							
Cash consideration paid			(243,137)			(6,000)	(249,137)
Cash and cash equivalent acquired			235,471			3,765	239,236
			(7,666)			(2,235)	(9,901)

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Notes:

(ba) The Group acquired additional 51% of the issued share capital of 上海証大三角洲置業有限公司（「三角洲」）and its subsidiaries through a 80% owned subsidiary for a consideration of HK$243,137,000 in July 2006. This transaction has been accounted for using the purchase method of accounting. 三角洲 and its subsidiaries contributed HK$320,773,000 to the Group's turnover and HK$100,965,000 to the Group's profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, the Group's turnover for the year would have been HK$1,402,706,000 and profit for the year would have been HK$254,169,654. The proforma information is for illustrative purpose only and is not necessary and indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(bb) The Group acquired 60% of the issued share capital of 嘉興市東方名家房地產開發有限公司 for a consideration of HK$6,000,000. This transaction has been accounted for using the purchase method of accounting. 嘉興市東方名家房地產開發有限公司 had no contribution to the Group's turnover and contributed loss of approximately HK$836,000 to the Group's profit before tax expense for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, the Group's turnover for the year would have been HK$1,401,553,000 and profit for the year would have been HK$267,804,000. The proforma information is for illustrative purpose only and is not necessary and indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

46. DISPOSAL OF A SUBSIDIARY

	Wa Kong-Tourism and Travel Agency Limited *(Note)* **Carrying amount before disposal and fair value** HK$'000
Carrying amount of net assets disposed of	
Property, plant and equipment	21
Trade and other receivables	466
Amount due from an immediate holding company	87
Restricted cash	500
Bank balances and cash	245
Trade and other payables	(638)
Net assets disposed of	681
Loss on disposal	(181)
	500
Total consideration satisfied by:	
Cash	500
Net cash inflow arising on disposal	
Cash consideration obtained form disposal	500
Cash and bank balances disposed of	(245)
	255

Note:

On 27 August 2007, the Group disposed of the entire share capital of Wa Kong-Tourism and Travel Agency Limited to Ms. Song Lai Peng at a consideration of HK$500,000.

47. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributed to a local Municipal Government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to the income statement represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

48. LEASES

Operating leases – lessee

Minimum lease payments under operating leases of the Group recognised in the income statement during the year in respect of:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Premises	**4,144**	2,287	**732**	761

48. LEASES *(Continued)*

Operating leases – lessee *(Continued)*

The total future of minimum lease payments are due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Operating leases which expire				
Within one year	**1,025**	1,248	**164**	597
In the second to fifth year inclusive	**1,067**	1,039	**–**	164
	2,092	2,287	**164**	761

Operating lease payments in respect of rented premises payable by the Group relate to certain of its office premises. Leases are negotiated for an average term of two years.

Operating leases – lessor

The Group's investment properties are leased to number of tenants for with leasing period from 10 to 20 years.

The minimum rent receivable under non-cancellable operating leases are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**51,923**	14,733
In the second to fifth years inclusive	**208,754**	82,907
After five years	**334,821**	223,218
	595,498	320,858

49. CAPITAL COMMITMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Commitments for the property development – contracted for but not provided	**987,556**	779,517
Commitments for acquisition of investment properties – contracted for but not provided	**10,683**	160,000
Commitments for acquisition of subsidiaries	**363,460**	–

50. RELATED PARTY TRANSACTION

(a) During the year, the Group appointed 上海証大商業經營管理有限公司（"証大商業經營公司"）as its property agent to provide marketing and sales services for the Group's commercial properties in Shanghai. 証大商業經營公司 is a company in which Mr. Dai Zhikang, director of the Company, has beneficial interest. During the year, the Group paid commission fee of HK$9,560,000 (2006: Nil) to 証大商業經營公司.

(b) On 24 May 2006, the Group entered into an agreement with 上海証大投資發展有限公司, a company in which Mr. Dai Zhikang, director of the Company, has beneficial interest, to acquire a further 51% through a 80% owned subsidiary interest in the Group's existing associate, 上海証大三角洲置業有限公司 at a consideration of RMB248,000,000 (approximately HK$243,137,000). The acquisition was completed during the year.

(c) On 5 December 2006, 800,000,000 shares of the Company were issued to Grant Glory Assets Limited, a company wholly owned by Mr. Dai Zhikang, director of the Company, at HK$0.315 per share, for raising additional working capital of the Company.

(d) On 30 June 2005, the Group entered into an agreement with 上海証大商業旅遊投資有限公司（"証大商旅"）, a company in which Mr. Dai Zhikang has beneficial interest, to acquire investment properties for an aggregate consideration of RMB680,000,000. Pursuant to the terms of the agreement, the Group is entitled to receive part of the rental income generated by the investment properties that would be acquired under the agreement commencing from 1 July 2005. The rental income received by the Group is determined with reference to the percentage equivalent to the amount of deposits paid over the consideration of the investment properties. Rental income arising from the deposits amounted to HK$15,271,000 (2006: HK$6,228,000). At 31 December 2006, corporate guarantee has been given by 証大商旅 to a bank to secure certain bank loans amounted to HK$179,179,000 granted to the Group.

50. RELATED PARTY TRANSACTION *(Continued)*

(e) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Short-term benefits	**4,712**	4,853
Post-employment benefits	**226**	194
	4,938	5,047

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

(f) Balance with related parties as at 31 December 2007 and 2006 are set out in notes 29, 30, 33 and 34 to the financial statements.

51. CONTINGENT LIABILITIES

The Group provides HK$47,350,000 guarantees at 31 December 2007 (2006: HK$8,740,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

52. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 3 April 2008, the Group entered into a agreement with on independent third party, 湖南鴻運文化產業發展有限公司 to disposal of a subsidiary, 四川博覽置業有限公司 at a consideration of RMB42,160,000.

(b) On 25 March 2008, the Group completed the acquisition of the remaining 5% shares in its subsidiary, 上海恒錦房地產發展有限公司 at a consideration of RMB22,500,000.

52. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(c) On 29 January 2008, the Group entered into an agreement with the Burean of Land Resources in Huzhou, an independent third party, to acquire a parcel of land located in Huzhou, Zhejiang Province at a consideration of RMB122,000,000.

(d) On 2 January 2008, the Group entered into an agreement with Mr. Zhang Shaoxia, an independent third party, to acquire the entire interest in Meiyi International Limited and its 60% owned subsidiary, Hainan Huayi Land Company Limited at a consideration of not more than RMB206,260,000.

At the date of acquisition, the major asset of Hainan Huayi Land Company Limited was a parcel of land in Chenmai County, Hainan. The transaction details was disclosed in the circular dated 21 January 2008.

(e) On 9 October 2007, the Group entered into an agreement with 上海証大投資發展有限公司, a company which is 60% owned by Mr. Dai Zhikang, a director of the Company, to further acquire remaining 20% of the issued share capital of 上海証大置業有限公司 at a consideration of RMB305,000,000. The acquisition was completed on 2 February 2008. The transaction details was disclosed in the circular dated 8 November 2007.

53. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share capital/paid-up registered capital	Proportion of nominal value of issued share capital held indirectly by the Group	Principal activities
上海証大置業有限公司 *(note 2)*	The PRC	RMB820,000,000	80%	Property development
上海証大三角洲置業有限公司 *(note 2)*	The PRC	RMB400,000,000	85%	Property development
上海証大五道口房地產開發有限公司 *(note 3)*	The PRC	RMB240,000,000	85%	Property development

53. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share capital/paid-up registered capital	Proportion of nominal value of issued share capital held indirectly by the Group	Principal activities
上海恒錦房地產發展有限公司 *(note 3)*	The PRC	RMB150,000,000	80%	Property development
湖州湖東建設管理有限公司 *(note 3)*	The PRC	RMB141,320,800	100%	Property development
海南新世界發展有限公司 *(note 3)*	The PRC	RMB120,000,000	59%	Property development
上海天海有限責任公司 *(note 3)*	The PRC	RMB80,000,000	84%	Property development
四川博覽置業有限公司 *(note 3)*	The PRC	RMB80,000,000	56%	Property development
長春証大置業有限公司 *(note 3)*	The PRC	RMB60,000,000	75%	Property development
揚州証大商旅發展有限公司 *(note 3)*	The PRC	RMB30,000,000	64%	Property development
吉林市証大華城房地產開發有限公司 *(note 3)*	The PRC	RMB20,000,000	54%	Property development
上海証大喜瑪拉雅置業有限公司 *(notes 1, 3)*	The PRC	RMB10,000,000	48%	Property development
嘉興市東方名家房地產開發有限公司 *(notes 1, 3)*	The PRC	RMB10,000,000	48%	Property development
上海証大大拇指置業有限公司 *(note 3)*	The PRC	RMB10,000,000	72%	Property development
海南華僑會館有限公司 *(note 3)*	The PRC	RMB10,000,000	59%	Property development

53. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share capital/paid-up registered capital	Proportion of nominal value of issued share capital held indirectly by the Group	Principal activities
Wah Kong Travel Limited *(note 3)*	Hong Kong	HK$1,250,000	60%	Sales of air tickets and provision of travel related services
湖州湖潤建設有限公司 *(note 3)*	The PRC	RMB1,000,000	100%	Property development
海門証大濱江置業有限公司 *(note 2)*	The PRC	US$49,600,000	98%	Property development

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

Notes:

(1) 上海証大喜瑪拉雅置業有限公司(formerly known as：上海証大藝中房地產開發有限公司) and 嘉興市東方名家房地產開發有限公司 are 60% owned subsidiaries of上海証大置業有限公司.

(2) The subsidiary is registered as foreign equity joint venture under PRC law.

(3) The subsidiary is a limited liability company.

54. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 April 2008.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2007

The following table summaries the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**1,556,209**	1,401,553	1,430,834	47,842	336,219
Profit before income tax expense	**700,330**	424,730	362,380	122,361	77,514
Tax expense	**(343,065)**	(155,867)	(98,899)	(683)	(12,992)
Profit for the year	**357,265**	268,863	263,481	121,678	64,522

ASSETS AND LIABILITIES

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**6,908,396**	3,884,249	2,408,510	2,120,440	855,225
Total liabilities	**(4,378,871)**	(2,286,307)	(1,613,420)	(1,691,259)	(560,111)
Minority interests	**(402,826)**	(232,315)	(143,996)	(5,852)	(123,150)
Balance of shareholders' funds	**2,126,699**	1,365,627	651,094	423,329	171,964

PROPERTIES FOR SALE – COMPLETED

Project Name (Location)	Intended Use	Approximate gross floor area (sq.m.)
Section 1 & 2, Mandarin Palace (Shanghai, China)	Residential	7,058
Section 1, Zendai Garden Riverside Town Phase I (Dong Zhou, Mansion) (Jiansu Province, China)	Residential	3,554
Phase 1, Valley International Jilin project (Jilin Province, China)	Residential	4,190
Zendai Cube Tower (Shanghai, China)	Office	6,823

PROPERTIES FOR SALE – UNDER DEVELOPMENT

Project Name (Location)	Intended Use	Progress as at 31 December 2007	Expected Year of Completion	Approximate gross floor area (sq.m.)
Section 1, Zendai Garden Riverside Town Phase II (Multiflora Garden) (Jiansu Province, China)	Residential	Of a total of 77 three-floor townhouses, 54 were topped out and the rest were built up to the second floor.	2008	39,113
Section 2, (Valley International) Jilin project (Jilin Province, China)	Residential	In respect of a total of four 12-floor and seven 18-27-floor high rises apartment buildings, the structure of one low-rise apartment building was topped out, and the other three were built up to the 5th, 7th and 8th floor respectively. The construction of the high-rise apartment buildings has not yet started.	Four blocks will be delivered in 2009, and the rest will be delivered in 2010.	80,073
Section 1, (Zendai Ideal City) Changchun project (Jilin Province, China)	Residential	The main structures of the multi-storey buildings were completed	2008	71,474
Wu Dao Kou Financial Centre (Shanghai, China)	Office	Nearly completed	2008	46,444
Hengsheng Pavilion	Integrated commercial and residential project	Exterior wall project is being undertaken.	2008	52,300

PROPERTIES FOR SALE – UNDER PLANNING

Project Name (Location)	Intended Use	Expected Year of Completion	Approximate gross floor area (sq.m.)
Section 3, Mandarin Palace (Shanghai, China)	Residential	2009	4,054
Section 2 & 3, Zendai Garden Riverside Town Phase I (Dong Zhou, Mansion) (Jiansu Province, China)	Residential		
Section 2 to 4, Zendai Garden Riverside Town Phase II (Multiflora Garden) (Jiansu Province, China)	Residential	To be completed by stages after 2009	1,616,226
Haimen Project (Jiansu Province, China)	Residential		
Section 3 and 4, (Valley International) Jilin project (Jilin Province, China)	Residential	2010	67,669
Section 2 to 5, (Zendai Ideal City) Changchun project (Jilin Province, China)	Residential	To be completed by stages after 2009	559,438
Haikou Project (Hainan Province, China)	Office	2009	72,000
Yangzhou Project (Jiansu Province, China)	Commercial	2009	90,000