Sun Man Tai Holdings Company Limited

(Incorporated in Bermuda with limited liability)
Stock code: 433

ANNUAL REPORT 08

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Ji Jian Xun *(Chairman)*
Chiu Yeung *(Chief Executive Officer)*
Jin Jiu Xin *(Deputy Chairman)*
He Hui Min

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy
Li Mei

COMPANY SECRETARY
Lo Wah Wai

AUDIT COMMITTEE
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE
Lo Wa Kei Roy
Chiu Yeung
Cheng Chak Ho

PRINCIPAL BANKERS
HSBC
CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

AUDITORS
Elite Partners CPA Limited
Certified Public Accountants

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Rooms 3609-10, 36/F
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR
Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION
The Stock Exchange of Hong Kong Limited
(Stock Code: 433)

WEBSITE
www.sunmantai.com.hk

CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Sun Man Tai Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW

The year of 2008 was the most extraordinary year for the global economy in well over half a century due to the global financial imbalances. The Group faced challenges from rapid deterioration in the worldwide securities markets, not withstanding, the Group managed to grasp market opportunities precisely to reduce market risks and shocks impacts from the market downturn.

As one of the principal activities of the Group is securities trading, which had recorded a turnover of approximately HK$55,849,000 for the year ended 31 December 2008 (2007: approximately HK$231,597,000), representing a decrease of approximately 75.9% as compared with the last corresponding period of 2007. Such substantial decrease was mainly due to the Group had trimmed down its securities trading operation, of which the Group's professional investment team realised the increase in investment risk in 2008, thereby reducing the Hong Kong stock market investment, so as to protect the interests of the Group and its shareholders. After the large financial shocks, the Group's professional investment team considers that there are some high-quality stocks which are underestimated by the stock market. Therefore, the Group will closely monitor, identify a number of high-quality stocks for investment, to increase the benefits of the Group and its shareholders.

The financial tsunami had triggered the credit crisis of the United States (the "U.S."). In order to diversify the businesses of the Group and explore new investment opportunities with profitable prospects, the Group had entered an acquisition agreement to acquire 51% equity interests of Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui") on 30 October 2008 at a consideration of RMB7,650,000 which has exploration rights to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC which covers approximately 4.17 km^2. The Group has positive view towards the prospect of exploring iron. We believe the acquisition will be beneficial to the Group and its shareholders.

IN THE FUTURE

During last year, many international banks and financial institutions faced an unprecedented loss due to the continuing subprime mortgage crisis and credit crisis in the U.S.. With major markets in recession, export demand will continue to fall over the short to medium term. Domestic demand is also likely to further weaken; therefore, this should be moderated by government fiscal stimulus initiatives such as investment in infrastructure and other supportive measures.

Since November 2008, the PRC government launched an investment program of RMB4,000 billion to stimulate the economy. This impact becomes very clear when we look at the specific allocations of the fund. Of the RMB4,000 billion investment, sustainable housing projects account for RMB280 billion; rural livelihood and rural infrastructure projects account for RMB370 billion; railways, highways, airports, and power grids in urban and rural areas account for RMB1,800 billion; medical and health as well as culture and education projects account for RMB40 billion; investment in environmental projects account for RMB350 billion; independent innovation and structural adjustment account for RMB160 billion; and post-disaster restoration and reconstruction account for RMB1,000 billion.

At a preliminary calculation, Mainland China's GDP was approximately RMB30,670 billion as at 31 December 2008, grew 9.0% compared to 2007. However, disregarding the global economic outlook is clouded by the U.S. subprime and credit crisis, the Mainland China economy is still expected to maintain growth momentum.

Based on the above mentioned factors, the demand of raw material will continue to increase due to the allocation of investment program of RMB4,000 billion. Hence, the Group has been actively seeking for investment opportunities in the PRC, in particular in mining industry to maximise the return to our shareholders.

APPRECIATION

Finally, I would like to thank our shareholders for their trust and support and gratitude to all the directors and staff members for their continuous hard work and loyalty over the years.

Ji Jian Xun
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK$74,400,000 representing a decrease of 68.7% over the corresponding year of 2007 (2007: approximately HK$237,647,000). The significant decrease was mainly due to the decrease in turnover from securities trading operation during the year. Turnover attributable from securities trading operation amounted to approximately HK$55,849,000 for the year ended 31 December 2008 (2007: approximately HK$231,597,000).

During the year under review, the Group has reactivated its leasing operation by acquiring a shopping mall in Changchun City, the PRC through an acquisition of a subsidiary. For the year ended 31 December 2008, turnover attributable to the leasing operation amounted to approximately HK$14,863,000 (2007: Nil) and recorded a profit of approximately HK$10,864,000 (2007: Nil).

For the year ended 31 December 2008, the Group recorded a net loss from ordinary activities attributable to equity holders of the Company for approximately HK$54,336,000 (2007: loss of approximately HK$45,469,000), representing an increase in the loss of approximately 19.5% as compared to the year of 2007. Business loss was mainly due to losses of approximately HK$48,171,000 on the Group's securities trading operation.

BUSINESS REVIEW

The principal activities of the Group are (i) securities trading; (ii) property investments; (iii) property developments; (iv) property management and (v) iron mining. Details analyses on each of the business operations have been summarised below:

Securities Trading

During 2008, due to the financial crisis, the Group trimmed down its securities trading operation and recorded a turnover of approximately HK$55,849,000 (2007: approximately HK$231,597,000). The substantial loss attributable from the securities trading operation was approximately HK$48,171,000 for the year ended 31 December 2008 (2007: profit of approximately HK$12,931,000). A large extent of loss from securities trading operation was due to the disposal of all highly fluctuated shares in year 2008. The securities in which the Group traded during the year were all listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

After the financial market meltdown, the Group's professional investment team considers that there are some high-quality stocks which have been underestimated by the stock market. Therefore, the Group will closely monitor, identify a number of high-quality stocks for investment, to increase the benefits of the Group and its shareholders.

Property Investments and Developments

The Group had completed a transaction to acquire a shopping mall in Changchun City during the year at a consideration of RMB270,000,000. The average occupancy rates of the shopping mall for the periods ended 31 December 2007 and 31 December 2008 were approximately 48% and 70% respectively. Furthermore, the rental income was approximately RMB19,526,000 (2007: approximately RMB18,274,000), representing an increase in the rental income of approximately 6.9% as compared to the year of 2007. Out of which approximately RMB13,134,000 has been consolidated to the Group's turnover after the completion of acquisition. The increase in the rental income was mainly due to the increase in the occupancy rates of the shopping mall during 2008. There are also several potential tenants under negotiation. In addition, the Group further invested approximately RMB17,000,000 to upgrade the shopping mall, therefore, the Board considers the shopping mall in Changchun City will bring a positive return and steady rental income to the Group.

As at 31 December 2008, the Group has a property development project in Xian. The construction process was satisfactory during the year. However, due to the adverse change in market condition in Xian and the aftermath of the macro-economic measure imposed by the PRC government in broader term, a substantial decrease in fair value has been recognised. The Group's property development team has been closely monitoring the project and expects the property development will bring positive return to the Group in coming year.

Property Management

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$3,688,000 attributable from its property management operation, representing an increase of 5.2% as compared to approximately HK$3,506,000 for the year ended 31 December 2007. The increase was mainly due to the increase in the management fee received during the year.

Iron Mining

The Group had entered into an acquisition agreement to acquire 51% equity interests of Rui Sui on 30 October 2008 at a consideration of RMB7,650,000. Rui Sui has exploration rights to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC which covers approximately 4.17 km^2. The Group has appointed an independent valuer to assess the fair value of the project brought about by the exploration rights of the iron mine. Based on the valuation report, the project valued at RMB779,000,000 as at 31 December 2008. According to the PRC technical report issued by 吉林省通化地質礦產勘查開發院 (Jilin Province Tonghua Geology and Minerals Investigation and Exploitation Office), the potential reserve of iron concentrate is approximately 4,000,000 tons and the maximum production capacity will be 690,000 tons per year. Moreover, the Group believes that when the iron mine officially goes into operation, it will bring considerable income and cash inflows for the Group.

Interests in Associates

As at 31 December 2008, the Group held 27% interests in Tonghua Hengan Pharmaceutical Holding Company Limited ("Hengan"), which is principally engaged in the manufacturing and production of pharmaceutical products in the PRC. During the year, profit contribution to the Group from Hengan was approximately HK$18,492,000, representing an increase of approximately 3.4 times as compared to last corresponding year of approximately HK$4,239,000. Such increase was mainly due to an additional manufacturing line was in production during the year.

As at 31 December 2008, the Group held 44% equity interests in a property development company – Tonghua Yong Ji Real Estate Company Limited ("Yong Ji"). Yong Ji currently has one residential construction project in the PRC and the expected completion date will be in June 2009.

DIVIDENDS

The Board has resolved not to recommend any final dividend for the year ended 31 December 2008 (2007: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operation with internally generated cashflow. During the year under review, the Group recorded a net cash outflow of approximately HK$50,845,000 (2007: inflow of HK$155,472,000). The cash outflow was mainly due to the fact that significant portion of cash were used in investing activities including the acquisition of subsidiaries and leasehold land during the year. Nevertheless, with the significant amounts of cash on hand as at 31 December 2008, the directors considered that the Group's liquidity position is healthy.

The Group expressed its gearing ratio as a percentage of bank borrowing over total shareholders' equity. As at 31 December 2008, the Group's gearing ratio was nil (2007: Nil). It was because the Group did not have any bank borrowing during the year under review.

The Group is of good liquidity and sufficient solvent ability. As at 31 December 2008, the Group's current ratio was approximately 18.8 (2007: approximately 33.9). The decrease in current ratio was mainly due to the increase in current liabilities in the Group's leasing operation through a newly acquired subsidiary during the year under review.

As at 31 December 2008, the Group's debt to equity ratio was approximately 0.03 while it was approximately 0.02 in 2007. The ratio was calculated by dividing the total liabilities of approximately HK$43,007,000 (2007: approximately HK$7,367,000) by the total shareholders' equity of approximately HK$1,306,467,000 (2007: approximately HK$452,337,000).

The Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The capital structure of the Group as at 31 December 2008 has been summarised below:

	2008	2007
	HK$'000	*HK$'000*
Current assets	**234,661**	249,987
Current liabilities	**12,471**	7,367
Shareholders' equity	**1,306,467**	452,337

Current assets mainly consist of cash and cash equivalent of approximately HK$126,984,000 (2007: approximately HK$176,748,000) and prepayments, deposits and other receivables of HK$105,213,000 (2007: approximately HK$780,000).

Current liabilities mainly comprised of account payables, tax payable, accrual and other payables.

Treasury Policies

During the year ended 31 December 2008, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the year ended 31 December 2008, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

As at 31 December 2008, the Group did not have any bank borrowing (2007: Nil).

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2008, the Group had no material contingent liabilities (2007: Nil). As at 31 December 2008, the Group had contracted capital commitments in respect of renovation of its investment properties amounting to approximately HK$9,139,000 (2007: Nil).

PLEDGE AND CHARGES OF GROUP ASSETS

As at 31 December 2008, the Group did not have any pledged assets (2007: Nil).

MATERIAL ACQUISITIONS

In April 2008, the Group completed an acquisition of the entire issued share capital of Chang Chun Rong Xin Economy and Trade Company Limited ("Rong Xin") at a consideration of RMB270,000,000. The sole asset of Rong Xin is the entire interest of a commercial property located at Changchun City, Jilin Province, the PRC, which has an aggregated commercial area of 9,197.27 square meters. The commercial property held by Rong Xin is a 7-storey shopping mall in the centre of Changchun City, Jilin Province, the PRC.

In October 2008, the Group acquired 51% interests in Rui Sui at a consideration of RMB7,650,000. Rui Sui has an exploration rights to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC which covers approximately 4.17 km^2.

Apart from disclosed above, the Group had no material acquisition/disposal of subsidiaries and associated companies during the year under review.

FUND RAISING ACTIVITIES

During the year under review, the Group successfully raised approximately HK$444,696,000 by way of issuance of three convertible bonds. The following summarises the fund raising activities of the Group during the year ended 31 December 2008:

1. On 25 June 2008, the Company raised approximately HK$150,000,000 after deduction of expenses by way of the issuance of the first convertible bond ("First CB") to Universal Union Limited, being the substantial shareholder of the Company (the "Subscriber"). The full conversion of an aggregate principal amount of HK$150,000,000 of the First CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 27 August 2008 which resulted in 2,083,333,333 conversion shares being issued by the Company on 1 September 2008.

2. On 6 August 2008, the Company raised approximately HK$200,000,000 after deduction of expenses by way of the issuance of the second convertible bond ("Second CB") to the Subscriber. The full conversion of an aggregate principal amount of HK$200,000,000 of the Second CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 16 September 2008 which resulted in 2,777,777,777 conversion shares being issued by the Company on 22 September 2008.

3. On 29 September 2008, the Company raised approximately HK$94,696,000 after deduction of expenses by way of the issuance of the third convertible bond ("Third CB") to the Subscriber. The full conversion of an aggregate principal amount of HK$94,696,000 of the Third CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 6 October 2008 which resulted in 1,315,222,222 conversion shares being issued by the Company on 8 October 2008.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2008, the Group employed 88 full time employees (2007: 74 employees) in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits which included year end double pay, mandatory provident fund and medical insurance. Total staff costs for the year ended 31 December 2008 were approximately HK$7,846,000 (2007: approximately HK$5,480,000).

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ji Jian Xun, aged 51, was appointed as an executive director of the Company on 12 December 2006 and has been appointed as the chairman of the Board on 4 December 2007. Mr. Ji served as managerial position in various hotels and serviced apartments located in the PRC prior to joining the Company. He is also a managing director of Shanghai Taigu Apartment Service & Management Co., Ltd.

Mr. Jin Jiu Xin, aged 57, was appointed as an executive director of the Company on 28 February 2006, is currently a director of certain subsidiaries of the Group and he has been appointed as the deputy chairman of the Board on 12 January 2007. Mr. Jin had previously worked as managerial posts of various companies in the PRC, where he specialised in administration, property development, and business dispute resolution in Hong Kong and the PRC.

Mr. Chiu Yeung, aged 36, was appointed as an executive director of the Company on 25 February 2002, is also a director of certain subsidiaries of the Group and he has been appointed as the chief executive officer of the Company on 12 January 2007. Mr. Chiu graduated from Shanghai Finance and Economic University in 1995 and then held management positions in such businesses as trading, real estates and finance in the PRC. He is well experienced in management, property investment and finance. He is also a director of Universal Union Limited ("Universal Union") and China Wan Tai Group Limited ("China Wan Tai"), the controlling shareholders of the Company.

Mr. He Hui Min, aged 52, was appointed as an executive director of the Company on 27 December 2007. Mr. He had been the executive director and deputy chief executive officer of the Company from March 2001 to September 2002. Mr. He graduated from The Shanghai Institute of Tourism in 1982 and was then sent to Brisbane, Australia by the PRC Government to study hotel management. In 1993, he completed a business and management course in Maryland College, USA. Mr. He had been general manager of various luxury hotels in the PRC for a considerable period of time. In 1998, Mr. He was appointed as an assistant to the chief executive officer of Wan Tai Group Limited and general manager of Shanghai Taigu Apartment Service & Management Co., Ltd. Currently, he is the general manager of Fulin Enterprise Limited, one of the associates of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 53, was appointed as an independent non-executive director of the Company on 20 April 2001. He is also the Chairman of the Audit Committee of the Company. Mr. Mu graduated from Fudan University (Shanghai) Law School with a degree in L.L.B. and from University of Oregan (USA) Law School with a degree in L.L.M. Mr. Mu had been a member of Shanghai Municipal Government Foreign Economic Trade Committee from 1983 to 1986 and a practicing lawyer in a US solicitors firm for nearly four years. He is now a partner of a solicitors firm in Shanghai, the PRC.

Dr. Cheng Chak Ho, aged 39, was appointed as an independent non-executive director of the Company on 12 April 2001. He has extensive experience in valuations of all kinds of properties, plants and machinery, and businesses. Dr. Cheng has also been involved in valuations of several major infrastructure projects in the Asia Pacific Rim. He has experience in property agency, investment dealings and property development. Among others, he is a senior member of the Canadian Institute of Management, a member of the Hong Kong Institute of Surveyors and a member of American Society of Mechanical Engineers. Dr. Cheng holds a Bachelor of Science in Building from the City University of Hong Kong, a Master degree in Urban Design from the University of Hong Kong, a Master of Science in Engineering (Mechanical Engineering) and a Doctor of Philosophy in Economics from the University of Brighton, USA.

Mr. Lo Wa Kei Roy, aged 37, was appointed as independent non-executive director of the Company on 25 September 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), a member of Institute of Chartered Accountant of England and Wales, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. Mr. Lo has over 15 years experience in auditing, accounting and finance. Besides the Company, he is also currently the independent non-executive director of the companies listed on the Stock Exchange, namely, Sun Hing Vision Group Holdings Limited and Time Infrastructure Holdings Limited (formerly known as "Gay Giano International Group Limited").

Ms. Li Mei, aged 40, was appointed as an independent non-executive director of the Company on 27 December 2007. Ms. Li was graduated from Zhengfa College (now known as East China University of Political Science and Law) with a bachelor degree in law in 1991. She had further her studies in AIS St. Helens, New Zealand and China University of Political Science and Law. Ms. Li had been practicing law in various law firms in Shanghai and currently she is working in the 上海市中茂律師事務所 (Shanghai Zhongmao Law Firm).

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, securities trading and property investment. The principal activities of the Group are securities trading, property investments, developments and management and iron mining. Details of the Group's principal subsidiaries are set out in Note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 6 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's single largest customer and supplier accounted for approximately 75% (2007: 97%) and 93% (2007: 98%) respectively, to the Group's total operating revenue, which was mainly attributable from trading of securities in the Stock Exchange. The Group's five largest customers and suppliers accounted for approximately 78% (2007: 98%) and 94% (2007: 99%) respectively, to the Group's total operating revenue.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs as at 31 December 2008 are set out in the consolidated financial statements on pages 29 to 31.

The cashflows of the Group are set out in the consolidated financial statements on pages 34 to 35.

The directors do not recommend the payment of any dividend nor transfer of any amount to reserves in respect of the year ended 31 December 2008 (2007: Nil).

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

Details of the amount of the Company's reserve distributable to shareholders as at 31 December 2008 are set out in Note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

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

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in Note 13 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme adopted by the Group was expired on 23 December 2000. As at 31 December 2008 and up to the date of this report, the Group did not adopt any new share option scheme.

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive Directors
Ji Jian Xun *(Chairman)*
Chiu Yeung *(Chief Executive Officer)*
Jin Jiu Xin *(Deputy Chairman)*
He Hui Min
Ren Jun Tao (resigned on 16 January 2008)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy
Li Mei

In accordance with the Company's bye-law 87(1), Mr. Chiu Yeung, Mr. Ji Jian Xun and Mr. Mu Xiangming will retire from office by rotation, and all of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follow:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chiu Yeung *(Note 1)*	Held by controlled corporation	468,750	0.0048%

Notes:

1. Mr. Chiu Yeung was beneficially interested in all the shares of Jin Tai Finance Company Limited ("Jin Tai") (formerly known as "Sunnergy Finance & Investment Limited"). Jin Tai held 468,750 shares in the Company.

2. All interests stated above represent long position.

Other than as disclosed above, as at 31 December 2008, neither the directors nor the chief executive of the Company, nor any of their associates, had any interest or short positions 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 under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2008, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive or the Company, the following persons had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei *(Note 1)*	Held by spouse/held by controlled corporation	7,271,678,552	75.00%
Xu Zhe Cheng *(Note 2)*	Held by spouse/held by controlled corporation	7,271,678,552	75.00%
China Wan Tai Group Limited *(Note 3)*	Held by controlled corporation	7,271,678,552	75.00%
Universal Union Limited	Beneficial owner	7,271,678,552	75.00%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate controlling shareholder of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 7,271,678,552 shares in the Company.

2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 7,271,678,552 shares in the Company.

3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

4. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons, as at 31 December 2008, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

The terms of appointment of the independent non-executive directors are renewable each year at the anniversary date of appointment, except for Ms. Li Mei, whose terms of appointment of the independent non-executive director are renewable every three years at the anniversary date of appointment. Their remunerations are determined by the directors at each of their respective anniversary dates of appointment.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The directors' remuneration for the year is set out in Note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contract of significant to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year are set out in Note 34 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up on the basis of the nature of the jobs, market condition and individual merits.

The emoluments of the directors are determined with reference to their qualifications, experience, duties and the prevailing market rates.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 90 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's financial statements for the year ended 31 December 2008.

AUDITORS

Messrs. M.C. Ng & Co. were appointed as the auditors of the Company at the Company's special general meeting held on 11 April 2007 in succession to Messrs. HLB Hodgson Impey Cheng who resigned from the office on 14 March 2007.

Elite Partners CPA Limited were appointed as the auditors of the Company at the Company's special general meeting held on 24 January 2008 in succession to Messrs. M.C. Ng & Co. who resigned from the office on 1 November 2007.

Elite Partners CPA Limited will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chiu Yeung
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2009

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 December 2008, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2008, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2008, and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate chairman and chief executive officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Ji Jian Xun is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Mr. Chiu Yeung, the chief executive officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Company's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

BOARD OF DIRECTORS

Composition

Directors during the year and up to the date of this report are as follows:

Executive Directors

Ji Jian Xun
Jin Jiu Xin
Chiu Yeung
Ren Jun Tao (resigned on 16 January 2008)
He Hui Min

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy
Li Mei

For the year ended 31 December 2008, the Board had at all times at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management.

During the year, eight Board meetings were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Ji Jian Xun	5	62.5%
Jin Jiu Xin	7	87.5%
Chiu Yeung	8	100%
Ren Jun Tao (resigned on 16 January 2008)	N/A	N/A
He Hui Min	5	62.5%
Mu Xiangming	4	50%
Cheng Chak Ho	4	50%
Lo Wa Kei Roy	3	37.5%
Li Mei	3	37.5%

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year, except for Ms. Li Mei, who was appointed for an initial term of three years. All directors appointed to fill a casual vacancy are subject to re-election by shareholders at the next general meeting; and directors newly appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the bye-laws of the Company.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

According to the bye-laws of the Company, any director appointed by the Board as an additional director shall hold office only until the next annual general meeting, and the next general meeting if appointed to fill a casual vacancy, but is eligible for re-appointment by the shareholders.

In addition, pursuant to the Company's bye-laws, all directors are subject to re-election by shareholders at the annual general meeting at least once every three years on a rotational basis. Details of those directors who are retiring by rotation and seeking re-election at the forthcoming annual general meeting are set out in the shareholders' circular dated 26 March 2009.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in May 2006. The current members of the Remuneration Committee are:

Lo Wa Kei Roy (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Chiu Yeung, Executive Director and Chief Executive Officer

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The Remuneration Committee met once during the year to discuss the remuneration package of the newly appointed directors and the senior management. All members had attended the meeting.

AUDITOR'S REMUNERATION

An amount of approximately HK$400,000 was charged to the Group's consolidated financial statement for the year ended 31 December 2008 for the auditing services provided by Elite Partners CPA Limited, the existing auditors who was appointed on 24 January 2008. An amount of approximately HK$300,000 had been paid for non-audit service assignment provided by Elite Partners CPA Limited during the year.

AUDIT COMMITTEE

Current members of the Audit Committee are:

Mu Xiangming (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Lo Wa Kei Roy, Independent Non-executive Director

The Audit Committee has adopted terms of reference which are in line with the Code.

The Audit Committee held two meetings during the year ended 31 December 2008. Details of the attendance of the Audit Committee meetings are as follows:

Name of Members	Attendance
Mu Xiangming *(Chairman)*	2
Cheng Chak Ho	2
Lo Wa Kei Roy	2

The financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee.

ESTABLISHMENT OF THE CORPORATE GOVERNANCE COMMITTEE AND FINANCIAL REPORTING COMMITTEE

In order to further strengthen the Company's corporate governance, the Company applied the Code as set out in the Listing Rules. On 12 January 2008, the Company established the following committees:

Corporate Governance Committee

Current members of the Corporate Governance Committee are:

Mr. Jin Jiu Xin (Chairman of the committee), Executive Director and the deputy chairman of the Board
Mr. Ji Jian Xun, Executive Director and the chairman of the Board
Dr. Cheng Chak Ho, Independent Non-executive Director

The major responsibility of the Corporate Governance Committee is to oversee the Company's corporate governance matters and to ensure the Company has complied with the Code as set out in the Listing Rules.

The Corporate Governance Committee held two meetings during the year ended 31 December 2008. Details of the attendance of the Corporate Governance Committee meetings are as follows:

Name of Members	Attendance
Jin Jiu Xin *(Chairman)*	2
Ji Jian Xun	2
Cheng Chak Ho	2

The Corporate Governance Committee had reviewed the corporate governance report of the Company and confirmed that the Company had complied with the Code as set out in the Listing Rules.

Financial Reporting Committee

Current members of the Financial Reporting Committee are:

Mr. Chiu Yeung (the Chairman of the committee), Executive Director and Chief Executive Officer
Mr. Jin Jiu Xin, Executive Director and the deputy chairman of the Board
Mr. Lo Wa Kei Roy, Independent Non-executive Director

The major responsibility of the Financial Reporting Committee is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the results and cash flow for that year. The Financial Reporting Committee is also responsible to ensure the compliance of disclosure requirement under the Listing Rules in a timely manner.

The Financial Reporting Committee held two meetings during the year ended 31 December 2008. Details of the attendance of the Financial Reporting Committee meetings are as follows:

Name of Members	**Attendance**
Chiu Yeung *(Chairman)*	2
Jin Jiu Xin	2
Lo Wa Kei Roy	2

The Financial Reporting Committee had reviewed the audited financial statements for the year ended 31 December 2008 of the Company and confirmed that the preparation of the audited financial statements for the year ended 31 December 2008 had complied with the disclosure requirement under the Listing Rules in a timely manner.

INTERNAL CONTROLS

The Board had conduct a review of the effectiveness of the system of internal control of the Group covering all materials, including financial, operational and compliance as well as risk management. The Group's internal control system includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Board throughout the Group maintains and monitors the internal control systems on an ongoing basis.

On 25 June 2007, the Board has appointed an independent adviser to conduct a compliance review on the internal control system and management capability of the Company to enable the Company to meet its obligations under the Listing Rules.

The independent advisor had conducted a review on the Group's internal control system for the year ended 31 December 2008. Based on the assessments, the Board considered that the internal control system and procedures of the Group were effective and adequate.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge that it is their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern.

On behalf of the Board

Chiu Yeung
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2009

INDEPENDENT AUDITOR'S REPORT

ELITE PARTNERS CPA LIMITED

Room 511-512, 5/F,
Lippo Sun Plaza,
28 Canton Rood,
Tsim Shai Tsui
Kowloon
Hong Kong

TO THE SHAREHOLDERS OF SUN MAN TAI HOLDINGS COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sun Man Tai Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 89, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 consolidated 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

INDEPENDENT AUDITOR'S REPORT

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss 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.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 16 March 2009

Ng Man Chung Siman
Practicing certificate number P03122

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008 (in HK Dollars)

	Notes	2008 $'000	2007 $'000
Turnover	5	**74,400**	237,647
Cost of sales		**(111,218)**	(204,481)
Gross (loss)/profit		**(36,818)**	33,166
Other revenue	5	**28,455**	3,567
Administrative expenses		**(15,088)**	(21,928)
Other operating expenses		**(3,862)**	(1,850)
Impairment loss on property under development		**(49,545)**	(49,772)
Fair value loss on investment properties		**(3,566)**	–
Impairment loss on financial assets at fair value through profit or loss		**–**	(15,672)
Fair value loss on financial assets at fair value through profit or loss		**–**	(1,286)
Loss on disposal of subsidiaries		**–**	(5,096)
Loss from operations	7	**(80,424)**	(58,871)
Finance costs		**–**	–
Share of results of associates		**18,492**	4,239
Loss before tax		**(61,932)**	(54,632)
Taxation	8	**(862)**	1,934
Loss for the year		**(62,794)**	(52,698)
Attributable to:			
Equity holders of the Company		**(54,336)**	(45,469)
Minority interests		**(8,458)**	(7,229)
		(62,794)	(52,698)
Dividends	10	**–**	–
Loss per share for loss attributable to the equity holder of the Company			
Basis, HK cents	11	**(1.03)**	(1.33)
Diluted, HK cents	11	**N/A**	N/A

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CONSOLIDATED BALANCE SHEET

At 31 December 2008 (in HK Dollars)

	Notes	2008 $'000	2007 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**112,169**	131,553
Investment properties	15	**357,835**	–
Goodwill	16	**12,591**	12,591
Intangible assets	17	**32,419**	34,269
Interests in associates	18	**59,386**	39,735
Prepaid lease payments	20	**88,533**	–
Exploration and evaluation assets	21	**888,579**	–
		1,551,512	218,148
Current assets			
Account receivables	22	**2,464**	148
Prepayments, deposits and other receivables	23	**105,213**	780
Financial assets at fair value through profit or loss	24	**–**	15,469
Investment deposits	25	**–**	56,842
Cash and bank balances		**126,984**	176,748
		234,661	249,987
Total assets		**1,786,173**	468,135
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**155,129**	56,308
Reserves	27	**1,151,338**	396,029
		1,306,467	452,337
Minority interests		**436,699**	8,431
Total equity		**1,743,166**	460,768

CONSOLIDATED BALANCE SHEET

At 31 December 2008 (in HK Dollars)

	Notes	2008 $'000	2007 $'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	31	**30,536**	–
Current liabilities			
Account payables	28	**1,888**	68
Other payables and accrued expenses	29	**7,441**	6,858
Tax payable		**3,142**	441
		12,471	7,367
Total liabilities		**43,007**	7,367
Total equity and liabilities		**1,786,173**	468,135
Net current assets		**222,190**	242,620
Total assets less current liabilities		**1,773,702**	460,768
Net assets		**1,743,166**	460,768

Approved by the board of directors on 16 March 2009 and signed on its behalf by:

Chiu Yeung
Executive Director

Ji Jian Xun
Executive Director

BALANCE SHEET

At 31 December 2008 (in HK Dollars)

	Notes	2008 $'000	2007 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,629**	2,107
Interest in an associate	18	**1,378**	500
Investments in subsidiaries	19	**419,698**	177,070
		422,705	179,677
Current assets			
Prepayments, deposits and other receivables	23	**102,066**	375
Financial assets at fair value through profit or loss	24	**–**	15,469
Cash and bank balances		**35,419**	175,364
		137,485	191,208
Total assets		**560,190**	370,885
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**155,129**	56,308
Reserves	27	**401,669**	309,040
Total equity		**556,798**	365,348
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**3,392**	5,537
Total liabilities		**3,392**	5,537
Total equity and liabilities		**560,190**	370,885
Net current assets		**134,093**	185,671
Total assets less current liabilities		**556,798**	365,348
Net assets		**556,798**	365,348

Approved by the board of directors on 16 March 2009 and signed on its behalf by:

Chiu Yeung
Executive Director

Ji Jian Xun
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008 (in HK Dollars)

	Attributable to equity holders of the Company											
	Share Capital $'000	Share Premium $'000	Contributed Surplus $'000	Capital Reserves $'000	Fair Value Reserves $'000	Convertible Bond Reserve $'000	Statutory Reserve $'000	Exchange Reserve $'000	Accumulated Losses $'000	Sub-total $'000	Minority Interests $'000	Total Equity $'000
At 1 January 2007	33,139	491,636	31,350	(894)	–	–	–	(4,612)	(197,068)	353,551	15,660	369,211
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	–	–	1,029	–	1,029	–	1,029
Disposal of subsidiaries	–	–	–	–	–	–	–	5,543	–	5,543	–	5,543
Placing of shares	6,600	33,000	–	–	–	–	–	–	–	39,600	–	39,600
Issue of shares pursuant to rights issues	16,569	82,847	–	–	–	–	–	–	–	99,416	–	99,416
Share issue expenses on rights issues	–	(1,333)	–	–	–	–	–	–	–	(1,333)	–	(1,333)
Loss for the year	–	–	–	–	–	–	–	–	(45,469)	(45,469)	(7,229)	(52,698)
Transfer to statutory reserves	–	–	–	–	–	–	1	–	(1)	–	–	–
At 31 December 2007 and at 1 January 2008	56,308	606,150	31,350	(894)	–	–	1	1,960	(242,538)	452,337	8,431	460,768
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	–	–	15,504	–	15,504	–	15,504
Equity component of convertible bonds	–	–	–	–	–	87,205	–	–	–	87,205	–	87,205
Deferred tax liabilities of convertible bonds	–	–	–	–	–	(14,389)	–	–	–	(14,389)	–	(14,389)
Conversion of convertible bonds	98,821	345,875	–	–	–	(72,816)	–	–	–	371,880	–	371,880
Acquisition of a subsidiary	–	–	–	–	–	–	2,389	–	–	2,389	8,358	10,747
Fair value changes on exploration and evaluation assets	–	–	–	–	445,877	–	–	–	–	445,877	428,368	874,245
Loss for the year	–	–	–	–	–	–	–	–	(54,336)	(54,336)	(8,458)	(62,794)
Transfer to statutory reserves	–	–	–	–	–	–	618	–	(618)	–	–	–
At 31 December 2008	**155,129**	**952,025**	**31,350**	**(894)**	**445,877**	**–**	**3,008**	**17,464**	**(297,492)**	**1,306,467**	**436,699**	**1,743,166**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008 (in HK Dollars)

	2008	2007
	$'000	*$'000*
Operating activities		
Loss from operations	**(80,424)**	(58,871)
Adjustments for:		
Interest income	**(104)**	(3,121)
Depreciation	**2,567**	1,856
Amortisation of intangible assets	**1,850**	1,850
Amortisation of prepaid lease payments	**2,012**	–
Loss/(Gain) on disposal of property plant and equipment	**63**	(7)
Share of profits of associates	**(18,492)**	(4,239)
Impairment loss on property under development	**49,545**	49,772
Fair value loss on investment properties	**3,566**	–
Fair value loss on financial assets at fair value through profit or loss	**–**	1,286
Impairment loss on financial assets at fair value through profit or loss	**–**	15,672
Operating (loss)/profit before working capital changes	**(39,417)**	4,198
(Increase)/Decrease in account receivables, prepayments, deposits and other receivables	**(101,870)**	3,264
(Increase)/Decrease in amount due from associates	**(1,159)**	302
Decrease in trading securities	**15,469**	–
Decrease in investment deposits	**56,842**	–
Decrease in account payables and other payables	**(2,735)**	(382)
Cash (used in)/generated from operations	**(72,870)**	7,382
Interest received	**104**	577
Tax paid	**(3,737)**	(607)
Net cash (used in)/generated from operating activities	**(76,503)**	7,352

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008 (in HK Dollars)

	2008	2007
	$'000	*$'000*
Investing activities		
Acquisition of an associate	**–**	(10,207)
Addition to evaluation and assets	**(4,050)**	–
Purchases of property, plant and equipment and addition to properties under development	**(19,780)**	(40,085)
Proceeds from disposal of investment properties and and other property, plant and equipment	**–**	36
Purchase of prepaid lease payments	**(90,545)**	–
Decrease in loan receivables	**–**	45,000
Interest received from loan receivables	**–**	2,544
Investment deposit paid	**–**	(56,842)
Cash effect on disposal of subsidiaries	**–**	1
Cash effect on acquisition of subsidiaries	**(304,663)**	–
Investment deposit refunded	**–**	83,480
Net cash (used in)/generated from investing activities	**(419,038)**	23,927
Financing activities		
Net proceeds received from issue of shares	**–**	139,016
Net proceeds received from convertible bonds	**444,696**	–
Repayment of bank loans	**–**	(14,823)
Net cash used in financing activities	**444,696**	124,193
Net (decrease)/increase in cash and cash equivalents	**(50,845)**	155,472
Effects of exchange rate changes on the balance of cash held in foreign currencies	**1,081**	(1,036)
Cash and cash equivalents at the beginning of the year	**176,748**	22,312
Cash and cash equivalents at the end of the year	**126,984**	176,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

1. Corporate Information

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activities of the Company are investment holding, trading of securities and property investment. The principal activities of the Company's principal subsidiaries are set out in Note 19 to the consolidated financial statements.

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

In the opinion of the directors, the ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. Application Of New And Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued and are relevant to these consolidated financial statements but not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

[1] *Effective for annual periods beginning on or after 1 January 2009.*

[2] *Effective for annual periods beginning on or after 1 July 2009.*

[3] *Effective for annual periods beginning on or after 1 July 2008.*

[4] *Effective for annual periods beginning on or after 1 October 2008.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

Apart from the above, HKICPA has also issued Improvements to HKFRSs which amendments to a number of HKFRSs. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group in the period of initial application.

3. Significant Accounting Policies

The consolidated financial statements of have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties and exploration and evaluation assets, which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 to the consolidated financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

Inter-company transactions, balances, income and expenses between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's entity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(b) Business combination

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(c) Goodwill

Goodwill arising on acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising 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 of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(d) Financial assets *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

Purchase and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in equity. When investments securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(d) Financial assets *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is described in note 3(e) to the consolidated financial statements.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	3 to 5 years
Furniture and fixtures	5 years
Motor vehicles	3 to 5 years
Equipment	5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

3. Significant Accounting Policies *(Continued)*

(f) Investment properties *(Continued)*

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements. Changes in fair values are recognised in the consolidated income statements.

Subsequent expenditure is charged to the asset's carrying amount 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 expensed in the income statement during the financial period in which they are incurred.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

(g) Properties under development

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(h) Intangible assets

Intangible assets represent the technical know-how for production of pharmaceutical products. The intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The cost of acquiring the rights of technical know-how for the production of pharmaceutical products have finite useful lives and are amortised on the straight-line basis over the estimated economic lives of the know-how of a maximum of twenty years commencing in the year when the rights are available for use.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

(j) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at fair value less any accumulated impairment losses.

Exploration and evaluation assets include the expenditures incurred in the search for iron resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting iron resource become demonstrable, any previously recognised exploration and evaluation assets would be reclassified as intangible asset or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3. Significant Accounting Policies *(Continued)*

(k) Land use right

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the use terms of 45 years using the straight-line method.

(l) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Financial liabilities at amortised cost

Financial liabilities including trade and other payables, interest-bearing bank loans and due to related parties are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are sated at cost. The related interest expense is recognised within "finance cost" in the consolidated income statements.

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

(o) Convertible bond

Convertible bond issued by the Company that contain both the liability and conversion option components are classified separately into 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 an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond 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 bond reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(o) Convertible bond *(Continued)*

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

(p) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units).

(q) Revenue recognition

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

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(r) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(s) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(s) Foreign currencies *(Continued)*

(iii) Group companies

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

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

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

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

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

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

(t) Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(u) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

(iii) 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.

(v) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

3. Significant Accounting Policies *(Continued)*

(w) Provision

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(x) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. Critical Accounting Estimates and Judgments

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

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

4. Critical Accounting Estimates and Judgments *(Continued)*

(a) Impairment of intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 3(h) to the consolidated financial statements. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(c) Impairment of assets

The Group tests annually whether the asset has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(d) Impairment of goodwill

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

(e) Measurement of convertible bonds

On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve, net of transactions cost. The splitting of the liability and equity components requires an estimation of the market interest rate.

(f) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

4. Critical Accounting Estimates and Judgments *(Continued)*

(g) Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the consolidated financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

(h) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(i) Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for 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 judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) 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

(iii) 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.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

4. Critical Accounting Estimates and Judgments *(Continued)*

(i) Estimated of fair value of investment properties *(Continued)*

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

5. Turnover and other revenue

Turnover represents securities trading, rental income, interest income and property management fee income. An analysis of the Group's turnover and other revenue is as follows:

	2008 ***$'000***	2007 *$'000*
Turnover:		
Securities trading	**55,849**	231,597
Rental income	**14,863**	–
Interest income	**–**	2,544
Management fee income	**3,688**	3,506
	74,400	237,647
Other revenue:		
Royalty income	**1,588**	1,480
Gain on disposal of property, plant and equipment	**–**	7
Compensation interest received	**–**	1,502
Bank interest income	**104**	143
Negative goodwill arising from business combinations	**26,668**	–
Sundry income	**95**	435
	28,455	3,567
	102,855	241,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

6. Segment Information

Business segment information has been chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Details of the business segments are as follows:

(a)	Property leasing:	The leasing of commercial premises.
(b)	Interest income:	The placing of funds with banks and lending of funds to independent third parties.
(c)	Property management:	Provision of management service to commercial premises.
(d)	Securities trading:	Trading of securities listed on the Stock Exchange.

Primary segment information – Business segments

Consolidated income statement

	Securities trading		Property leasing		Interest income		Property management		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
REVENUE										
Segment turnover	**55,849**	231,597	**14,863**	–	**–**	2,544	**3,688**	3,506	**74,400**	237,647
RESULT										
Segment result	**(48,171)**	12,931	**10,864**	–	**–**	2,544	**489**	731	**(36,818)**	16,206
Unallocated income									**28,455**	3,567
Unallocated corporate expenses									**(18,950)**	(23,776)
Fair value loss on investment properties									**(3,566)**	–
Impairment loss on property under development									**(49,545)**	(49,772)
Loss on disposal of subsidiaries									**–**	(5,096)
Share of profits of associates									**18,492**	4,239
Loss before tax									**(61,932)**	(54,632)
Taxation									**(862)**	1,934
Loss for the year									**(62,794)**	(52,698)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

6. Segment Information *(Continued)*

Primary segment information – Business segments *(Continued)*

Consolidated balance sheet

	Securities trading		Property leasing		Interest income		Property management		Consolidation	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
ASSETS										
Segment assets	**–**	34,206	**386,990**	–	**–**	–	**38**	1,315	**387,028**	35,521
Interests in associates									**59,386**	39,735
Goodwill and intangible assets									**45,010**	46,860
Prepaid lease payments									**88,533**	–
Exploration and evaluation assets									**888,579**	–
Unallocated corporate assets									**317,637**	346,019
Consolidated total assets									**1,786,173**	468,135
LIABILITIES										
Segment liabilities	**–**	–	**8,029**	–	**–**	–	**435**	730	**8,464**	730
Deferred tax liabilities									**30,536**	–
Unallocated corporate liabilities									**4,007**	6,637
Consolidated total liabilities									**43,007**	7,367

Other information

	Security trading		Property leasing		Interest income		Property management		Other		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	***$'000***	*$'000*
Capital additions	**–**	–	**619**	–	**–**	–	**–**	–	**19,160**	2,787	**19,779**	2,787
Depreciation	**–**	48	**1,051**	–	**–**	–	**1**	25	**1,515**	1,783	**2,567**	1,856
Impairment losses on assets under development	**–**	–	**–**	–	**–**	–	**–**	–	**49,545**	49,772	**49,545**	49,772
Impairment losses on financial assets at fair value through profit or loss	**–**	15,672	**–**	–	**–**	–	**–**	–	**–**	–	**–**	15,672
Non-cash expenses	**–**	1,286	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

6. Segment Information *(Continued)*

Secondary segment information – Geographical segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Revenue		**Results**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**55,849**	231,597	**(75,238)**	(2,207)
PRC	**18,551**	6,050	**(5,186)**	(56,664)
	74,400	237,647	**(80,424)**	(58,871)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and intangible assets**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**239,327**	303,497	**54**	3,317
PRC	**1,546,846**	164,638	**977,731**	35,518
	1,786,173	468,135	**977,785**	38,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

7. Loss from Operations

Loss from operations is arrived at after charging:

	2008 $'000	2007 $'000
Auditors' remuneration	400	400
Staff costs (including directors' remuneration)		
– Wages and salaries	7,846	5,480
– Retirement benefits contributions	591	162
Depreciation of property, plant and equipment	2,567	1,856
Amortisation of intangible assets*	1,850	1,850
Amortisation of prepaid lease payments*	2,012	–
Operating lease rentals in respect of land and buildings	1,611	1,699
Gross rental income from investment properties	14,863	–
Less: Direct operating expenses from investment properties that generated rental income during the year	(3,999)	–
	10,864	–

* Amortisation of intangible assets and prepaid lease payments have been included in other operating expenses in the consolidated income statement.

8. Taxation

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

	2008 $'000	2007 $'000
Current tax:		
Hong Kong	–	–
PRC	1,995	157
Under/(Over) provision in prior years	44	(2,091)
Deferred tax:		
Changes in fair value of investment properties	(1,177)	–
	862	(1,934)

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and its subsidiaries operated in Hong Kong either incurred taxation loss or had no assessable profit for the year (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

8. Taxation *(Continued)*

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

	Hong Kong		PRC		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Loss before taxation	**(57,565)**	(1,423)	**(22,859)**	(57,448)	**(80,424)**	(58,871)
Share of result of associates	**–**	–	**18,492**	4,239	**18,492**	4,239
	(57,565)	(1,423)	**(4,367)**	(53,209)	**(61,932)**	(54,632)
Tax at the domestic income tax rate	**(9,498)**	(249)	**(1,441)**	(17,559)	**(10,939)**	(17,808)
Tax effect of expenses not deductible for tax purpose	**118**	324	**3,470**	18,106	**3,588**	18,430
Tax effect of income not taxable for tax purpose	**(4,679)**	(75)	**(34)**	(1,157)	**(4,713)**	(1,232)
Tax effect of unrecognised tax losses	**14,059**	–	**–**	–	**14,059**	–
Tax effect of temporary differences	**–**	–	**(1,177)**	767	**(1,177)**	767
Under/(Over) provision in prior years	**44**	(2,091)	**–**	–	**44**	(2,091)
Tax charge for the year	**44**	(2,091)	**818**	157	**862**	(1,934)

9. Net Loss from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2008 was approximately HK$253,246,000 (2007: HK$1,698,000).

10. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

11. Loss Per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$54,336,000 (2007: approximately HK$45,469,000) and the weighted average of 5,273,607,648 (2007: 3,414,586,135) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the two years ended 31 December 2008 and 31 December 2007, accordingly, no diluted loss per share has been presented.

12. Directors' Remuneration

The remuneration of every director for the year ended 31 December 2008 and 2007 are set out below:

	Fees		Salaries and other benefits		Retirement benefits scheme contributions		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Executive Directors								
Guan Guoxing *(Note i)*	**–**	–	**–**	223	**–**	12	**–**	235
Chiu Yeung	**–**	–	**260**	269	**12**	12	**272**	281
Jin Jiu Xin	**–**	–	**50**	50	**–**	–	**50**	50
Ji Jian Xun	**–**	–	**60**	60	**–**	–	**60**	60
He Hui Min *(Note ii)*	**–**	–	**–**	–	**–**	–	**–**	–
	–	–	**370**	602	**12**	24	**382**	626
Independent Non-Executive Directors								
Mu Xiangming	**100**	–	**–**	–	**–**	–	**100**	–
Lei Mei *(Note iii)*	**96**	16	**–**	–	**–**	–	**96**	16
Cheng Chak Ho	**100**	272	**–**	–	**–**	–	**100**	272
Lo Wa Kei Roy	**100**	226	**–**	–	**–**	–	**100**	226
	396	514	**–**	–	**–**	–	**396**	514
	396	514	**370**	602	**12**	24	**778**	1,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

12. Directors' Remuneration *(Continued)*

Note:

(i) Mr. Guan Guoxing was resigned on 4 December 2007.

(ii) Mr. He Hui Min was appointed on 27 December 2007.

(iii) Ms. Li Mei was appointed on 27 December 2007.

For the year ended 31 December 2008 and 2007, all directors of the Company whose remuneration falls within HK$Nil to HK$1,000,000.

During the year ended 31 December 2008, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2007: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

13. Employees' Emoluments and Benefits

The five highest paid employees during the year included one (2007: two) directors, details of whose remuneration are set out in Note 12 above. Details of the remuneration of the remaining four (2007: three) highest paid, non-director employees are as follows:

	2008	2007
	$'000	*$'000*
Salaries and other benefits	**872**	784
Mandatory provident fund contributions	**36**	48
	908	832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

13. Employees' Emoluments and Benefits *(Continued)*

Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2005. The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2008 in respect of the retirement of its employees.

Equity compensation benefits

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2008 and up to the date of this report, the Group does not adopt any new share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

14. Property, Plant and Equipment

	Group					Company
	Properties under development	**Leasehold improvement**	**Equipment**	**Furniture, fixture and motor vehicles**	**Total**	**Furniture, fixture and motor vehicles**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At cost:						
At 1 January 2007	160,763	–	–	7,688	168,451	922
Additions	35,518	530	–	2,787	38,835	2,241
Disposals	–	–	–	(29)	(29)	–
At 31 December 2007 and at 1 January 2008	196,281	530	–	10,446	207,257	3,163
Acquisition of a subsidiary	–	1,828	3,733	1,605	7,166	–
Additions	19,106	143	476	54	19,779	23
Disposals	–	–	–	(165)	(165)	–
Exchange adjustments	11,761	22	45	257	12,085	–
At 31 December 2008	227,148	2,523	4,254	12,197	246,122	3,186
Accumulated depreciation and impairment loss:						
At 1 January 2007	19,850	–	–	4,255	24,105	908
Charge for the year	–	106	–	1,750	1,856	148
Written back on disposal	–	–	–	(29)	(29)	–
Impairment loss recognised	49,772	–	–	–	49,772	–
At 31 December 2007 and at 1 January 2008	69,622	106	–	5,976	75,704	1,056
Acquisition of a subsidiary	–	644	861	433	1,938	–
Charge for the year	–	372	568	1,627	2,567	501
Written back on disposal	–	–	–	(102)	(102)	–
Impairment loss recognised	49,545	–	–	–	49,545	–
Exchange adjustments	4,082	8	10	201	4,301	–
	123,249	1,130	1,439	8,135	133,953	1,557
Net book value:						
At 31 December 2008	**103,899**	**1,393**	**2,815**	**4,062**	**112,169**	**1,629**
At 31 December 2007	126,659	424	–	4,470	131,553	2,107

Note: Properties under development are situated in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

15. Investment Properties

	$'000
Fair value	
At 1 January 2007, at 31 December 2007 and at 1 January 2008	–
Acquisition of a subsidiary	357,081
Net decrease in fair value	(3,566)
Exchange adjustments	4,320
Fair value as at 31 December 2008	**357,835**

The fair value of the Group's investment properties at 31 December 2008 have been arrived at on the basis of a valuation carried out on that date by Carea Assets Appraisal Company Limited, independent qualified professional valuers not connected with the Group. Carea Assets Appraisal Company Limited are members of the China Appraisal Society, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals purposes are measured using the fair value model and are classified and accounted for as investment properties. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The carrying amount of investment properties shown above comprises:

	2008	2007
	$'000	*$'000*
Land in the PRC:		
Medium-term lease	**357,835**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008 (in HK Dollars)

16. Goodwill

	2008	2007
	$'000	*$'000*
At 1 January and 31 December	**12,591**	12,591

The amount represents goodwill arising on the acquisition of 27% interests in Tonghua Henggan Pharmaceutical Holding Company Limited ("Henggan") in 2006. Goodwill has been allocated to one single cash generating unit, Henggan. At the end of 2008, the Group appointed a professional valuer to perform an appraisal of the value in use of Henggan. The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year periods, and discount rate of 7% (2007: 6.5%). Cash flows beyond the 5 year periods has been extrapolated using a steady 5% (2007: 7%) growth rate. The management determined the budgeted growth rate based on past performance and its expectation on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry. The value in use calculated by using the discount rate is higher than the carrying amount of Henggan, accordingly, there are no impairment of goodwill with indefinite useful life.

17. Intangible Assets

	Technical Know-how
	$'000
At cost:	
At 1 January 2007, at 31 December 2007, at 1 January 2008 and at 31 December 2008	37,000
Accumulated amortisation:	
At 1 January 2007 and at 31 December 2007	881
Provided for the year	1,850
At 1 January 2008	2,731
Provided for the year	1,850
At 31 December 2008	4,581
Carrying amount:	
At 31 December 2008	**32,419**
At 31 December 2007	34,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

17. Intangible Assets *(Continued)*

The carrying amount of technical know-how includes two separate technical know-how for the production of pharmaceutical products. The technical know-how has been assigned to the Group's associate company which operates pharmaceutical manufacturing plants for production of pharmaceutical products in the PRC.

In return to the assignment of the technical know-how to the Group's associate company, the Group is entitled to receive a royalty income each year.

The directors considered that there was no impairment for the year ended 31 December 2008. Details of critical accounting estimates were set out in Note 4 to the consolidated financial statements.

The amortisation expense has been included in other operating expenses in the consolidated income statement.

18. Interests in Associates

Group

	2008	2007
	$'000	*$'000*
Share of net assets of associates		
At 1 January 2008/2007	**34,937**	20,491
Acquisition of an associate	**–**	10,207
Share of results of associates	**18,492**	4,239
At 31 December 2008/2007	**53,429**	34,937
Less: accumulated impairment loss	**(390)**	(390)
	53,039	34,547
Amounts due from associates	**6,952**	5,793
	59,991	40,340
Less: accumulated impairment loss	**(605)**	(605)
	59,386	39,735

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Company

	2008	2007
	$'000	*$'000*
Unlisted shares, at cost	**1**	1
Amount due from an associate	**1,377**	499
	1,378	500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

18. Interests in Associates *(Continued)*

Name of associate	Registered and paid up capital	Country of incorporation	% of interest held	Principal activities
Joy Route Limited	US$100	British Virgin Islands	50%	Inactive
Tonghua Henggan Pharmaceutical Holding Company Limited	RMB66,000,000	PRC	27%	Production of pharmaceutical products
Tonghau Yong Ji Real Estate Company Limited	RMB25,000,000	PRC	44%	Properties development
Fulin Enterprise Limited	HK$1,000	Hong Kong	30%	Investment holdings

The summarised financial information in respect of the Group's associates is set out below:

	2008	2007
	$'000	*$'000*
Balance sheet		
Total assets	**283,151**	169,672
Total liabilities	**(51,492)**	(39,839)
Net assets	**231,659**	129,833
Group's share of net assets of associates	**53,429**	35,055
Income statement		
Revenue	**471,893**	163,491
Profit for the year	**68,489**	15,834
Group's share of profits of associates for the year	**18,492**	4,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

19. Investments in Subsidiaries

	Company	
	2008	2007
	$'000	*$'000*
Unlisted shares, at cost	**510,824**	510,824
Less: Impairment loss of interests in subsidiaries	**(374,384)**	(374,384)
	136,440	136,440
Amounts due from subsidiaries	**587,615**	148,761
Less: Impairment loss of amount due from subsidiaries	**(304,357)**	(108,131)
	283,258	40,630
	419,698	177,070

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts will not be repayable within twelve months from the balance sheet date, accordingly, the amounts are classified as non-current assets in the Company's balance sheet.

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	**Place of incorporation/ establishment**	**Registered capital/ issued capital**	**Percentage of interest held**		**Principal activities**
			Direct	Indirect	
BOCMT Real Estate Holdings Limited	Hong Kong	Ordinary HK$246,153,900	100%	–	Investment holding
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK$274,051	100%	–	Investment holding
Express Century Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Great Luck Property Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

19. Investments in Subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of interest held		Principal activities
			Direct	Indirect	
BOC Mantai Property Management (Shanghai) Corporation Limited	PRC	Registered capital US$200,000	–	100%	Property management
Xian BOCMT Estate Company Limited	PRC	Registered capital US$10,000,000	–	70%	Property development
Longwell International Holdings Limited	BVI	Ordinary US$1	100%	–	Investment holding
Changchun Rong Xin Economy and Trade Company Limited	PRC	Registered capital RMB34,000,000	–	100%	Property leasing
Tonghua Golden Life Resource Development Company Limited	PRC	Registered capital HK$5,200,000	–	100%	Property Investment
Jilin Province Rui Sui Kuang Ye Company Limited	PRC	RMB15,000,000	–	100%	Exploration of Iron Mine

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.

20. Prepaid Lease Payments

The amount represents land use rights in the PRC amortised over their relevant lease term of 45 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

21. Exploration and Evaluation Assets

	Exploration rights *$'000*	Evaluation costs *$'000*	Total *$'000*
Costs or valuation			
At 1 January 2007	–	–	–
Acquisition of a subsidiary	6,478	2,661	9,139
Revaluation	874,246	–	874,246
Additions	–	5,194	5,194
	880,724	**7,855**	**888,579**

On 30 October 2008, the Group acquired 51% interests in Jilin Province Rui Sui Kuang Ye Company Limited which holds an exploration rights to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC which covers approximately 4.17 km^2 ("Iron Mine"). The exploration right of the Iron Mine has been granted by Department of Land and Revenues of Jilin Province, the PRC.

The Group has appointed independent professional valuers namely 吉林省通化地質礦產勘查開發院 and RHL Appraisal Limited to perform an independent valuation on the Iron Mine and the exploration rights were revalued at RMB779,000,000 as at 31 December 2008.

The evaluation costs represent expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and viability of the Iron Mine.

The directors considered that there was no impairment loss shall be recognised for the year ended 31 December 2008 as there is no indication for provision of impairment loss has been identified.

22. Account Receivables

	2008 ***$'000***	2007 *$'000*
Account receivables	**4,325**	2,009
Less: Provision for impairment loss recognised	**(1,861)**	(1,861)
	2,464	148

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22. Account Receivables *(Continued)*

Included in account receivables are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

	2008	2007
	$'000	*$'000*
0 – 30 days	**2,464**	148

The directors of the Group consider that the fair values of trade receivables are not materially different from their amounts because these amounts have short maturity periods on their inception.

23. Prepayments, Deposits and Other Receivables

As at 31 December 2008, the Group maintained a cash escrow account of approximately HK$101,695,000 in a legal firm under the name of a subsidiary of the Company for entering a memorandum of understanding to acquire a property in the PRC. The Group has the right to withflow and use of the cash held in the escrow account as its discretion.

Prepayments, deposits and other receivables of the Group are expected to be recovered within one year except for utility deposits of approximately HK$371,000 (2007: HK$375,000).

The directors of the Group consider that the fair values of prepayments, deposits and receivables are not materially different from their amounts because these amounts have short maturity periods on their inception.

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31 December 2008 (in HK Dollars)

24. Financial Assets at Fair Value Through Profit or Loss

	2008 **$'000**	2007 *$'000*
Listed equity investments, at market value	–	32,427
Less: Fair value loss	–	(1,286)
Listed equity investments, at market value	–	31,141
Less: Impairment loss	–	(15,572)
	–	15,469

Notes:

(a) The listed equity investments are carried at quoted market prices as at 31 December 2007.

(b) Impairment loss of HK$15,672,000 has been recognised in the consolidated income statement as the market price of the equity investments had been further diminished subsequent to the financial year end.

25. Investment Deposits

Group

	2008 **$'000**	2007 *$'000*
Deposits for property Investments	–	56,842

On 26 June 2007, Longwell International Holding Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement ("Acquisition Agreements") with independent third parties to acquire the entire issued share capital of Chang Chun Rong Xin Economy and Trade Company Limited ("Rong Xin") for a consideration of RMB270,000,000. Upon signing of the Acquisition Agreements, the Group paid a security deposit of RMB54,000,000 (approximately HK$56,842,000) to the vendors to proceed with the acquisition which is refundable if any of the conditions precedent of the acquisition is not fulfilled or waived.

On 21 April, 2008, the Acquisition Agreements have been completed and the amount of investment deposits have been transfer to the investment cost of Rong Xin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. Share Capital

	Notes	Number of shares '000	Nominal value $'000
Authorised:			
Ordinary shares at HK$0.010 each			
As a 1 January 2007		10,000,000	100,000
Increase in authorised share capital	*(a)*	10,000,000	100,000
As at 31 December 2007 and at 1 January 2008		20,000,000	200,000
Increase in authorised share capital	*(d)(i)*	30,000,000	300,000
Share consolidation	*(d)(ii)*	(18,750,000)	–
Ordinary shares at HK$0.016 each			
As at 31 December 2008		**31,250,000**	**500,000**
Issued and fully paid:			
Ordinary shares at HK$0.010 each			
As at 1 January 2007		3,313,869	33,139
Issue of shares pursuant to right issue	*(b)*	1,656,934	16,569
Placing of shares	*(c)*	660,000	6,600
As at 31 December 2007 and at 1 January 2008		5,630,803	56,308
Share consolidation	*(d)(ii)*	(2,111,551)	–
Issue of shares pursuant to conversion of convertible bonds			
– First CB	*(e)*	2,083,333	33,333
– Second CB	*(f)*	2,777,778	44,444
– Third CB	*(g)*	1,315,222	21,044
Ordinary shares at HK$0.016 each			
As at 31 December 2008		**9,695,585**	**155,129**

26. Share Capital *(Continued)*

The movements in the Company's issued share capital are as follows:

(a) Pursuant to a resolution passed by the shareholders of the Company at annual general meeting held on 30 April 2007, the authorised share capital was increased from HK$100,000,000 to HK$200,000,000.

(b) On 25 October 2007, the Company entered into an underwriting agreement with Karl-Thomson Securities Company Limited as the underwriter, pursuant to which the Company proposed to raise approximately HK$96.4 million after deduction of expenses by way of right issue of 1,656,934,450 rights shares at the subscription price of HK$0.06 per rights share on the basis of one rights share for every two existing shares. The rights issue has been completed on 6 December 2007.

(c) On 13 December 2007, the Company entered into a placing agreement with Karl-Thomson Securities Company limited as the placing agent, pursuant to which the Company proposed to raise HK$39.6 million by way of placing 660,000,000 ordinary shares at a price of HK$0.06 per share through placement to independent third parties. The placing of shares has been completed on 20 December 2007.

(d) Pursuant to a special general meeting held on 21 April 2008, the following resolutions have been passed by the shareholders of the Company:

    (i) the authorised share capital of the Company was increased from HK$200,000,000 to HK$500,000,000; and

    (ii) the share consolidation on the basis that every eight issued and unissued shares of HK$0.01 each be consolidated into five consolidated shares of HK$0.016 each.

(e) On 25 June 2008, the Company raised approximately HK$150 million after deduction of expenses by way of the issuance of the first convertible bond ("First CB") to Universal Union Limited, being the substantial shareholder of the Company (the "Subscriber"). The full conversion of an aggregate principal amount of HK$150 million of the First CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 27 August 2008 which resulted in 2,083,333,333 shares being issued by the Company on 1 September 2008.

(f) On 6 August 2008, the Company raised approximately HK$200 million after deduction of expenses by way of the issuance of the second convertible bond ("Second CB"). The full conversion of an aggregate principal amount of HK$200 million of the Second CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 16 September 2008 which resulted in 2,777,777,777 shares being issued by the Company on 22 September 2008.

(g) On 29 September 2008, the Company raised approximately HK$94.7 million after deduction of expenses by way of the issuance of the third convertible bond ("Third CB"). The full conversion of an aggregate principal amount of HK$94.7 million of the Third CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 6 October 2008 which resulted in 1,315,222,222 shares being issued by the Company on 8 October 2008.

An new shares issued ranked pari passes with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008 (in HK Dollars)

27. Reserves

Group

	Share Premium $'000	Contributed Surplus $'000	Capital Reserves $'000	Revaluation Reserves $'000	Convertible Bond Reserve $'000	Statutory Reserve $'000	Exchange Reserve $'000	Accumulated Losses $'000	Total $'000
		Note (a)		*Note (b)*	*Note (c)*	*Note (d)*			
At 1 January 2007	491,636	31,350	(894)	–	–	–	(4,612)	(197,068)	320,412
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	–	1,029	–	1,029
Disposal of subsidiaries	–	–	–	–	–	–	5,543	–	5,543
Issue of shares pursuant to rights issues *(Note (e))*	82,847	–	–	–	–	–	–	–	82,847
Placing of shares *(Note (f))*	33,000	–	–	–	–	–	–	–	33,000
Share issue expenses on rights issues	(1,333)	–	–	–	–	–	–	–	(1,333)
Loss for the year	–	–	–	–	–	–	–	(45,469)	(45,469)
Transfer to statutory reserves	–	–	–	–	–	1	–	(1)	–
At 31 December 2007 and at 1 January 2008	606,150	31,350	(894)	–	–	1	1,960	(242,538)	396,029
Exchange differences on translation of foreign subsidiaries	–	–	–	–	–	–	15,504	–	15,504
Equity component of convertible bonds	–	–	–	–	87,205	–	–	–	87,205
Deferred tax liabilities of convertible bonds	–	–	–	–	(14,389)	–	–	–	(14,389)
Conversion of convertible bonds *(Note (g))*	345,875	–	–	–	(72,816)	–	–	–	273,059
Acquisition of a subsidiary	–	–	–	–	–	2,389	–	–	2,389
Fair value changes on exploration and evaluation assets	–	–	–	445,877	–	–	–	–	445,877
Loss for the year	–	–	–	–	–	–	–	(54,336)	(54,336)
Transfer to statutory reserves	–	–	–	–	–	618	–	(618)	–
At 31 December 2008	**952,025**	**31,350**	**(894)**	**445,877**	**–**	**3,008**	**17,464**	**(297,492)**	**1,151,338**

Company

	Share premium $'000	Contributed surplus $'000 *Note (a)*	Accumulated losses $'000	Total $'000
At 1 January 2007	491,636	115,615	(411,026)	196,225
Placing of shares *(Note (f))*	33,000	–	–	33,000
Issue of shares pursuant to rights issue *(Note (e))*	82,847	–	–	82,847
Shares issue expenses on rights issue	(1,333)	–	–	(1,333)
Loss for the year	–	–	(1,699)	(1,699)
At 31 December 2007 and at 1 January 2008	606,150	115,615	(412,725)	309,040
Conversion of convertible bonds *(Note (g))*	345,875	–	–	345,875
Loss for the year	–	–	(253,246)	(253,246)
At 31 December 2008	**952,025**	**115,615**	**(665,971)**	**401,669**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

27. Reserves *(Continued)*

Notes:

(a) The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due;

(ii) the realizable value of the Company's assets would thereby be less than the aggregate its liabilities and its issued share capital and share premium accounts.

In the opinion of directors, the Company did not have any reserves available for distribution to shareholders at 31 December 2008 and 2007.

(b) Included in the revaluation reserves, amount of approximately of HK$445,877,000 represents the adjustment on the revaluation of the exploration rights. Details of which has been set out in Note 21 to the consolidated financial statements.

(c) The convertible reserve represents the equity components of convertible bonds. Convertible bonds issued are split into their liability and equity components at initial recognition. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to the valuation carried out by an independent valuer, Malcom & Associates Appraisal Limited. Details has been set out in Note 30 to the consolidated financial statements. The convertible bonds issued by the Company has been convert by the bondholder during the year.

(d) Statutory reserve comprises of statutory surplus reserve and statutory welfare fund reserve, which has been summarized below:

(i) Statutory surplus reserves

In accordance with the articles of association of the Company's subsidiaries established in the PRC ("PRC Subsidiaries"). PRC Subsidiaries shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

(ii) Statutory welfare fund reserve

In accordance with the articles of association of the PRC Subsidiaries, PRC Subsidiaries shall appropriate 5% to 10% of its annual statutory net profit (after offset against any prior years' losses), prepared in accordance with the PRC GAAP, to the statutory public welfare fund reserve.

(e) On 25 October 2007, the Company entered into an underwriting agreement with Karl-Thomson Securities Company Limited as the underwriter, pursuant to which the Company proposed to raise approximately HK$96.4 million after deduction of expenses by way of right issue of 1,656,934,450 rights shares at the subscription price of HK$0.06 per rights share on the basis of one rights share for every two existing shares. The rights issue has been completed on 6 December 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

27. Reserves *(Continued)*

(f) On 13 December 2007, the Company entered into a placing agreement with Karl-Thomson Securities Company Limited as the placing agent, pursuant to which the Company proposed to raise HK$39.6 million by way of placing 660,000,000 ordinary shares at a price of HK$0.06 per share through placement to independent third parties. The placing of shares has been completed on 20 December 2007.

(g) The Company raised approximately HK$444.7 million by way of issuing three separate convertible bonds on 25 June 2008, 6 August 2008 and 29 September 2008. Details of the convertible bonds have been set out in Note 30 to the consolidated financial statements.

28. Account Payables

	2008	2007
	HK$'000	*HK$'000*
Due within 1 month or on demand	**1,888**	68

The amounts of account payables are short term and hence the carrying values of account payables are considered to be a reasonable approximation of fair value.

29. Other Payables and Accrued Expenses

Other payables and accrued expenses of the Group and the Company are expected to be settled within one year. The amounts of other payables and accrued expenses are short term and hence the carrying values of other payables and accrued expenses are considered to be a reasonable approximation of fair value approximate to their fair value.

30. Convertible Bonds

On 6 February 2008, the Company entered into a subscription agreement with Universal Union Limited, being the substantial shareholder of the Company (the "Subscriber") whereby the Subscriber agreed to subscribe for the convertible bonds in the principal amount of HK$444,696,000 to be issued by the Company in three tranches, being the first convertible bond in the principal amount of HK$150,000,000 ("First CB"), the second convertible bond in the principal amount of HK$200,000,000 ("Second CB") and the third convertible bond in the principal amount of HK$94,696,000 ("Third CB") respectively, for a term of 3 years for each tranche.

On 25 June 2008, the Subscriber subscribes the First CB and full conversion of an aggregate principal amount of HK$150 million of the First CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 27 August 2008 which resulted in 2,083,333,333 shares being issued by the Company on 1 September 2008.

On 6 August 2008, the Subscriber subscribes the Second CB and full conversion of an aggregate principal amount of HK$200 million of the Second CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 16 September 2008 which resulted in 2,777,777,777 shares being issued by the Company on 22 September 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

30. Convertible Bonds *(Continued)*

On 29 September 2008, the Subscriber subscribes the Third CB and full conversion of an aggregate principal amount of HK$94.7 million of the Third CB was made by the Subscriber at an adjusted conversion price of HK$0.072 on 6 October 2008 which resulted in 1,315,222,222 shares being issued by the Company on 8 October 2008.

The convertible bond contains two components, liability and equity elements. The equity element is presented in equity under Convertible Bond Reserve. The effective interest rate of the liability component of the First CB, Second CB and Third CB was 7.83%, 7.35% and 7.52% respectively.

The movement of the liability component of the convertible bonds during the year is set out below:

	2008	2007
	$'000	*$'000*
Proceed of issue:	**444,696**	–
Equity component	**(87,205)**	–
Liability component at date of issue	**357,491**	–
Conversion of convertible bonds	**(357,491)**	–
Liability component at 31 December	**–**	–

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to valuation carried out by Malcolm & Associates Appraisal Limited, was included in shareholders' equity in Convertible Bond Reserve. The fair value of the liability component and the equity conversion component were determined at issuance of the convertible bond.

31. Deferred Taxation

Group

	Investment property	**Convertible bonds**	**Total**
	$'000	*$'000*	*$'000*
At 1 January 2007, at 31 December 2007 and at 31 December 2007	–	–	–
Acquisition of a subsidiary	31,713	–	31,713
Changes in fair value of investments property	(1,177)	–	(1,177)
Charge for the year	–	14,389	14,389
Credited from equity for the year	–	(14,389)	(14,389)
At 31 December 2008	**30,536**	**–**	**30,536**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008 (in HK Dollars)

31. Deferred Taxation *(Continued)*

Company

	Convertible bonds *$'000*
At 1 January 2007, at 31 December 2007 and at 1 January 2008	–
Charges for the year	14,389
Credited from equity for the year	(14,389)
At 31 December 2008	**–**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2008 (2007: Nil).

32. Operating Leases

The Group as lessee

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

	2008 **$'000**	2007 *$'000*
Within one year	**1,182**	1,390
In the second to fifth years inclusive	**34**	1,332
	1,216	2,722

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 **$'000**	2007 *$'000*
Within one year	**20,843**	–
In the second to fifth years inclusive	**57,194**	–
	78,037	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

33. Contingent Liabilities and Capital Commitments

As at 31 December 2008, the Group had no material contingent liabilities (2007: Nil). As at 31 December 2008, the Group had contractual capital commitments in respect of renovation of its investment properties amended to approximately HK$9,159,000 (2007: Nil).

34. Related Party Transactions

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

	Amount due from related parties		Amount due to related parties	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Associates	**6,952**	5,793	**–**	–

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bead or doubtful debts in respect of the amounts due from related parties.

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

	2008	2007
	$'000	*$'000*
Associate:		
Royalty income received *(Note (i))*	**1,588**	1,480
Connected person:		
Convertible bonds *(Note (c))*	**444,696**	–
Compensation interest received	**–**	1,502

Note: (i) The transactions were carried at price agreed between the parties.

(c) Connected transaction

On 6 February 2008, the Company entered into a subscription agreement with Universal Union Limited ("Subscriber"), being the substantial shareholder of the Company whereby the Subscriber agreed to subscribe for the convertible bonds in the principal amount of HK$444,696,000 to be issued by the Company in three tranches, being the first convertible bond in the principal amount of HK$150,000,000 ("First CB"), the second convertible bond in the principal amount of HK$200,000,000 ("Second CB") and the third convertible bond in the principal amount of HK$94,696,000 ("Third CB") respectively, for a term of 3 years for each tranche.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008 (in HK Dollars)

34. Related Party Transactions *(Continued)*

(d) Compensation of key management personnel

Details of the convertible bonds have been disclosed in Note 30 to the consolidated financial statements.

Remuneration for key management personnel, including amounts paid to company's directors and certain of the highest paid employees, as disclosed in Notes 12 and 13 to the consolidated financial statements is as follows:

	2008 $'000	2007 $'000
Short-term employee benefits	**370**	602
MPF Contribution	**12**	24
	382	626

35. Acquisition of Subsidiaries

On 28 December 2007, the Group entered into an acquisition agreement to acquire the entire issued share capital of Rong Xin at a consideration of RMB270,000,000 and was completed on 21 April 2008. The sole asset of Rong Xin is the entire interest of a commercial property located at Changchun City, Jilin Province, the PRC which has an aggregated commercial area of 9,197.27 square meters. The commercial property held by Rong Xin is a 7-storey shopping mall in the centre of Changchun City, Jilin Province, the PRC.

In October 2008, the Group acquired 51% interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui") at a consideration of RMB7,650,000. Rui Sui has an exploration rights to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC which covers approximately 4.17km^2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

35. Acquisition of Subsidiaries *(Continued)*

The net assets acquired in the transactions and the negative goodwill arising is as follows:

	Rong Xin	Rui Sui	Total
	$'000	*$'000*	*$'000*
Net assets acquired:			
Property, plant and equipment	5,229	–	**5,229**
Investment properties	357,081	–	**357,081**
Trade receivables	2,226	–	**2,226**
Prepayments, deposits and other receivables	2,962	7,152	**10,114**
Cash and bank balances	996	1,627	**2,623**
Exploration and evaluation assets	–	9,139	**9,139**
Account payables	(1,530)	–	**(1,530)**
Accruals and other payables	(3,608)	(917)	**(4,525)**
Tax payables	(4,347)	–	**(4,347)**
Deferred tax liabilities	(31,338)	–	**(31,338)**
Statutory reserve	(2,361)	–	**(2,361)**
	325,310	17,001	**342,311**
Minority Interests	–	(8,357)	**(8,357)**
	325,310	8,644	**333,954**
Total consideration satisfied by:			
Cash	(298,642)	(8,644)	**(307,286)**
Negative goodwill	26,668	–	**26,668**
Net cash outflow arising on acquisition:			
Cash consideration paid	(298,642)	(8,644)	**(307,286)**
Bank balances and cash acquired	996	1,627	**2,623**
	(297,646)	(7,017)	**(304,663)**

The negative goodwill arose in the acquisition of Rong Xin has been credited to the consolidated financial statements.

The negative goodwill arose in the business combinations because the fair value of the identifiable net assets of Rong Xin were over the cost of acquisition paid by the Group. The negative goodwill has been credited to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

36. Disposal of Subsidiaries

	2008	2007
	$'000	*$'000*
Net assets disposal of:		
Exchange reserve	–	5,543
Accruals and other payables	–	(51)
Tax payable	–	(396)
	–	5,096
Loss on disposal of subsidiaries	–	(5,096)
	–	–
Satisfied by:		
Cash consideration received	–	1

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

	2008	2007
	$'000	*$'000*
Cash consideration received	–	1
Cash and bank balances disposed of	–	–
Net inflow of cash and cash equivalents		
In respect of the disposal of subsidiaries	–	–

37. Financial Instruments

Financial assets by category

The carrying amount of the Group's financial assets by category of financial instruments included in the consolidated balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets at fair value through profit or loss				
– Designated as such upon initial recognition	**–**	15,469	**–**	15,469
– Derivate financial instrument	**–**	–	**–**	–
Loans and receivables				
– Account receivables	**2,464**	148	**–**	–
– Prepayments, deposits and other receivables	**105,213**	780	**102,066**	375
– Investment deposits	**–**	56,842	**–**	56,842
– Amount due from associates	**6,952**	5,793	**1,378**	499
– Amount due from subsidiaries	**–**	–	**377,083**	134,455
– Cash and bank balances	**126,984**	176,748	**35,419**	175,364
	241,613	255,780	**515,946**	383,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

37. Financial Instruments *(Continued)*

Financial liabilities by category

The carrying amount of the Group's financial liabilities by category of financial instruments included in the consolidated balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised cost				
– Account payables	**1,888**	68	**–**	–
– Other payables and accrued expenses	**7,441**	6,858	**3,392**	5,537
– Amounts due to subsidiaries	**–**	–	**93,825**	93,825
	9,329	6,926	**97,217**	99,362

38. Financial Risk Management Objective and Policies

The Group has written risk management policies and guideline set out in the Group's internal control manual. The board of directors also meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to variety of risks associated with financial instruments which arise form the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to these risks are mitigated are described as follow:

(a) Market risk

(i) Foreign exchange risk

Most of the subsidiaries functional currencies are Renminbi ("RMB") and Hong Kong dollars ("HKD"). The business transactions of the Group conducted during the year were mainly denominated and settled in either RMB or HKD. The exposure in exchange rate risks mainly arises from fluctuations in foreign currencies against the functional currency of the relevant Group entities. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

38. Financial Risk Management Objective and Policies *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

Based on the market conditions as at 31 December 2008, the Group determined that it is reasonably possible for RMB to strengthen/weaken by 5% against HKD in the coming twelve months (2007: 6%). Hence, 5% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items.

The following table illustrates the sensitivity of the net results for the year and accumulated losses in regards to the Group's financial assets and financial liabilities dominate in RMB at the balance sheet date and the reasonable possible changes in the foreign exchange rates in the next twelve months to which the Group has significant exposure at the balance sheet date, based on the assumption that other variables are held constant. Changes in foreign exchange rate have no impact on the Group's other component of equity.

	2008		2007	
	Increase/ (Decrease) in foreign exchange rate	**Effect on results and accumulated losses**	Increase/ (Decrease) in foreign exchange rate	Effect on results and accumulated losses
	%	***$,000***	%	*$'000*
Loss for the year				
– strengthened	**5**	**2,281**	6	3,532
– Weakened	**(5)**	**(2,281)**	(6)	(3,532)

This is mainly attributable to the exposure outstanding on receivable and payable denominated in RMB not subject to any cashflow hedge at year end.

(ii) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no external borrowing and the cash flow rate risk in relation to variable bank balance and deposit in minimal. A reasonable change in interest rate in next twelve months is assessed to result in immaterial change in the Group's results and accumulated losses. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

38. Financial Risk Management Objective and Policies *(Continued)*

(b) Credit risk

The Group has no significant concentration of credit risk. Substantially all the customers of the Group are tenants of the Group's investment properties which are billed on monthly basis. Therefore, the board of directors considered that the Group's credit risks on account receivables is minimal and has no significant concentration of credit risk.

Nevertheless, Credit risk may arises from prepayments, deposits and other receivables, cash and bank balances. The Group limits its exposure to credit risk rigorously selecting the counterparties. The Group's exposure to credit risk other than account receivables is summarized as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Account receivables	**2,464**	148	**–**	–
Prepayments, deposits and other receivables	**105,213**	780	**102,066**	375
Financial assets at fair value through profit or loss	**–**	15,469	**–**	15,469
Investment deposits	**–**	56,842	**–**	–
Amounts due from associates	**6,952**	5,793	**1,378**	499
Cash and bank balances	**126,984**	176,748	**35,419**	175,364
	241,613	255,780	**138,863**	191,707

Credit risk on cash and bank balances, financial assets at fair value through profit or loss are mitigated as counterparties are banks or financial institutions with high credit rating. Credit risk on prepayments, deposits and other receivables and amounts due from associates is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivables balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

None of the Group's financial assets are securitised by collateral or other credit enhancements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

38. Financial Risk Management Objective and Policies *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of HK$242,620,000 and HK$222,190,000 and has net assets of HK$460,768,000 and HK$1,743,166,000 as at 31 December 2007 and 31 December 2008 respectively. In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the balance sheet dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group may be required to pay:

2008

	Within 3 months or on demand	**More than 3 months but less than 1 year**	**More than 1 year but less than 5 years**	**Total contractual undiscounted cash flow**
	$'000	***$'000***	***$'000***	***$'000***
Account payables	**1,888**	**–**	**–**	**1,888**
Other payables and accrued expenses	**7,441**	**–**	**–**	**7,441**
	9,329	**–**	**–**	**9,329**

2007

	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	Total contractual undiscounted cash flow
	$'000	*$'000*	*$'000*	*$'000*
Account payables	68	–	–	68
Other payables and accrued expenses	6,858	–	–	6,858
	6,926	–	–	6,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

38. Financial Risk Management Objective and Policies *(Continued)*

(d) Other pricing risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The group's equity price risk is mainly concentrated on equity securities listed in the Stock Exchange. In addition, the Group has appointed an investment team to monitor the price risk and will consider hedging the risk exposure should the need arise.

As at 31 December 2008, the Group does not have any investment in listed equity securities and not subject to equity price risk. Thus, no sensitivity analysis on the foreign currency risk is presented.

(e) Fair values

The directors of the Company consider the fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amount.

39. Capital Management Policies and Procedures

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008 (in HK Dollars)

39. Capital Management Policies and Procedures *(Continued)*

Management regards total equity as capital, for capital management purpose, the amount of capital as at 31 December 2007 and 2008 amounted to approximately HK$460,768,000 and HK$1,743,166,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

The details of the total equity of the Group as at 31 December 2008 and 2007 are as follows:

	2008	2007
	$'000	*$'000*
Share capital	**155,129**	56,308
Reserves	**1,151,338**	396,029
	1,306,467	452,337
Minority interest	**436,699**	8,431
Total equity	**1,743,166**	460,768

40. Authorisation for Issue of Financial Statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 16 March 2009.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 December 2008.

Results

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Turnover	**74,400**	237,647	48,941	9,722	6,087
Loss from operations	**(80,424)**	(58,871)	(48,330)	(4,343)	(283,367)
Finance costs	**–**	–	(883)	(1,124)	(2,452)
Share of results of associates	**18,492**	4,239	692	–	–
Loss before taxation	**(61,932)**	54,632	(48,521)	(5,467)	(285,819)
Taxation	**(862)**	1,934	(190)	(183)	–
Loss for the year	**(62,794)**	(52,698)	(48,711)	(5,650)	(285,819)
Attributable to:					
Equity holders of the Company	**(54,336)**	(45,469)	(41,420)	(4,692)	(284,269)
Minority interests	**(8,458)**	(7,229)	(7,291)	(958)	(1,550)
Loss for the year	**(62,794)**	(52,698)	(48,711)	(5,650)	(285,819)

Assets and Liabilities

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Property, plant and equipment	**112,169**	131,553	144,346	165,225	165,665
Investment properties	**357,835**	–	–	47,700	80,000
Goodwill	**12,591**	12,591	12,591	–	–
Interest in joint venture	**–**	–	–	–	46,768
Interest in associates	**59,386**	39,735	25,084	–	–
Available-for-sale financial assets	**–**	–	–	32,000	87,000
Intangible assets	**32,419**	34,269	36,119	–	–
Prepaid lease payment	**88,533**	–	–	–	–
Exploration and evaluation assets	**888,579**	–	–	–	–
Current assets	**234,661**	249,987	176,184	213,704	113,046
Total assets	**1,786,173**	468,135	394,324	458,629	492,479
Current liabilities	**(12,471)**	(7,367)	(25,113)	(26,056)	(54,817)
Long-term liabilities	**(30,536)**	–	–	(14,707)	(13,816)
Minority interests	**(436,699)**	(8,431)	(15,660)	(22,951)	(23,909)
Net assets	**1,306,467**	452,337	353,551	394,915	399,937