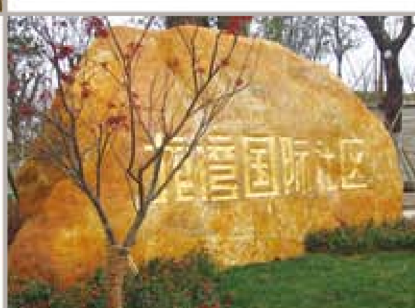
五礦建設有限公司*

MINMETALS LAND LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號：230

Annual Report 年報 2008

*For identification purpose only 僅供識別



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CORPORATE INFORMATION

CHAIRMAN & NON-EXECUTIVE DIRECTOR
Mr. Zhou Zhongshu

EXECUTIVE DIRECTORS
Mr. Qian Wenchao — Deputy Chairman
Mr. He Jianbo — Managing Director
Mr. Yin Liang — Senior Deputy Managing Director
Mr. Yan Xichuan — Deputy Managing Director
Ms. He Xiaoli

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lam Chun, Daniel
Mr. Selwyn Mar
Ms. Tam Wai Chu, Maria

COMPANY SECRETARY
Ms. Chung Wing Yee, Zoe

AUDITOR
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PRINCIPAL BANKERS
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China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

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CHAIRMAN'S STATEMENT

Zhou Zhongshu
Chairman

I am pleased to present to you the annual report of the Group for the financial year ended 31 December 2008.

The year 2008 was an eventful year for the Group.

China Minmetals, the controlling shareholder of the Company, has expressed its intention to consolidate its real estate resources to develop its real estate business to achieve full synchronisation of real estate business and capital market, to turn the Group into its sole listed real estate flagship, and eventually develop the Group to become a leading and competitive PRC real estate development and specialised construction corporation.

In this connection, the Group acquired an additional investment property in Hong Kong, the China Minmetals Tower, from the controlling shareholder of the Company in August 2008. Such acquisition was the first key strategic move made by China Minmetals in relation to the overall reorganisation of China Minmetals' real estate business asset through asset injection to the Group. Subsequently, in November 2008, China Minmetals made a second step of asset injection comprising cash and certain equity interest of a Hong Kong listed company to the Group. Although such transaction is yet to complete, the commitment of China Minmetals to make the Group as its listed real estate flagship via consolidation of its real estate resources is clearly shown.

The Group's portfolio of investment properties was enlarged with the acquisition of the China Minmetals Tower in 2008. As at 31 December 2008, the Group's portfolio of investment properties mainly comprised two commercial buildings at key locations in Hong Kong, namely the ONFEM Tower located in Central, and the China Minmetals Tower located in Tsimshatsui, Kowloon, with a total gross lettable floor area of approximately 170,400 square feet (excluding the floor area occupied by the Company as headquarters in the China Minmetals Tower).

CHAIRMAN'S STATEMENT

The Company allotted and issued new ordinary shares as consideration for the acquisition of the China Minmetals Tower in August 2008 and accordingly, China Minmetals' shareholding in the Company increased from 53.83% to approximately 67.93%. The shareholders' equity of the Company also increased by approximately HK$537.2 million. The enhanced equity base of the Company has facilitated the banking arrangements to finance the Group's capital commitment to new real estate development project. Furthermore, the acquisition of the China Minmetals Tower not only strengthens the Group's recurrent income base but also results in a reduction of rental expenses and cash outflow since the Company occupies a part of the floor space in that building as headquarters.

During the year, the Group acquired the new real estate development project in Nanjing City, Jiangsu Province, the PRC (the "New Nanjing Project"), in a joint venture with an investment fund. This was a significant strategic move for the Group which allows the Group to tap into the investment fund market for real estate development funding. The application for formation of the Sino-foreign joint venture company has been approved in February 2009.

Following the handover of all the property units of The Grand Panorama Project, the Group's portfolio of real estate development projects comprised two residential projects with a total attributable saleable floor area of approximately 715,000 square metres as at 31 December 2008. Taking into account the New Nanjing Project, the total attributable saleable floor area of the Group's portfolio of real estate development projects will increase to approximately 820,000 square metres.

On the other hand, the Group's strategy of restructuring its non-core businesses achieved a significant step in 2008. The disposal of our lubricant oil business was completed by end of 2008.

During the year, the Group strived to make conditional improvement in its operational efficiency and management system so as to match up with the growth of the Group's businesses as well as to meet a challenging business environment.

RESULTS

The Group's consolidated revenue in 2008 increased to HK$1,237.6 million from HK$431.2 million in 2007, representing a year-on-year increase of 187.0%, mainly as a result of the recognition of revenue of HK$886.9 million derived from the sale of property units of The Grand Panorama Project.

Profit attributable to equity holders of the Company decreased 13.4% year-on-year to HK$140.9 million for the fiscal year from HK$162.7 million in 2007. Before revaluation gain on investment properties of HK$72.9 million for the year (2007: HK$50.5 million), profit attributable to equity holders of the Company was HK$68.0 million in 2008, representing a decrease of 39.4% over the comparable figure of HK$112.2 million in 2007. However, given that the profit in 2007 was largely derived from a one-off gain on disposal of an investment, the profit performance of the Group was in fact improved in 2008 as a result of the contribution from our profitable real estate development operations, the improved property investment operations from the ONFEM Tower and the new rental contribution from the China Minmetals Tower.

CHAIRMAN'S STATEMENT

STRATEGIES AND PROSPECTS

The proven success which the Group has achieved in the last few years in restructuring its business and the increase in shareholding in the Company by China Minmetals mark the ongoing and long-term commitment of China Minmetals in building up the core businesses of the Group and positioning the Company as its sole Hong Kong listed real estate flagship. This is in line with China Minmetals' strategy and would provide further synergies with the intended reorganisation of China Minmetals' other real estate-related assets and businesses in the PRC. We are confident that such consolidation would continue to materialise in a timely fashion, upon which the financial and operational strengths of the Group would be greatly enhanced.

We would continue to leverage on the strong financial base and extensive business connections of China Minmetals, our controlling shareholder, in the Group's business development. In particular, we will strive to build brand recognition as the Hong Kong listed real estate flagship subsidiary of China Minmetals, and expand collaboration with China Minmetals to enhance the performance of our core businesses of real estate development and specialised construction.

The year 2009 has started with increasing signs of a simultaneous recession in major economies in the world and the PRC property market continued to slow down under the backdrop of a third consecutive decline in the PRC gross domestic product quarterly growth rate since the first quarter of 2008. Affected by the adverse macro-economic environment and outlook, the PRC property market inevitably faced downward pressure on selling prices as well as a shrinking transaction volume.

However, the PRC Government has been implementing economic stimulus plans to address the impact of the worldwide financial turmoil on the economic growth in the PRC. In particular, the PRC Government has launched fiscal and monetary policies and measures to stimulate domestic consumption and to encourage a stable development of the property market. We believe that current conditions represent a healthy consolidation phase. Whilst we are optimistic on the long-term prospects of its property development industry, we would position the Group to capture the opportunities arising from these economic stimulating measures. The Group strives to build real estate projects of high quality and to strengthen our core competencies in real estate development and specialised construction businesses.

The Group would continue to adopt a prudent and pragmatic approach in its business development by exploring appropriate business opportunities at a lower cost base as well as seeking the most efficient use of the Group's financial resources so as to be prepared for the next expansion phase of the PRC property market in future, whilst focusing on strategies and opportunities to adapt to prevailing property market conditions in the PRC. In this period of market consolidation, the Group will continue to improve operational efficiency, manage and monitor operational risks.

Moving ahead, we will endeavour to offer our customers the best products and services, enhance the Group's competitive advantages and earnings capability, and bring satisfactory returns to our shareholders.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

I would like to express our sincere gratitude to my fellow directors and employees for their dedication and hard work in the past year. On behalf of the Board, I would also like to thank our customers, business partners and shareholders for their continuous support.

Zhou Zhongshu
Chairman

Hong Kong, 1 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

He Jianbo
Managing Director

During the year, the Group is principally engaged in the business of real estate development and project management, specialised construction, property investment and manufacturing and trading.

For the fourth year in a row, consolidated revenue of the Group increased, rising 187.0% year-on-year to HK$1,237.6 million for the financial year ended 31 December 2008 (2007: HK$431.2 million). This substantial growth in consolidated revenue was mainly attributable to the recognition of the sale proceeds of HK$886.9 million from The Grand Panorama Project in 2008.

The table below sets out the total consolidated revenue of the Group by business segments for the year ended 31 December 2008, together with the comparative figures for the previous year:

TOTAL REVENUE BY BUSINESS SEGMENTS

	Year ended 31 December				Year-on-year change
	2008		2007		
	HK$'000	%	HK$'000	%	%
Continuing operations					
Real estate development and project management	887,476	71.7	2,311	0.5	+38,302.3
Specialised construction	250,426	20.2	345,961	80.2	-27.6
Property investment	28,405	2.3	17,042	4.0	+66.7
Discontinued operations					
Manufacturing and trading	71,289	5.8	65,892	15.3	+8.2
Total revenue	1,237,596	100.0	431,206	100.0	+187.0

MANAGEMENT DISCUSSION AND ANALYSIS

Net profit attributable to equity holders of the Company for the year under review was HK$140.9 million (2007: HK$162.7 million), representing a decrease of 13.4% from the previous year. Basic earnings per share decreased from 21.03 HK cents in 2007 to 15.61 HK cents in 2008.

Segment results of the Group by business segments for the year ended 31 December 2008 and the comparative figures in 2007 are summarised as follows:

SEGMENT RESULTS BY BUSINESS SEGMENTS

	Year ended 31 December				Year-on-year
	2008		2007		change
	HK$'000	%	HK$'000	%	%
Continuing operations					
Real estate development and project management	119,197	52.9	(14,498)	N/A	N/A
Specialised construction	3,737	1.7	(18,118)	N/A	N/A
Property investment (Note)	98,861	43.9	64,841	N/A	+52.5
Securities investment and trading	–	0	140,701	N/A	-100.0
Discontinued operations					
Manufacturing and trading	3,330	1.5	1,724	N/A	+93.2
Total segment profit	225,125	100.0	174,650	N/A	+28.9

Note: including revaluation gain on investment properties of HK$72.9 million and HK$50.5 million for the financial year 2008 and 2007 respectively

Given that the Group's acquisition cost of the China Minmetals Tower was lower than its fair market value as at 31 December 2008 and the rental performance of the ONFEM Tower improved over the previous year, the Group was able to recognise a total revaluation gain on investment properties of HK$72.9 million in 2008 (2007: HK$50.5 million). Profit attributable to equity holders of the Company before revaluation gain was HK$68.0 million in 2008, representing a decrease of 39.4% over the comparable figure of HK$112.2 million in the previous year. Excluding the one-off gain on securities investment and trading of HK$140.9 million recorded in year 2007, the profit performance of the Group was in fact substantially improved in 2008 as a result of the contribution from our real estate development operations, the improved property investment operations from the ONFEM Tower and the rental contribution from the China Minmetals Tower.

MANAGEMENT DISCUSSION AND ANALYSIS

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT

During the year under review, the portfolio of real estate development projects of the Group comprised three residential projects in the PRC, namely The Grand Panorama Project, the Laguna Bay Project and the LOHAS International Community Project. The Grand Panorama Project was completed and all of the residential and commercial units were sold.

Revenue from this business segment in 2008 increased significantly to HK$887.5 million from HK$2.3 million in 2007, whilst segment results improved to a profit of HK$119.2 million from a loss of HK$14.5 million in the previous year.

Since the completion of the sole project management services contract in 2007 and other than the small remaining balance of revenue in 2008, the Group has not generated revenue from project management business activity. The year-on-year improvement in revenue of this business segment was entirely attributable to the recognition of revenue from The Grand Panorama Project. Given the relatively high margins and large scale of revenue achieved by the real estate development operations, segment results were accordingly improved in 2008 when compared to that generated from the smaller scale project management services in 2007.

As a result of the austerity measures implemented by the PRC government since 2007, the buoyant property market in the PRC had taken a sharp turn downwards in the fourth quarter of 2008 and continued to deteriorate when the global economic crisis broke out. Since that time PRC government polices were turned into a stimulus mode.

The pre-sale activities of the Laguna Bay Project were adversely affected in the second half of 2008, with sales volume sharply reduced even though the average selling prices achieved in 2008 were on the whole satisfactory and within the budget. Unless the market conditions improve significantly in the coming months, it is anticipated that phase I of the Laguna Bay Project might not be entirely pre-sold before its expected handover date. In early 2008, the management has matched the development progress of the Laguna Bay Project in order to take maximum advantage of buoyant market conditions in the PRC at that time. In response to the changing market situation, we will continue to review the pre-sale programmes and construction schedules of our real estate development projects with the flexibility to respond to the market conditions, with the aims to minimise finance costs as well as maximise margins and profit.

The Grand Panorama Project, Zhuhai, Guangdong Province, the PRC

The Grand Panorama Project is a residential project located in Qinglu Zhonglu in Zhuhai, Guangdong Province, the PRC. The Group has 100% ownership in this project and thus far had sold before the market downturn in 2008 and handed over to buyers substantially the entire project, including all of the residential and commercial units. As at 31 December 2008, only 49 car parking spaces remained available for sale.

To promote customer satisfaction and build brand recognition for our real estate development business, the Group's subsidiary undertaking The Grand Panorama Project had, upon handover, established a customer service centre to deal with inquiries raised by owners.

The Grand Panorama Project

MANAGEMENT DISCUSSION AND ANALYSIS

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT (Cont'd)

Laguna Bay Project, Nanjing, Jiangsu Province, the PRC

This three-phased residential project is located at the Science Park on Xue Si Lu East and Xue Qi Lu North of the Jiangning District, Nanjing City, Jiangsu Province of the PRC with a total gross saleable floor area of approximately 262,000 square metres. The Group has a 71% interest in the project. Since the commencement of pre-sale by stages from October 2007, all 603 residential units and 7 commercial units (representing a total gross saleable floor area of approximately 60,100 square metres) of phase I of the project had been offered for pre-sale. Up to the end of 2008, a total of 387 residential units (representing a gross saleable floor area of approximately 33,600 square metres) had been thus far contracted for sale, achieving an average selling price of around RMB5,100 per square metre.


Laguna Bay Project

In the second half of 2008, the building construction works including interior and external decoration and electrical and mechanical installation works with respect to phase I of the project had been completed. Moving ahead, our key task is to complete phase I of the project with the target of handing over the property units to buyers by stages from end of March 2009, upon which revenue and results from this phase of the project will be recognised in the Group's 2009 financial statements.

In December 2008, Nanjing Jiangning District Planning Bureau approved the planning proposal for phase II and phase III of the project. The Group decided to reduce the scale of part I of phase II and adjust the construction schedule from the fourth quarter of 2008 to the second quarter of 2009 in view of, amongst other matters, sluggish property market conditions at that time. We anticipate that an additional bank loan will be required in the first half of 2009 in order to fully finance phase II development.

Despite the current unfavourable market conditions, we remain confident about the prospects of the project in the long term in view of the favourable infrastructure developments surrounding the project, for instance, the southern extension of the Nanjing metro subway which is expected to be completed in October 2010, and phase II of the Ninghang Expressway which was completed in August 2008. The Group is in the process of adjusting the development strategies of phase II of the project including the commencement date of the construction work.

According to our current development plans, the revised pre-sale and construction schedules of the Laguna Bay Project are set out below:

	Approximate gross saleable floor area#	Actual/expected pre-sale commencement date	Expected construction completion date
	(square metres)		
Phase I (northern part)	69,000	4Q 2007	1Q 2009
Phase I (southern part)		2Q 2008	1Q 2009
Phase II	33,000	3Q 2009	3Q 2010
Phase III	160,000	2Q 2010	4Q 2011
Total	262,000		

including basement carparks

MANAGEMENT DISCUSSION AND ANALYSIS

REAL ESTATE DEVELOPMENT AND PROJECT MANAGEMENT (Cont'd)

LOHAS International Community Project, Changsha, Hunan Province, the PRC

This residential project, comprising six development phases, is located at Yuetang Village and Gaotang Village of Muyun Town, Changsha County, Changsha City, Hunan Province of the PRC, with a total gross saleable floor area of approximately 1.0 million square metres. The Group has a 51% interest in the project. A total of 24 residential units (representing a gross saleable floor area of approximately 5,100 square metres) of phase I had been thus far contracted for sale, achieving the budgeted average selling price of around RMB5,700 per square metre.

LOHAS International Community Project

During the year under review, demolition and relocation works in respect of the entire site of the project and site investigation works for phase II were completed. In addition, the building construction works in respect of phase I (comprising 36 blocks of villas and low-rise buildings and a gross saleable floor area of approximately 60,200 square metres) were completed and the pre-sale of which was approved.

To test market response, 54 residential units in phase I of the project have been offered for pre-sale in December 2008 on a "by-invitation" basis for staff and special customers of the Group. Up to the end of 2008, this marketing test had generated forecast revenue contribution of approximately RMB29.1 million to the Group. The pre-sale of phase I for public buyers is expected to commence in the third quarter of 2009, when the central commercial complex comprising the residents' club house and shops is completed.

So far, the project has been financed by owners' contributions. In addition, negotiation was in progress with banks in the PRC for a maximum amount of RMB200.0 million banking facilities which will meet the financial needs of phase II development of the project.

Based on information available on the Changsha City property market, we expect that new supply of commodity housing, together with existing inventories, will outstrip the projected demand in 2009. Although the potential impact of over-supply on property prices in Changsha City should not be underestimated, we will strive to realise the maximum potential of the project by leveraging on its unique geographical location, the support from our project partner, a local property developer in Hunan Province, and the strength of China Minmetals brand.

The table below sets out the expected pre-sale and construction schedules of different phases of development for the LOHAS International Community Project:

	Approximate gross saleable floor area#	Expected pre-sale commencement date	Expected construction completion date
	(square metres)		
Phase I	76,000	3Q 2009	4Q 2009
Phase II	81,000	3Q 2009	1Q 2010
Phase III	202,000	3Q 2010	2Q 2011
Phase IV	247,000	3Q 2011	2Q 2012
Phase V	188,000	2Q 2012	4Q 2012
Phase VI	222,000	2Q 2013	4Q 2013
Total	1,016,000		

including basement carparks

MANAGEMENT DISCUSSION AND ANALYSIS

SPECIALISED CONSTRUCTION

Curtain wall construction by SJQ – Lei Shing Hong, Beijing, the PRC

The Group operated this business through (i) SJQ, which is engaged in the design and installation of curtain walls in the PRC, and (ii) Condo HK, which is engaged in the design and installation of curtain walls in Hong Kong. Following the closure of the fire-proofing door and plaster business in this segment in 2008, the Group has only recognised a small remaining balance of the revenue from existing contracts in 2008.

In 2008, our specialised construction business segment reported revenue of HK$250.4 million, representing a decrease of 27.6% from the corresponding figure of HK$346.0 million in the previous year, mainly resulting from the decrease in revenue derived from our curtain wall business in the PRC and the revenue from our fire-proofing door and plaster business. Segment results for the year improved to a profit of HK$3.7 million from a loss of HK$18.1 million in the previous year. Excluding the provisions on impairment of goodwill and on doubtful debt and slow-moving inventories totalling HK$17.9 million in 2007, segment performance improved in 2008 mainly reflects the improved project profile of our curtain wall business with higher margins and the closure of the loss-making fire-proofing door and plaster business in this segment.

In 2008, the already competitive business environment of the curtain wall industry in the PRC suffered further from the delay in construction progress of property and construction projects and a reduced number of new projects, as the industry began to feel the effects of the economic slowdown, especially as the positive impacts of the Olympic Games began to wear off. Given the deteriorating market conditions, revenue from SJQ declined by 29.9% year-on-year to HK$218.0 million in 2008 (2007: HK$310.9 million), while the value of outstanding contracts on hand decreased slightly to HK$82.2 million at the end of 2008 as compared to the corresponding amount of HK$87.0 million in 2007. Nevertheless, SJQ has focused more on larger projects with reputable developers so as to reduce business risk and managed to improve margins in 2008.

In 2008, the Ministry of Construction of the PRC accredited SJQ with the qualifications of Building and Decorating Project Contractor Class III and Metal Doors and Windows Engineering Contractor Class III. In order to further enhance its competitive advantages in the very competitive industry landscape, SJQ intends to attain Class II of these qualifications, as well as additional qualifications in the PRC for Steel Structure Engineering and Integrated Curtain Wall Grade A Design and Manufacturing.

Our relatively new curtain wall operations in Hong Kong continued to experience growth, with revenue from Condo HK increasing 7.5% year-on-year to HK$31.5 million (2007: HK$29.3 million). As at 31 December 2008, Condo HK's outstanding contracts on hand amounted to HK$14.6 million (2007: HK$2.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENT

The Group's property investment operations covered (i) the leasing of office and commercial spaces in the ONFEM Tower located in Central, Hong Kong, and in the China Minmetals Tower (which was acquired by the Group in August 2008) located in Tsimshatsui, Kowloon, Hong Kong, and (ii) the leasing of five residential properties in Hong Kong.

Revenue of our property investment business segment increased by 66.7% to HK$28.4 million for the year ended 31 December 2008 (2007: HK$17.0 million) mainly due to the new contribution from the China Minmetals Tower since the third quarter of 2008 and increases in rental rates of renewed leases in the ONFEM Tower in 2008.

Segment profit for the year ended 31 December 2008 amounted to HK$98.9 million, increased by 52.5% as compared to the corresponding profit of HK$64.8 million in the previous year. Before the gain on revaluation of investment properties, segment profit in 2008 was HK$26.0 million representing an increase of 81.8% year-on-year compared to the corresponding figure of HK$14.3 million in 2007. The improvement in profitability of our property investment business segment in 2008 was mainly attributable to the increase in rental rates while operating costs were stringently controlled.

The Group was able to increase revenue and improve segment results (before revaluation gain on investment properties) of its property investment business during the year as the economic downturn in Hong Kong only became apparent in the fourth quarter of 2008. For both the ONFEM Tower and the China Minmetals Tower, all leases that were up for renewal in 2008 had been renewed at the then market rates which were in general substantially higher than their rental rates before renewal. As a result, renewed leases in both properties had achieved satisfactory rental increases. In the last quarter of 2008, some tenants in the ONFEM Tower who were in financial difficulties had chosen to terminate their leases earlier than contractual expiration dates. As a result, the occupancy rate of the ONFEM Tower was 86% as at the end of 2008 as compared to 100% on the year-end date of the previous year. The occupancy rates of the office and commercial spaces in the China Minmetals Tower were 92% and 59% respectively as at 31 December 2008.

Given the unfavourable macro-economic environment worldwide and the gloomy economic outlook for Hong Kong, the Group expects that renewal of the leases that are up for renewal in 2009 in both the ONFEM Tower and the China Minmetals Tower will result in a reduction in rental rates and hence a reduction in revenue and profit. Moving ahead, the Group is committed to broadening the income base of its property investment business by, amongst others initiatives, exploiting new income sources such as out-door advertising.

MANUFACTURING AND TRADING

The Group operated its manufacturing and trading business during the year ended 31 December 2008 through Jaeger, which was engaged in the manufacture and distribution of lubricant oil, industrial tools and chemical products.

For the year ended 31 December 2008, revenue from our lubricant oil business increased from HK$65.9 million in 2007 by 8.2% to HK$71.3 million, mainly benefiting from increases in product prices. Segment profit of this business was HK$3.3 million in 2008, which was better than that in 2007 of HK$1.7 million mainly reflects the improvement in margins as a result of the reduction in raw material costs engendered by the significant lowering of international oil prices.

As part of an effort to restructure the Group's non-core businesses, the Company disposed of this business and the transaction was completed on 31 December 2008 at a consideration of HK$12.0 million. The Group recorded a loss of HK$4.5 million in 2008 arising from the disposal, being the difference between the net assets value of Jaeger and the consideration. Sale proceeds were used to meet the Group's general working capital requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR DEVELOPMENTS SUBSEQUENT TO YEAR END

In September 2008, the Company proposed to form a joint venture to own and operate the New Nanjing Project. The establishment of the Sino-foreign joint venture company has taken place in February 2009.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group derived its funds mainly from cash flows generated from business operations as well as borrowings from banks and a fellow subsidiary of the Company.

As at 31 December 2008, cash and bank deposits of the Group amounted to HK$635.9 million (excluding restricted cash and pledged deposits) (2007: HK$796.8 million), of which 90.6%, 8.8% and 0.6% (2007: 95.3%, 4.6% and 0.1%) were denominated in Renminbi, Hong Kong dollar and United States dollar respectively.

To finance the acquisition and development of new projects, total borrowings, comprising borrowings from banks, a minority investor of a subsidiary of the Company and a fellow subsidiary of the Company, were HK$639.1 million as at 31 December 2008 (2007: HK$566.4 million). The ratio of total borrowings to total equity of the Group decrease from 52.8% as at 31 December 2007 to 36.0% as at 31 December 2008. In view that the Group has maintained a high level of cash and bank deposits, there is no net debt as at 31 December 2008 (2007: Nil).

The maturity profile of the Group's borrowings is as follows:

	31 December 2008 HK$'000	31 December 2007 HK$'000
Within one year	**639,134**	361,500
In the second year	**–**	204,923
	639,134	566,423

As at 31 December 2008, borrowings denominated in Renminbi amounted to RMB388.2 million (approximately HK$438.3 million) (2007: RMB341.8 million (approximately HK$365.2 million)), while the remaining balance of HK$200.8 million (2007: HK$201.2 million) was bank borrowings denominated in Hong Kong dollar. All of the Group's borrowings were on a floating interest rate basis. Finance costs charged to the consolidated income statement for the year ended 31 December 2008 amounted to HK$0.4 million (2007: HK$1.6 million) after capitalisation of HK$33.6 million (2007: HK$28.6 million) into the cost of properties under development. The unutilised banking facilities of the Group amounted to HK$81.4 million as at 31 December 2008 (2007: HK$37.4 million).

Property development commitments and capital contribution commitments in a new property development company as at 31 December 2008 amounted to HK$289.8 million and HK$514.1 million respectively (2007: HK$338.3 million and Nil). These commitments are to be financed by internal funds and borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the transactions of the Group were denominated in Hong Kong dollar, Renminbi and United States dollar, and therefore, the Group is exposed to the movements in value of Renminbi against Hong Kong dollar. Given that the expected appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented hedging or other alternative measures during the year ended 31 December 2008. As at 31 December 2008, the Group did not have exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES ON GROUP ASSETS

As at 31 December 2008, the Group pledged investment properties with carrying amounts of HK$344.0 million (2007: HK$341.2 million), properties under development of HK$428.7 million (2007: HK$476.1 million) and fixed bank deposits of HK$5.6 million (2007: HK$17.9 million) as securities for the Group's banking facilities.

FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

Details of the financial guarantees of the Company and the Group are set out in Note 32 to the consolidated financial statements.

As at 31 December 2008, the Group did not have any significant contingent liabilities (2007: Nil).

EMPLOYEES

As at 31 December 2008, the Group employed 300 (2007: 470) staff, including the Directors. The total remuneration and benefits of the Directors and staff of the Group during the year ended 31 December 2008 for continuing operations were HK$40.0 million (2007: HK$38.7 million).

He Jianbo
Managing Director

Hong Kong, 1 April 2009

CORPORATE GOVERNANCE REPORT

The Board would like to present the corporate governance report for the year ended 31 December 2008.

CORPORATE GOVERNANCE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices. The Board has put in place a corporate governance structure for the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. The respective Board committees oversee particular aspects of the Company's affairs and perform their distinct roles in accordance with their respective terms of reference.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, throughout the year ended 31 December 2008, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

(i) Code provision A.4.2 requires that all directors appointed to fill a casual vacancy in listed companies be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Instead of having elected at the first general meeting, Directors appointed by the Company to fill a casual vacancy would be subject to election at the first annual general meeting after their appointment. Besides, all Directors are subject to retirement by rotation in the manner as set out in the said code provision save for the Chairman and the Managing Director where they are not required to do so pursuant to the private company act 1991 by which the Company was incorporated.

(ii) Code provision E.1.2 requires that the chairman of the board and the chairman of all the board committees of listed companies to attend and answer questions at the annual general meeting.

Mr. Zhou Zhongshu, the Chairman of the Board and of the remuneration committee, was not available for the Company's annual general meeting for 2008 due to ad hoc business commitment. Accordingly, Mr. He Jianbo, the Managing Director and a member of the remuneration committee, took the chair of the said meeting.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is managed by the Board which is responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The day-to-day management, administration and operation of the Company, however, are delegated to the management of the Company.

The Board currently comprises nine members, details of the composition of the Board are set out below:

Name of Director	Designation	Executive Committee	Audit Committee	Remuneration Committee
Mr. Zhou Zhongshu	Chairman & Non-executive Director			*
Mr. Qian Wenchao	Deputy Chairman & Executive Director	*		
Mr. He Jianbo	Managing Director & Executive Director	*		*
Mr. Yin Liang	Senior Deputy Managing Director & Executive Director	*		
Mr. Yan Xichuan	Deputy Managing Director & Executive Director	*		
Ms. He Xiaoli	Executive Director	*		
Mr. Lam Chun, Daniel	Independent Non-executive Director		*	*
Mr. Selwyn Mar	Independent Non-executive Director		*	*
Ms. Tam Wai Chu, Maria	Independent Non-executive Director		*	*

Biographical details of all Directors are disclosed in the section headed "Directors' and Senior Management's Profile" in this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

All Non-executive Directors are appointed for a specific term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

Throughout the year, the Company met at all times the requirements of the Listing Rules to have at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate accounting and financial management expertise and professional qualifications.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Cont'd)

Mr. Lam Chun, Daniel, an Independent Non-executive Director of the Company, is an honorary consultant of Shanghai City Development Law Firm 上海市建緯律師事務所 ("SCD"), a lawyer firm in the PRC which is the legal advisor acting for a wholly-owned subsidiary of the Company in a litigation proceeding conducted in the PRC and also provides other legal services to the Group from time to time. Mr. Lam is not a director, partner, principal or employee of SCD nor has any administrative or management role in SCD. Mr. Lam confirms that he receives no economic or monetary benefit from the position nor do any obligations or duties arise which he must or is encouraged to perform.

Written confirmations were received from all of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors to be independent.

Other than resolutions passed by means of resolutions in writing of all the Directors, the Board held six meetings in 2008. Notice of at least fourteen days is given for a regular Board meeting to give all Directors an opportunity to attend. The attendance of individual Director at the meetings of the Board is set out below:

Name of Director	No. of attendance
Mr. Zhou Zhongshu	4/6
Mr. Qian Wenchao	6/6
Mr. He Jianbo	6/6
Mr. Yin Liang	6/6
Mr. Yan Xichuan	6/6
Ms. He Xiaoli	5/6
Mr. Lam Chun, Daniel	5/6
Mr. Selwyn Mar	5/6
Ms. Tam Wai Chu, Maria	6/6

Each Director has a duty to act in good faith and in the best interests of the Company as a whole. The Directors are aware of their collective and individual responsibilities to Shareholders. The Company enables the Directors, upon request, to seek independent professional advice at the Company's expense in the process of discharging their duties. The Company has also arranged for appropriate liability insurance to indemnify Directors for their liabilities arising from corporate activities.

The Board meets from time to time to assess the independence of the Company's Independent Non-executive Directors. The Board as a whole is responsible for the nomination and appointment of Directors, and the review of the structure, size and composition of the Board.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

Mr. Zhou Zhongshu is the Chairman of the Board and Mr. He Jianbo is the Managing Director of the Company. This segregation of roles ensures that there is a clear distinction between the broad strategic direction of the Group and the management of the Board by the Chairman and the strategic planning and day-to-day management of the Company's business by the Managing Director. The respective responsibilities of the Chairman and the Managing Director are set out in the Company's internal documentation entitled "Guidelines in respect of the Responsibilities of the Board of Directors".

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established a set of guidelines as its own "Rules and Procedures for Directors and Relevant Employees of the Company in respect of Dealings in Securities of the Company" (the "Rules for Securities Transactions") on terms no less exacting than those contained in the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made with all Directors who had confirmed in writing that they had complied with the Rules for Securities Transactions throughout the year ended 31 December 2008.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2008, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, having made all reasonable enquiries, that to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement made by PricewaterhouseCoopers, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" in this annual report.

INTERNAL CONTROLS

The Board has overall responsibilities for the Group's internal control system and evaluation of its effectiveness through the review by the Audit Committee to protect Shareholders' interest and to safeguard the Group's assets. The Board has authorised the management to design, implement and maintain such internal control system like clearly defined responsibilities, investment system and budgeting system for performance measurement, etc.

During the year, the Audit Committee has assisted the Board in reviewing the Group's operations at financial and operational levels, ensuring that compliance controls and risk management measures and procedures are properly implemented. The Group's Internal Audit Department has conducted risk-driven audits to inspect and evaluate the Group's financial control, operational control, compliance control and risk management on a regular or as-needed basis, and submitted internal audit reports directly to the Audit Committee, with the purpose of ensuring that the effectiveness of the internal control system of the Group has been improving continuously. The Audit Committee would make recommendations to the management and submit regular reports to the Board on the basis of such audit findings and views.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

A. Audit Committee

All the members of the Audit Committee are Independent Non-executive Directors. The current members are Mr. Selwyn Mar, Mr. Lam Chun, Daniel and Ms. Tam Wai Chu, Maria. In line with its terms of reference as approved by the Board, the Audit Committee is principally responsible for providing independent review of the effectiveness of the financial reporting procedures and internal control system of the Group; reviewing the appointment of independent auditor and the efficiency and quality of their work; and reviewing all internal audit reports as well as management feedback to such reports.

The Audit Committee held three meetings in 2008. Details of the attendance record of the members of the Audit Committee are as follows:

Members of the Audit Committee	No. of attendance
Mr. Selwyn Mar – Chairman of the Audit Committee	3/3
Mr. Lam Chun, Daniel	2/3
Ms. Tam Wai Chu, Maria	3/3

The major tasks accomplished by the Audit Committee for the year ended 31 December 2008 are as follows:

a. reviewed the consolidated financial statements of the Group for the year ended 31 December 2007, the independent auditor's letter to the management and the annual results announcement, and made recommendation to the Board for approval;

b. reviewed the interim financial information of the Group for the six months ended 30 June 2008 and the interim results announcement, and made recommendation to the Board for approval;

c. reviewed the management recommendations furnished by the independent auditor and the responses from the Group's management;

d. reviewed the audit strategy submitted by the independent auditor, and made recommendation to the Board for their appointment, remuneration and terms of engagement on audit services for the financial year ended 31 December 2008;

e. reviewed and made recommendations to the Board on the remuneration and terms of engagement of the independent auditor on non-audit services;

f. reviewed with the management the accounting principles and practices adopted by the Group;

g. assisted the Board in conducting independent evaluation of the effectiveness of the Group's financial reporting procedures and internal control system;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Cont'd)

A. Audit Committee (Cont'd)

h. constantly reviewed internal audit reports submitted by the Internal Audit Department and directed the department in its approaches to audit planning and reports; and

i. furnished its opinions to the management concerning related risks in respect of significant matters of the Group.

The Board agrees with the recommendation of the Audit Committee for the re-appointment of PricewaterhouseCoopers as the Company's independent auditor for the year 2009. A resolution in respect of the re-appointment of PricewaterhouseCoopers as the Company's independent auditor for the year ending 31 December 2009 will be put forwarded for approval by Shareholders at the AGM.

B. Remuneration Committee

In line with its terms of reference as approved by the Board, the Remuneration Committee is responsible for the review of the remuneration mechanism and incentive scheme of the Directors and senior management, and the establishment and maintenance of a reasonable and competitive remuneration level in order to attract and retain Directors and senior management.

Other than resolutions passed by means of resolutions in writing of all the members of the Remuneration Committee, the Remuneration Committee held one meeting in 2008. Details of the attendance record of the members of the Remuneration Committee are as follows:

Members of the Remuneration Committee	No. of attendance
Mr. Zhou Zhongshu – Chairman of the Remuneration Committee	0/1
Mr. He Jianbo	1/1
Mr. Lam Chun, Daniel	1/1
Mr. Selwyn Mar	1/1
Ms. Tam Wai Chu, Maria	1/1

During the year, the Remuneration Committee reviewed and discussed 2008 salary adjustment and bonus proposal, the recruitment of a senior management staff and his remuneration package, the housing arrangement of a Director, the staff incentive scheme and the granting of share options.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2008, PricewaterhouseCoopers, the independent auditor of the Group, received approximately HK$1.57 million (2007: HK$2.15 million) for audit services, and approximately HK$3.14 million (2007: HK$0.57 million) for non-audit services which include fees for the review of the 2008 interim report, the preparation of accountant's reports and review of proforma financial information for inclusion in circulars regarding very substantial transactions of the Company and the provision of tax services.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to communications with Shareholders and investors.

Shareholders are welcome to raise questions and comments at general meetings where members of the Board and independent auditor of the Company will answer their questions. Pursuant to the Bye-laws, Shareholders have a right to demand poll at general meetings. Details of such Shareholders' right and the poll voting procedures are set out in the published circulars to Shareholders and explained in the general meetings held in 2008. The Company also published the poll voting results announcements thereof on the websites of the Stock Exchange and of the Company following the meetings.

In order to enhance investor relationships, designated senior management maintains regular meetings and dialogues with equity research analysts, fund managers and institutional investors. In addition, the Company's website at www.minmetalsland.com offers timely access to announcements, press releases and other business information of the Company.

The Company has proposed to alter the relevant provisions in the Bye-law and revised its internal rules so as to bring in line its corporate governance practices with the following amendments to the Listing Rules that came into effect on 1 January 2009:

(i) the extension of notice period for general meetings;

(ii) the voting in general meetings be taken by poll and the requirements for publishing the poll voting results after general meetings; and

(iii) the extension of the "black out period" during which a director is prohibited from dealing in the securities of the listed company.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

From left to right: **Mr. Zhou Zhongshu; Mr. Qian Wenchao; Mr. He Jianbo; Mr. Yin Liang; Mr. Yan Xichuan**

DIRECTORS

Mr. Zhou Zhongshu, aged 56, was appointed as an Executive Director and the Chairman of the Company in February 2006. Mr. Zhou was then re-designated as a Non-executive Director of the Company in May 2006. He is the president of China Minmetals and the chairman of China Minmetals Non-ferrous Metals Company Limited and Minmetals HK. Mr. Zhou is also the chairman of Minmetals Development Co., Ltd. (a company whose shares are listed on the Shanghai Stock Exchange) and a non-executive director and the chairman of Minmetals Resources Limited (a company whose shares are listed on the Stock Exchange).

Mr. Zhou graduated from Shanghai International Studies University in the PRC and majored in Spanish language. He joined China Minmetals in 1978. From 2000 to 2002, Mr. Zhou was the Commercial Counsellor of the Chinese Embassy in Spain. Mr. Zhou has over 30 years experience in international trading, strategic investment and real estate development business.

Mr. Qian Wenchao, aged 44, was appointed as an Executive Director of the Company in November 2003. In December 2006, Mr. Qian was nominated to the position of the Deputy Chairman of the Company. He is also a director of Minmetals HK. Mr. Qian graduated from Beijing Technology and Business University with a Bachelor of Arts Degree in 1987 and completed his graduate study in accounting in the same university in 1989. He joined China Minmetals in 1989 and was assigned to the Overseas Enterprises Division of China Minmetals with responsibilities in financial management. Mr. Qian has over 12 years of experience in corporate financial management.

Mr. He Jianbo, aged 39, was appointed as an Executive Director and Managing Director of the Company in December 2007 and is responsible for the operation of and strategic planning for the Company. Mr. He is a Senior International Business Engineer in the PRC. He graduated from the Peking University in 1992 with a Bachelor's Degree in Economics. He also obtained a Master's Degree in International Finance from the Peking University and a Master's Degree in Business Administration from Saint Mary's University of Canada. Mr. He joined China Minmetals in 1992 and had served the positions of director of general administrative office, director of strategic planning division and a member of the strategic planning committee of China Minmetals. He had been the secretary of the board of directors and is a director of Minmetals HK. Mr. He has over 16 years of experience in corporate management, strategic planning and investment.

Mr. Yin Liang, aged 40, was appointed as an Executive Director and a Deputy Managing Director of the Company in December 2006. Mr. Yin is the Senior Deputy Managing Director of the Company. He graduated from the University of International Business and Economics of China in 1991 with a Bachelor of Law Degree and obtained a Master's Degree in Business Administration from Saint Mary's University of Canada and a Master's Degree in Law from the University of Hong Kong. Mr. Yin joined China Minmetals in 1991 and has been serving various departments of China Minmetals group for trading, legal affairs, investment and corporate management. He is also a director of Shenzhen SDG Information Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange. Mr. Yin has extensive experience in investment and corporate management.

Mr. Yan Xichuan, aged 62, was appointed as an Executive Director and a Deputy Managing Director of the Company in August 2002. Mr. Yan is responsible for the operation and strategic planning of the Company's subsidiaries which are principally engaged in specialised construction business. He graduated from Chongqing Architectural University in 1970 and is a qualified senior engineer. He joined China State Construction Engineering Corporation in 1970 and was transferred to China Overseas Holdings Limited ("COHL") in 1984. Mr. Yan was the general manager of China Overseas Civil Engineering Limited, the assistant general manager of the Investment Department of COHL and the president of Gold Court Property Management Limited. Mr. Yan had participated in numerous construction projects in the PRC and Hong Kong and has over 38 years of experience in construction, civil engineering, real estate investment and project management.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

From left to right: **Ms. He Xiaoli; Mr. Lam Chun, Daniel; Mr. Selwyn Mar; Ms. Tam Wai Chu, Maria**

Ms. He Xiaoli, aged 41, was appointed as an Executive Director of the Company in February 2002. She is also the General Manager of the Finance Department of the Company. Ms. He holds a Bachelor's Degree in Accounting from North China University of Technology and a Master's Degree in Business Administration from the University of South Australia. She is a qualified PRC Senior Accountant and a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. He was the head of business division and the deputy minister of accounting information division of the finance department of the previous China National Nonferrous Metals Industry Corporation. Ms. He has extensive experience in financial management of enterprises.

Mr. Lam Chun, Daniel, aged 63, was appointed as an Independent Non-executive Director of the Company in May 1997. Mr. Lam is an Authorized Person under the Buildings Ordinance and a Registered Professional Surveyor. He is a fellow member of the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators, a fellow member and the Past President (1986-1987) of the Hong Kong Institute of Surveyors, and a fellow member and the past chairman (1997-2000) of the Hong Kong Institute of Arbitrators. Mr. Lam is a member of the Administrative Appeals Board and was a member of the Hong Kong Housing Authority and Chairman of its Building Committee, a member of the Hong Kong Surveyors Registration Board and a consultant to the World Bank on the Urban Land Policies Study for the PRC. He is also a Council Member of the Hong Kong International Arbitration Centre. Mr. Lam was the director of the Property Division of the previous Kowloon-Canton Railway Corporation and had worked in the Hongkong Land Group, Architectural Services Department, Housing Department, The Hongkong and Shanghai Banking Corporation Limited, Sime Darby Group, CLP Holdings Limited and was a former executive director of Tian An China Investments Company Limited and the former chairman of DCL Consultants Limited. Mr. Lam has over 30 years of experience in the surveying profession.

Mr. Selwyn Mar, aged 73, was appointed as an Independent Non-executive Director of the Company in November 2002. Mr. Mar graduated from the London School of Economics, University of London. He is a Chartered Accountant, a partner of Nexia Charles Mar Fan & Co., Certified Public Accountants and the Managing Director of Marfan & Associates Limited. Mr. Mar was the President of the Hong Kong Institute of Certified Public Accountants in 1991, a member of the Appeals Panel of Securities & Futures Commission and a member of the Board of Governors of Chinese International School. Mr. Mar has been actively involved in commercial and industrial undertakings in Hong Kong and the PRC in the past 31 years. Presently, he sits on the board of two other Hong Kong listed companies. Mr. Mar is an Honorary Fellow of the Lingnan University.

Ms. Tam Wai Chu, Maria, aged 63, was appointed as an Independent Non-executive Director of the Company in April 1997. Ms. Tam holds a Bachelor's Degree in Law from the University of London and has been a practising barrister since 1972. Ms. Tam is currently involved in numerous community services, which include the Deputy of the National People's Congress of the PRC as well as a member of the Basic Law Committee of the HKSAR, the Bar Association and the Task Group on Constitutional Development of the Commission on Strategic Development.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

SENIOR MANAGEMENT

Mr. Xu Bingliang, aged 43, joined the Company as the Deputy General Manager in December 2008. He graduated from Central University of Finance and Economics of the PRC in 1986 with a Bachelor's Degree in Economics and completed his graduate study in accounting in the same university in 2002. Mr. Xu is a qualified PRC Senior Accountant. Since Mr. Xu joined China Minmetals in 1989, he has been responsible for financial management of various subsidiaries of China Minmetals. Mr. Xu has more than 19 years of experience in corporate financial management and strategic investment.

Mr. Law Yiu Wing, Patrick, aged 46, joined the Company as the Chief Operating Officer in September 2006. Mr. Law assists the Managing Director in business development, day-to-day operation and financial and general management of the Company. Mr. Law is also responsible for the management of the investment properties and the Property Management Department. He also assists the planning, management and development of the Company's business in real estate development and investment. He holds a Bachelor of Building (Hons.) Degree from the University of New South Wales, Australia and a Master of Business Administration Degree from the Australian Graduate School of Management (AGSM). He is a member of the Australian Institute of Building, the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Law has extensive experience in property development, strategic planning, financial and general management gained from listed companies.

Mr. Yang Lu, aged 51, joined the Company as the general manager of the Real Estate Development Department in May 2007. Mr. Yang assists the business development of real estate development projects in the PRC and oversees the initial management of new projects. Mr. Yang graduated from Chongqing (Jianzhu) Architectural & Engineering University (now known as Chongqing University) in 1982 with a Bachelor of Engineering Degree. He also holds a Grade One Project Manager Certificate issued by the PRC's Ministry of Construction and is a member of the Chartered Institute of Building, U.K.. Mr. Yang was previously employed to managerial positions in various companies of COHL with exposure to a variety of domestic and overseas engineering projects. He was also the general manager of a PRC real estate development company of COHL. Mr. Yang has extensive experience in the development, operation and management of construction contracting and real estate development business.

Mr. Szeto Wai Hung, Gus, aged 49, was appointed as the General Manager of the Company's Investment and Planning Department in January 2005. Mr. Szeto holds a Bachelor's Degree in Commerce from the University of New South Wales, Australia and an MBA Degree from the Richard Ivey School of Business of the University of Western Ontario, Canada. He is a member of the Institute of Chartered Accountants of Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Szeto has extensive experience in business development, financial planning and general management.

Mr. Leung Kin Hong, Thomas, aged 38, joined the Company as the Financial Controller in January 2009. Mr. Leung is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and holds a Master's Degree of Finance. Prior to joining the Company, Mr. Leung had worked in an international professional accounting firm and several listed companies in Hong Kong to gain his extensive experience in financial and general management.

Ms. Chung Wing Yee, Zoe, aged 42, joined the Company as the Company Secretary in August 2006. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Chung has extensive experience in company secretarial practice gained from professional firms and listed companies.

Ms. Chen Xie Ying, Christine, aged 45, joined the Company as the Internal Audit Manager in April 2003. Ms. Chen holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, she was the head of internal audit department and a member of the risk management committee of a financial institution listed on the Stock Exchange for many years. Ms. Chen has extensive experience in investment, internal control and risk management.

Ms. Wong Mei Yee, Maisie, aged 47, joined the Company in May 1993 and is the Human Resources Manager of the Company. She is responsible for administration and human resources management of the Company. Ms. Wong has extensive experience in corporate administration and human resources management.

REPORT OF THE DIRECTORS

The Board would like to submit the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 41.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 25 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in Note 26 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$200,000 (2007: Nil).

PROPERTIES

Particulars of the major properties held for investment and properties under development of the Group are set out on pages 104 to 105.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2008, calculated in accordance with the Companies Act of Bermuda, amounted to HK$409,059,000 (2007: HK$370,692,000).

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

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 106.

INFORMATION RELATING TO THE SHARE OPTION SCHEME

On 29 May 2003, the Company adopted the Share Option Scheme to recognise and acknowledge the contributions that eligible persons had made or may from time to time make to the Group whether in the past or in the future.

The principal terms of the Share Option Scheme are set out as follows:

(1) Participants of the Share Option Scheme

Any directors or any employees of any companies of the Group and any advisers of, consultants of, contractors to any companies of the Group or any person who has any relationship (whether business or otherwise) with any companies of the Group or any person whom the Directors consider, in their sole discretion, has contributed or will contribute or can contribute to the Group.

(2) Total number of Shares available for issue under the Share Option Scheme

The total number of Shares available for issue under the Share Option Scheme is 61,938,178, representing approximately 5.6% of the issued share capital of the Company as at the date of this report.

(3) Maximum entitlement of each participant under the Share Option Scheme

No share options under the Share Option Scheme may be granted to any eligible person, which, if exercised in full, would result in the total number of Shares issued and to be issued upon the exercise of the share options already granted or to be granted to such eligible person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further share options above this limit shall be subject to the requirements under the Listing Rules.

(4) The period within which the Shares must be taken up under a share option

The Directors may in their absolute discretion determine the period during which a share option may be exercised and notify each grantee, save that such period shall not be later than 10 years from the date on which the Directors make an offer of the share option subject to the provisions for early termination thereof.

(5) Time of acceptance and the amount payable on acceptance of the share option

The offer of a share option made in accordance with the Share Option Scheme may be accepted within 28 business days from the date of the offer and the amount payable on acceptance of a share option is HK$10.

(6) The basis of determining the subscription price

The subscription price shall be determined by the Board at the time of grant of the relevant share option and shall not be less than the highest of (i) the closing price per Share as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the relevant share option; (ii) the amount equivalent to the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the relevant share option; and (iii) the nominal value of a Share.

(7) The remaining life of the Share Option Scheme

The Share Option Scheme is valid until 28 May 2013.

REPORT OF THE DIRECTORS

INFORMATION RELATING TO THE SHARE OPTION SCHEME (Cont'd)

Details of the movements of share options during the year ended 31 December 2008 are as follows:

				Number of share options			
Category of participant	Date of grant	Exercisable period	Exercise price	As at 1 January 2008	Granted during the year	Exercised during the year	As at 31 December 2008
			HK$				
(i) Directors							
Mr. Zhou Zhongshu	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,350,000	–	1,350,000
Mr. Qian Wenchao	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,300,000	–	1,300,000
Mr. He Jianbo	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,800,000	–	1,800,000
Mr. Yin Liang	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,200,000	–	1,200,000
Mr. Yan Xichuan	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,200,000	–	1,200,000
Ms. He Xiaoli	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	1,000,000	–	1,000,000
(ii) Employees of the Group	1 December 2008	1 December 2010 to 30 November 2018	0.51	–	5,780,000	–	5,780,000
				–	13,630,000	–	13,630,000

Note: These share options are exercisable at HK$0.51 per Share in three tranches: the maximum percentage of share options exercisable within the periods commencing from 1 December 2010 to 30 November 2018, from 1 December 2011 to 30 November 2018 and from 1 December 2012 to 30 November 2018 are 30%, 30% and 40% respectively.

Save as disclosed above, no share options were granted, lapsed or were cancelled in accordance with the terms of the Share Option Scheme during the year.

REPORT OF THE DIRECTORS

DIRECTORS

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

Non-executive Director

Mr. Zhou Zhongshu

Executive Directors

Mr. Qian Wenchao
Mr. He Jianbo
Mr. Yin Liang
Mr. Yan Xichuan
Ms. He Xiaoli

Independent Non-executive Directors

Mr. Lam Chun, Daniel
Mr. Selwyn Mar
Ms. Tam Wai Chu, Maria

Mr. Qian Wenchao, Ms. He Xiaoli, Mr. Selwyn Mar and Ms. Tam Wai Chu, Maria will retire from the offices of Director at the forthcoming AGM in accordance with Bye-law 111(A) of the Bye-Laws and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, or as recorded in the register kept by the Company pursuant to section 352 of the SFO, were as follows:

Long Position in Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of total issued Shares
Ms. He Xiaoli	Personal	20,000	0.0018%

Note: Details of the interests of Directors in share options of the Company are disclosed in the section headed "Information Relating to the Share Option Scheme" above.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as disclosed above, as at 31 December 2008, none of the Directors or the chief executive of the Company or any of their associates (as defined in the Listing Rules) had any personal, family, corporate or other interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age, was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) during the year ended 31 December 2008.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed in the paragraphs entitled "Information Relating to the Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 December 2008.

There was no repurchase or exercise of options and convertible securities during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, according to the register of interests kept by the Company under section 336 of the SFO, the following entities had interests in the Shares and underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long Position in Shares

Name of Shareholder	Number of Shares held	Number of Convertible Preference Shares which may be issued (Note 2)	Percentage of total issued Shares
China Minmetals	756,585,852 (Note 1)	1,607,491,463 (Note 3)	212.25%
Minmetals HK	756,585,852 (Note 1)	1,607,491,463 (Note 3)	212.25%
June Glory	756,585,852	–	67.93%
Mountain Trend	–	1,607,491,463 (Note 3)	144.32%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. These Shares are held by June Glory, an indirect wholly-owned subsidiary of Minmetals HK, which in turn is wholly owned by China Minmetals.

2. Pursuant to the Acquisition Agreement (as defined in the circular of the Company dated 28 November 2008), these Convertible Preference Shares (as defined in the circular of the Company dated 28 November 2008) are proposed to be convertible into Shares initially on a "one on one" basis (subject to adjustment in the event of a consolidation or subdivision of Shares but not otherwise). The creation of the Convertible Preference Shares is subject to the approval of the independent shareholders of the Company in relation to the Acquisition (as defined in the circular of the Company dated 28 November 2008).

3. Mountain Trend has an interest in the Shares which may be converted from the Convertible Preference Shares if created and issued pursuant to the Acquisition Agreement. Mountain Trend is a wholly-owned subsidiary of Minmetals HK, which in turn is wholly owned by China Minmetals. The total number of the Convertible Preference Shares to be issued to Mountain Trend was determined without taking into consideration that China Minmetals shall not exercise any conversion rights attaching to the Convertible Preference Shares to an extent where the public float of the Shares will be less than 25% immediately following such conversion.

CONTRACTS OF SIGNIFICANCE

The following contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2008:

1. DCPCL, a subsidiary owned as to 71% by the Company, and Ershisanye, an associate of Minmetals HK, entered into a main contract on 31 July 2007 for the construction work of phase I of the Laguna Bay Project in Nanjing, the PRC. Details of the transaction have been published in the Company's announcement dated 31 July 2007 and circular dated 21 August 2007.

2. Jiahe Risheng, a subsidiary owned as to 51% by the Company, and 湖南嘉盛房地產開發有限責任公司, a subsidiary of China Minmetals and owned 49% of Jiahe Risheng, entered into a loan agreement as of 13 November 2007, details of which are set out below:

Amount of the loan	:	RMB186,200,000
Term	:	2 years
Interest rate	:	the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	to finance the general working capital requirement of Jiahe Risheng

3. Jiahe Risheng, ZOBHP and China Construction Bank Corporation, Changsha Branch entered into a RMB entrusted loan agreement on 1 April 2008, details of which are set out below:

Amount of the loan	:	RMB157,640,000
Term	:	2 years
Interest rate	:	the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	the Group's share of shareholders' loan to Jiahe Risheng as disclosed in the Company's announcement dated 30 May 2007

REPORT OF THE DIRECTORS

CONTRACTS OF SIGNIFICANCE (Cont'd)

4. Jiahe Risheng and Ershisanye entered into a main contract on 10 September 2008 for the construction work of certain part of phase I of the LOHAS International Community Project in Changsha, the PRC. Details of the transaction have been published in the Company's announcement dated 10 September 2008 and circular dated 30 September 2008.

5. DCPCL and Minmetals Finance (an associate of Minmetals HK) entered into a RMB loan agreement dated 14 October 2008 (the "RMB Loan Agreement"), details of which are set out below:

Amount of the loan	:	RMB150,000,000 ("RMB Loan")
Term	:	1 year
Interest rate	:	105% of the rate for Renminbi 1-3 years term loans per annum as quoted by The People's Bank of China from time to time
Purpose of the loan	:	to finance the general working capital requirement of DCPCL

6. Minmetals HK, Minmetals Finance and DCPCL entered into a corporate guarantee dated 14 October 2008, pursuant to which Minmetals HK, as a guarantor, undertakes the repayment of the RMB Loan and the relevant interests and charges if DCPCL does not repay the principal amount of the RMB Loan and the relevant interests and charges in accordance with the terms and conditions of the RMB Loan Agreement.

7. MLI, a wholly-owned subsidiary of the Company, as purchaser, Cheemimet, a wholly-owned subsidiary of Minmetals HK, as seller and Minmetals HK as seller's guarantor and warrantor entered into a sale and purchase agreement on 5 June 2008 for the acquisition of the entire issued share capital of Texion and the benefits in the entire shareholder's loan and amounts due owing by Texion to Cheemimet. Details of the transaction have been published in the Company's announcement dated 5 June 2008 and circular dated 26 June 2008. The transaction was completed on 15 August 2008.

8. Glory Dragon, CMID, a wholly-owned subsidiary of China Minmetals, and Minmetals Property Nanjing, a wholly-owned subsidiary of CMID, entered into a capital expansion agreement on 22 September 2008 for the participation of Glory Dragon in the capital expansion of Minmetals Property Nanjing. Details of the transaction have been published in the Company's announcement dated 16 September 2008 and circular dated 14 November 2008.

9. Glory Dragon and CMID entered into a joint venture agreement on 22 September 2008 in relation to the management and operation of Minmetals Property Nanjing after completion of the abovementioned capital expansion agreement. Details of the transaction have been published in the Company's announcement dated 16 September 2008 and circular dated 14 November 2008.

10. MLI as purchaser, Mountain Trend, a wholly-owned subsidiary of Minmetals HK, as seller and Minmetals HK as seller's guarantor and warrantor, entered into a conditional sale and purchase agreement on 7 November 2008 for the proposed acquisition of the entire issued share capital of Luck Achieve. Details of the transaction have been published in the Company's announcement dated 7 November 2008 and circular dated 28 November 2008. The special general meeting of the Company for approving the said transaction held on 23 December 2008 has been adjourned and the transaction is yet to be completed.

REPORT OF THE DIRECTORS

CONTRACTS OF SIGNIFICANCE (Cont'd)

Save as disclosed above, no contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholder or its subsidiaries during the year ended 31 December 2008.

No contract of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2008	2007	**2008**	2007
The largest customer	**2.7%**	15.6%		
Five largest customers in aggregate	**8.8%**	52.9%		
The largest supplier			**11.5%**	15.2%
Five largest suppliers in aggregate			**28.6%**	52.0%

At no time during the year, had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interests in the above customers and suppliers.

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the year ended 31 December 2008 are as follows:

1. Brena is a wholly-owned subsidiary of the Company. Prior to the completion of the Acquisition Agreement (as defined in the circular of the Company dated 26 June 2008), Texion was a wholly-owned subsidiary of Minmetals HK. Upon completion of the Acquisition Agreement on 15 August 2008, Texion became a wholly-owned subsidiary of the Company. A tenancy agreement dated 1 June 2006 was entered into between Brena as the tenant and Texion as the landlord (the "Tenancy Agreement I"), details of which are set out below:

Premises	:	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 May 2008
Rental	:	HK$92,688 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

The aggregate sum of the rental paid by Brena under the Tenancy Agreement I for the period ended 31 December 2008 was HK$585,095.

2. A tenancy agreement dated 31 January 2008 was entered into between Glorious Time, a wholly-owned subsidiary of the Company, as the tenant and Texion as the landlord (the "Tenancy Agreement II"), details of which are set out below:

Premises	:	17th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 January 2010
Rental	:	HK$133,239 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement II ceased to be a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. The aggregate sum of the rental paid by Glorious Time under Tenancy Agreement II for the period ended 31 December 2008 was HK$888,425.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

3. A tenancy agreement dated 31 May 2008 was entered into between Glorious Time as the tenant and Texion as the landlord (the "Tenancy Agreement III"), details of which are set out below:

Premises	:	18th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 May 2010
Rental	:	HK$133,239 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement III ceased to be a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. The aggregate sum of the rental paid by Glorious Time under Tenancy Agreement III for the period ended 31 December 2008 was HK$258,144.

4. A tenancy agreement dated 20 February 2008 was entered into between Eastern Master, an indirect 63.37% owned subsidiary of China Minmetals, as the tenant and Texion as the landlord (the "Tenancy Agreement IV"), details of which are set out below:

Premises	:	9th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 December 2009
Rental	:	HK$133,239 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement IV constituted a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. A surrender agreement dated 13 January 2009 was entered into between Eastern Master and Texion whereby Eastern Master had surrender and deliver up vacant possession of the premises situated at 9th Floor, China Minmetals Tower to Texion on 31 October 2008. The aggregate sum of the rental paid by Eastern Master under Tenancy Agreement IV for the period ended 31 December 2008 was HK$335,247.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

5. A tenancy agreement dated 13 December 2007 was entered into between Cheerglory Traders, an indirect wholly-owned subsidiary of China Minmetals, as the tenant and Texion as the landlord (the "Tenancy Agreement V"), details of which are set out below:

Premises	:	11th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 December 2009 with an option to renew for a further term of one year at open market rent of the premises exclusive of rates, service, management and air-conditioning charges but otherwise subject to the same terms
Rental	:	HK$133,239 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement V constituted a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. The aggregate sum of the rental paid by Cheerglory Traders under Tenancy Agreement V for the period ended 31 December 2008 was HK$601,725.

6. A tenancy agreement dated 4 July 2007 was entered into between Cheemimet, an indirect wholly-owned subsidiary of China Minmetals, as the tenant and Texion as the landlord (the "Tenancy Agreement VI"), details of which are set out below:

Premises	:	16th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	three years ending 15 May 2010
Rental	:	HK$133,240 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement VI constituted a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. The aggregate sum of the rental paid by Cheemimet under Tenancy Agreement VI for the period ended 31 December 2008 was HK$601,729.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

7. A tenancy agreement dated 4 July 2007 was entered into between Minmetals HK, a direct wholly-owned subsidiary of China Minmetals, as the tenant and Texion as the landlord (the "Tenancy Agreement VII"), details of which are set out below:

Premises	:	19th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	three years ending 31 May 2010
Rental	:	(a) HK$103,685 per calendar month (exclusive of government rates and service, management and air-conditioning charges) for the period from 1 June 2007 to 31 December 2007
		(b) HK$133,240 per calendar month (exclusive of government rates and service, management and air-conditioning charges) for the period from 1 January 2008 to 31 May 2010
Other charges	:	HK$18,934 per calendar month (being the tenant's share of service, management and air-conditioning charges)

Tenancy Agreement VII constituted a continuing connected transaction of the Company upon the completion of the acquisition of Texion by the Company on 15 August 2008. The aggregate sum of the rental paid by Minmetals HK under Tenancy Agreement VII for the period ended 31 December 2008 was HK$601,729.

8. A tenancy agreement dated 13 January 2009 was entered into between Eastern Master as the tenant and Texion as the landlord (the "Tenancy Agreement VIII"), details of which are set out below:

Premises	:	12th Floor, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong
Period	:	two years ending 31 October 2010
Rental	:	HK$133,239 per calendar month (exclusive of government rates and service, management and air-conditioning charges)
Other charges	:	HK$24,331 per calendar month (being the tenant's share of service, management and air-conditioning charges)

The aggregate sum of the rental paid by Eastern Master under Tenancy Agreement VIII for the year ended 31 December 2008 was HK$266,478.

9. A conditional construction contracting agreement dated 10 September 2008 was entered into between the Company and Ershisanye whereby the Company may from time to time invite Ershisanye and its subsidiaries to tender and award construction tenders, subject to successful tender, in respect of the existing and future real estate development projects of the Group in the PRC. The Group did not pay any amount to Ershisanye or any of its subsidiaries for the period ended 31 December 2008.

REPORT OF THE DIRECTORS

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Independent Non-executive Directors of the Company have reviewed the transactions contemplated under the aforesaid agreements for the year ended 31 December 2008 (collectively referred to as the "Transactions") and confirmed that the Transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the terms of each of the agreements that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the independent auditor of the Company, has performed certain procedures on the Transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagement to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the Transactions and reported that:

(a) the Directors have approved the Transactions upon entering into each of the agreements governing such Transactions;

(b) the Transactions have been entered into in accordance with the terms of each of the agreements; and

(c) the Transactions contemplated under each of the agreements have not exceeded the respective annual caps as disclosed in the announcements dated 1 June 2006, 31 January 2008, 2 June 2008, 5 June 2008, 10 September 2008 and 11 February 2009 and the circular dated 26 June 2008 of the Company.

CONTINUING DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

1. Virtyre and OFL, all being wholly-owned subsidiaries of the Company, accepted the offers from a bank for the grant of various general banking facilities (the "Facilities") to the extent of an aggregate amount of HK$245,000,000 pursuant to the facility letters dated 28 July 2005, 5 September 2008 and 27 November 2008 issued to Virtyre and OFL respectively (the "Facility Letters"). The Facilities have no specific date of expiry.

   As one of the conditions of the Facilities, China Minmetals shall, directly or indirectly, maintain its major shareholding (not defined in the Facility Letters) in the Company during the life of the Facilities. A breach of the abovementioned condition will constitute an event of default and as a result, the Facilities will become immediately due and repayable.

2. The Company accepted the offer from a bank for the grant of general banking facilities (the "Facilities") to the extent of an aggregate amount of HK$500,000,000 pursuant to the facility letter dated 9 October 2008. The loan agreement was subsequently entered into between OFL and the Bank. The Facilities will mature 3 years from the loan agreement date.

   As one of the conditions of the Facilities, China Minmetals shall, directly or indirectly, maintain its management control and with no less than 35% in the Company's shareholding during the life of the Facilities. A breach of the abovementioned condition will constitute an event of default and as a result, the Facilities will become immediately due and repayable.

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

REPORT OF THE DIRECTORS

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date are set out in Note 35 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the notices submitted to the Company pursuant to the SFO, the Directors are of the view that sufficient public float exists for the issued Shares as at the date of this report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the auditor the audited consolidated financial statements for the year ended 31 December 2008 and has also discussed the auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the AGM and, being eligible, offer themselves for re-appointment.

By order of the Board
He Jianbo
Managing Director

Hong Kong, 1 April 2009

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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To the Shareholders of Minmetals Land Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Minmetals Land Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 103, 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 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 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 Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Continuing operations:			
Revenue	5	1,166,307	365,314
Cost of sales	7	(945,503)	(332,923)
Gross profit		220,804	32,391
Other gains	6	2,766	142,221
Selling and distribution costs	7	(40,462)	(10,677)
Administrative expenses	7	(73,091)	(50,441)
Revaluation gain on investment properties	16	72,877	50,480
Impairment of goodwill	17	–	(12,554)
Operating profit		182,894	151,420
Finance income	9	17,238	8,580
Finance costs	9	(400)	(1,561)
Profit before tax		199,732	158,439
Tax charge	10	(70,948)	(229)
Profit for the year from continuing operations		128,784	158,210
(Loss)/profit for the year from discontinued operations	11	(475)	1,288
Profit for the year		128,309	159,498
Attributable to:			
Equity holders of the Company	12	140,864	162,653
Minority interests		(12,555)	(3,155)
		128,309	159,498
Earnings/(loss) per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
Basic and diluted			
– from continuing operations	13	15.66	20.87
– from discontinued operations	13	(0.05)	0.16
		15.61	21.03
Dividends	14	–	–

The notes on pages 47 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	77,679	20,297
Investment properties	16	897,959	341,249
Goodwill	17	9,003	8,520
Available-for-sale financial assets	22	–	–
Other assets		–	437
		984,641	370,503
Current assets			
Inventories	19	1,234,937	1,311,836
Trade and other receivables	20	251,438	262,918
Gross amounts due from customers for contract work	21	328	875
Current tax recoverable		707	–
Restricted cash and pledged deposits	23	14,288	17,850
Cash and bank deposits	24	635,853	796,784
		2,137,551	2,390,263
Total assets		3,122,192	2,760,766
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	111,383	77,383
Reserves	26	1,470,677	800,707
		1,582,060	878,090
Minority interests		194,918	195,246
Total equity		1,776,978	1,073,336

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	–	204,923
Deferred tax liabilities	28	7,069	123
Other liabilities		11,159	8,299
		18,228	213,345
Current liabilities			
Trade and other payables	29	449,322	267,603
Deferred revenue		194,995	833,245
Current tax payable		43,535	11,737
Borrowings	27	639,134	361,500
		1,326,986	1,474,085
Total liabilities		1,345,214	1,687,430
Total equity and liabilities		3,122,192	2,760,766
Net current assets		810,565	916,178
Total assets less current liabilities		1,795,206	1,286,681

He Jianbo
Director

He Xiaoli
Director

The notes on pages 47 to 103 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	18(a)	65,537	74,280
Current assets			
Loans to subsidiaries	18(b)	–	1,784
Amounts due from subsidiaries	18(c)	1,363,932	761,111
Other receivables	20	462	560
Pledged deposits	23	5,601	5,000
Cash and bank deposits	24	27,388	18,883
		1,397,383	787,338
Total assets		1,462,920	861,618
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	111,383	77,383
Reserves	26	1,323,334	781,634
Total equity		1,434,717	859,017
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	18(c)	13,682	–
Other payables	29	14,521	2,601
Total liabilities		28,203	2,601
Total equity and liabilities		1,462,920	861,618
Net current assets		1,369,180	784,737
Total assets less current liabilities		1,434,717	859,017

He Jianbo
Director

He Xiaoli
Director

The notes on pages 47 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	77,218	740,611	817,829	–	817,829
Disposal of available-for-sale financial assets	–	(119,160)	(119,160)	–	(119,160)
Currency translation adjustments	–	15,399	15,399	3,554	18,953
Net (expense)/income directly recognised in equity	–	(103,761)	(103,761)	3,554	(100,207)
Profit/(loss) for the year	–	162,653	162,653	(3,155)	159,498
Total recognised income and expenses for the year	–	58,892	58,892	399	59,291
Issue of shares on exercise of share options	165	1,204	1,369	–	1,369
Acquisition of a subsidiary	–	–	–	194,848	194,848
Partial disposal of a subsidiary	–	–	–	(1)	(1)
At 31 December 2007	77,383	800,707	878,090	195,246	1,073,336
Revaluation gain of property, plant and equipment	–	1,314	1,314	–	1,314
Currency translation adjustments	–	24,459	24,459	12,227	36,686
Net income directly recognised in equity	–	25,773	25,773	12,227	38,000
Profit/(loss) for the year	–	140,864	140,864	(12,555)	128,309
Total recognised income and expenses for the year	–	166,637	166,637	(328)	166,309
Issue of new shares	34,000	503,200	537,200	–	537,200
Employee share option benefits	–	133	133	–	133
At 31 December 2008	111,383	1,470,677	1,582,060	194,918	1,776,978

The notes on pages 47 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Cash (used in)/generated from operations	31(a)	(193,758)	772,197
Interest paid		(34,007)	(30,163)
Income tax (paid)/refund		(39,157)	13
Net cash (used in)/generated from operating activities		(266,922)	742,047
Investing activities			
Acquisition of a subsidiary	31(b)	11,937	(127,960)
Partial disposal of a subsidiary		–	1
Disposal of subsidiaries	31(c)	8,407	–
Purchase of property, plant and equipment		(7,894)	(4,724)
Net proceeds from disposals of available-for-sale financial assets		–	157,831
Proceeds from disposal of property, plant and equipment		30	117
Interest received		17,238	8,645
Net cash generated from investing activities		29,718	33,910
Financing activities			
Proceeds from issue of shares		–	1,369
New borrowings		261,641	310,497
Repayment of borrowings		(188,829)	(422,869)
Decrease in restricted cash and pledged deposits		3,562	19,144
Net cash generated from/(used in) financing activities		76,374	(91,859)
(Decrease)/increase in cash and cash equivalents		(160,830)	684,098
Cash and cash equivalents at beginning of the year		796,683	112,585
Cash and cash equivalents at end of the year	24	635,853	796,683

The notes on pages 47 to 103 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANISATION AND OPERATIONS

Minmetals Land Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in real estate development and project management, specialised construction, property investment, manufacturing and trading and securities investment and trading. The Group's businesses participate in two principal economic environments. Hong Kong and Macau, and The People's Republic of China (other than Hong Kong and Macau) (the "PRC") are the major markets for all the Group's businesses, with a small portion of its income derived from other countries.

The Company is a limited liability company incorporated in Bermuda and acts as an investment holding company. The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company on 1 April 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

(i) Amendment and interpretation effective in 2008

HK(IFRIC) Int 11, "HKFRS 2 – Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any material impact on the Group's financial statements.

HKAS 39 and HKFRS 7 (Amendment) "Reclassification of Financial Assets" (effective from 1 July 2008 prospectively) permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also allows an entity to reclassify a financial asset from the available-for-sale category to loans and receivables if it would have met the definition of loans and receivables and the entity now has the intent and ability to hold that asset for the foreseeable future. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

(ii) New/revised standards, amendments and improvements to existing standards and interpretation relevant to the Group that are not yet effective and have not been early adopted by the Group

HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009). The amendment removes the definition of the cost method and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply HKAS 27 (Amendment) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The management has already commenced an assessment of the related impact but is not yet in a position to state whether the adoption of this revision will result in any substantial impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

(ii) New/revised standards, amendments and improvements to existing standards and interpretation relevant to the Group that are not yet effective and have not been early adopted by the Group (Cont'd)

HKFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are services conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HKFRS 3 (Revised), "Business combinations" (effective from first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than are "conducted and managed". It requires considerations (including contingent consideration) for each identifiable asset and liability to be measured at its acquisition-date at fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. It is not expected to have any material impact on the Group's financial statements.

HK(IFRIC) Int 15, "Agreements for the construction of real estates" (effective for annual periods beginning on or after 1 January 2009) clarifies which standard (HKAS 18 or HKAS 11) should be applied to particular transactions and is likely to mean that HKAS 18 will be applied to a wider range of transactions. Entities that have previously recognised revenue from residential real estate sales under HKAS 11 will be the most significantly affected and will probably be required to apply HKAS 18. The new guidance may also have a wider impact and affect the accounting in other industries because the IFRIC has stated that the interpretation may also be used by analogy in other circumstances to determine whether a transaction is accounted for as a sale of a good (HKAS 18) or a construction contract (HKAS 11). It is not expected to have any material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

(ii) New/revised standards, amendments and improvements to existing standards and interpretation relevant to the Group that are not yet effective and have not been early adopted by the Group (Cont'd)

HKAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1, "First-time adoption") (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose 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. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group which are recorded in the consolidated income statement. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(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 ("functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$" or "HK dollar(s)"), 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 income statement.

(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:

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

- 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

- 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 operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical result, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of completed properties

Sales of completed properties are recognised on completion of the sale agreements, which refers to the time when the risks and rewards of the sale transaction are transferred to the buyers. Deposits and installments received on properties sold prior to completion of the respective sale agreements are included as deferred revenue under current liabilities.

(ii) Contract revenue

The accounting policy for contract revenue recognition is set out in Note 2(o).

(iii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the lease period.

(iv) Sales of goods

Sales of goods are recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(v) Sales of securities investments

The accounting policy for sales of securities investments is set out in Note 2(l).

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

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

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (including leasehold land) net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

(g) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to the residual values over the estimated useful lives with annual rates as follows:

Leasehold land and buildings	2%–5%
Leasehold improvements	Over the remaining period of the lease
Plant and machinery	5%–25%
Furniture, fixtures and equipment	15%–25%
Motor vehicles	20%–30%

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

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

(i) Investment properties

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

Investment property comprises land held under operating leases and buildings.

Investment property is measured initially at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Investment properties (Cont'd)

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 repair and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

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 until construction or development is complete, at which time it is reclassified and accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference 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 income statement.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(k) Impairment

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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 lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

(ii) 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.

Purchases 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets 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.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from securities investment. Dividends on available-for-sale equity instruments are recognised in the income statement as part of revenue when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

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, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Inventories

(i) Manufacturing and trading

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Inventories (Cont'd)

(ii) Properties under development

Properties under development represent interests in land and buildings under construction.

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised as an expense immediately.

Properties under development are carried at the lower of cost and net realisable value. Cost comprises original land acquisition costs, construction expenditures incurred and other direct development costs attributable to such properties, including borrowing costs capitalised. Net realisable value is the anticipated sales proceeds estimated by the directors based on prevailing market prices, on an individual property basis, less estimated costs to completion and costs to be incurred in selling the property.

(n) 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 the 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 original effective interest rate. The amount of the provision is recognised in the consolidated income statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

(o) Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Cash and cash equivalents

Cash and cash equivalents include cash on 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.

(q) Share capital

Ordinary shares are classified as equity.

(r) Borrowings

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

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

(s) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(t) Employee benefits

(i) Employee leave entitlements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(ii) Pension obligations

Group companies participate in various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Provisions and contingent liabilities (Cont'd)

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 Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(w) Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to the subsidiaries of the Company as insurance contracts.

(x) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

3 FINANCIAL RISK FACTORS AND MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest-rate risk), credit risk and liquidity risk. These risks are managed by the Group's financial management policies and practices as described below to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

At 31 December 2008, if HK dollar had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax profit for the year would have been HK$13,431,000 (2007: HK$13,442,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of net RMB-denominated assets in HK subsidiaries and net HK$-denominated liabilities in PRC subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow interest-rate risk

The Group's cash flow interest-rate risk arises from borrowings issued at variable rates. The Group maintains a close relationship and communicates regularly with its finance providers to explore financing alternatives to monitor and mitigate interest rate risk.

If interest rates on HK dollar-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, an increase/decrease of finance costs of approximately HK$2,009,000 (2007: HK$2,000,000) will be capitalised into properties under development.

If interest rates on RMB-denominated deposits and borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$76,000 (2007: HK$85,000) higher/lower together with an increase/decrease of capitalisation of finance costs of approximately HK$4,307,000 (2007: HK$3,506,000) into properties under development.

(b) Credit risk

The Group's credit risk primarily arises from deposits with banks, trade and other receivables and guarantees provided in respect of mortgage facilities (Note 32).

The credit risk on deposits with banks is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer 's financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at each balance sheet date to ensure adequate provision for impairment losses are made for irrecoverable amounts.

Other than concentration of credit risk on deposits with several banks, the Group does not have any other significant concentration of credit risk.

Pursuant to the terms of the guarantees provided by the Group in respect of mortgage facilities granted by banks to purchasers of properties developed by the Group, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks but the Group is entitled to retain the purchaser's deposits and take over the legal title and possession of the related properties. In this regard, the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available. Management monitors the rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility (Note 27(a)) and cash and cash equivalents (Note 24) on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group			
At 31 December 2008			
Borrowings	672,499	–	–
Trade and other payables	412,811	29,993	6,518
	1,085,310	29,993	6,518
At 31 December 2007			
Borrowings	384,173	218,025	–
Trade and other payables	238,807	15,586	13,210
	622,980	233,611	13,210
Company			
At 31 December 2008			
Amounts due to subsidiaries	13,682	–	–
Other payables	14,521	–	–
	28,203	–	–
At 31 December 2007			
Other payables	2,585	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK FACTORS AND MANAGEMENT (Cont'd)

3.2 Capital risk management

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

The total equity of the Group represents the capital structure of the Group. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less restricted cash and pledged deposits and cash and bank deposits.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 **HK$'000**	2007 HK$'000
Total borrowings (Note 27)	**639,134**	566,423
Less: Restricted cash and pledged deposits (Note 23)	**(14,288)**	(17,850)
Cash and bank deposits (Note 24)	**(635,853)**	(796,784)
Net cash	**(11,007)**	(248,211)
Total equity	**1,776,978**	1,073,336
Gearing ratio	**N/A**	N/A

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing uncertainty to the carrying amounts of assets and liabilities are discussed below:

(a) Investment properties

Independent valuers were engaged to carry out an independent valuation of the Group's investment property portfolio as at 31 December 2008. The fair value of each investment property is individually determined at balance sheet date based on market value assessment, on an existing use basis. The valuers have relied on the income capitalisation approach as its primary method, supported by the direct comparison method. These methodologies are based on the estimation of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each 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.

(b) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

If the estimated discount rate applied to the discounted cash flows for the Group's cash-generating units ("CGU") had been 1% higher than management's estimates, the Group would have recognised a further impairment against goodwill by HK$Nil for the year (2007: HK$183,000).

(c) Construction contracts in progress

As explained in the accounting policy stated in Note 2(o), revenue and profit recognition on an incomplete project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 21 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised.

(d) Income taxes

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

(e) Employee share option benefit

The Group uses the Trinomial Option Pricing Model to determine the fair value of share options granted during the year. Under this model, the value of the share options is subject to a number of assumptions such as the risk-free rate, expected life of the options, expected dividend rate and expected volatility of the closing price of the share based on the volatility of the Company over two year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

(a) Primary reporting format – business segments

In accordance with its internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format. The Group has categorised its businesses into the following segments:

Real estate development and project management:	Development of residential and commercial properties, as well as provision of construction project management services
Specialised construction:	Design, installation and selling of curtain walls and aluminium windows, doors and fire-proof materials
Property investment:	Holding of properties to generate rental income and to gain from the appreciation in the properties' values in the long term
Manufacturing and trading*:	Manufacturing and trading of lubricant oil, industrial tools and chemical products
Securities investment and trading:	Trading and investment of securities

* Discontinued during the year.

Revenue during the year comprised the following:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Revenue from real estate development and project management services	887,476	2,311
Revenue from specialised construction contracts	250,426	345,961
Gross rental and management fee income from investment properties	28,405	17,042
	1,166,307	365,314
Discontinued operations		
Sales of lubricant oil, industrial tools and chemical products	71,289	65,892
	1,237,596	431,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

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

Segment revenue and results

	Continuing operations										Discontinued operations	
	Real estate development and project management		Specialised construction		Property investment		Securities investment and trading		Total		Manufacturing and trading	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Revenue												
Sales to external customers	887,476	2,311	250,426	345,961	28,405	17,042	–	–	1,166,307	365,314	71,289	65,892
Results												
Segment results	119,197	(14,498)	3,737	(18,118)	98,861	64,841	–	140,701	221,795	172,926	3,330	1,724
Unallocated costs									(38,901)	(21,506)	–	741
Operating profit									182,894	151,420	3,330	2,465
Finance income									17,238	8,580	–	65
Finance costs									(400)	(1,561)	(18)	(18)
Tax (charge)/credit									(70,948)	(229)	700	(1,224)
Profit after tax									128,784	158,210	4,012	1,288
Loss on disposal of subsidiaries									–	–	(4,487)	–
Profit/(loss) for the year									128,784	158,210	(475)	1,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

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

Segment assets and liabilities

	Real estate development and project management 2008 HK$'000	2007 HK$'000	Specialised construction 2008 HK$'000	2007 HK$'000	Property investment 2008 HK$'000	2007 HK$'000	Securities investment and trading 2008 HK$'000	2007 HK$'000	Manufacturing and trading 2008 HK$'000	2007 HK$'000	Total 2008 HK$'000	2007 HK$'000
Assets												
Segment assets	1,674,912	2,074,515	241,272	219,521	988,244	343,522	–	–	–	26,581	2,904,428	2,664,139
Unallocated corporate assets											217,764	96,627
Total assets											3,122,192	2,760,766
Liabilities												
Segment liabilities	1,032,253	1,457,636	222,328	200,017	13,766	5,785	–	–	–	5,464	1,268,347	1,668,902
Unallocated corporate liabilities											76,867	18,528
Total liabilities											1,345,214	1,687,430

Segment assets consist primarily of property, plant and equipment, investment properties, goodwill, inventories, receivables and operating cash. Segment liabilities comprise all operating liabilities but exclude items such as taxation.

Other segment information

	Continuing operations												Discontinued operations	
	Real estate development and project management 2008 HK$'000	2007 HK$'000	Specialised construction 2008 HK$'000	2007 HK$'000	Property investment 2008 HK$'000	2007 HK$'000	Securities investment and trading 2008 HK$'000	2007 HK$'000	Unallocated 2008 HK$'000	2007 HK$'000	Total 2008 HK$'000	2007 HK$'000	Manufacturing and trading 2008 HK$'000	2007 HK$'000
Capital expenditure	1,395	2,907	646	1,368	65,833	257	–	–	19	175	67,893	4,707	346	477
Depreciation recognised in the consolidated income statement	859	308	556	398	930	66	–	–	431	1,061	2,776	1,833	550	713
Revaluation gain on investment properties	–	–	–	–	72,877	50,480	–	–	–	–	72,877	50,480	–	–
(Reversal of impairment loss)/impairment loss recognised in the consolidated income statement	–	–	(1,643)	17,929	52	–	–	–	–	(806)	(1,591)	17,123	–	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

(b) Secondary reporting format – geographical segments

The Group's businesses operate in two main geographical areas:

Hong Kong and Macau:	Specialised construction, property investment, manufacturing and trading, and securities investment and trading
The PRC:	Real estate development and project management, specialised construction, and manufacturing and trading

In presenting information on the basis of geographical segments, sales are presented based on the geographical locations of the customers. Segment assets and capital expenditure are presented based on the geographical locations of the assets.

	Hong Kong and Macau		The PRC		Other countries		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Continuing operations:								
External sales	**60,812**	55,458	**1,105,495**	309,856	**–**	–	**1,166,307**	365,314
Segment assets	**999,860**	365,687	**1,904,568**	2,271,871	**–**	–	**2,904,428**	2,637,558
Capital expenditure	**65,847**	358	**2,046**	4,349	**–**	–	**67,893**	4,707
Discontinued operations:								
External sales	**6,767**	4,663	**64,286**	60,955	**236**	274	**71,289**	65,892
Segment assets	**–**	17,996	**–**	8,585	**–**	–	**–**	26,581
Capital expenditure	**44**	163	**302**	314	**–**	–	**346**	477

6 OTHER GAINS

	2008 HK$'000	2007 HK$'000
Gain on disposal of available-for-sale financial assets	**–**	140,911
Others	**2,766**	1,310
	2,766	142,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	2008 HK$'000	2007 HK$'000
Amortisation of land lease premium	10,860	6,999
Less: amount capitalised into properties under development	(10,706)	(6,999)
	154	–
Depreciation	2,622	1,833
Operating lease charges – minimum lease payment in respect of land and buildings	6,035	4,556
Cost of inventories sold	705,704	–
Auditor's remuneration	1,749	2,511
Net foreign exchange gain	(15,346)	(26,297)
Employee benefit expense (including directors' emoluments) (Note 8)	39,995	38,682
Provision for inventory obsolescence	–	1,033
Provision for impairment of receivables	52	4,064
Recovery of receivables previously written-off	(1,643)	(546)
Provision for impairment of property, plant and equipment	–	18
Direct out-goings arising from investment properties that generated rental income	3,272	2,662
Specialised construction costs	236,207	328,762
Selling and distribution costs	40,462	10,677
Legal and professional fees	13,304	6,182
Project management costs	320	1,415
Loss on disposal of property, plant and equipment	99	–
Others	26,070	18,489
Total of cost of sales, selling and distribution costs and administrative expenses	1,059,056	394,041

8 EMPLOYEE BENEFIT EXPENSE

	2008 HK$'000	2007 HK$'000
Wages and salaries	39,145	37,940
Provision for unutilised annual leave	85	87
Provision for long service payment	193	122
Pension costs – defined contribution plans (Note 30)	439	533
Share option benefits	133	–
	39,995	38,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSE (Cont'd)

(a) Directors' emoluments

The remuneration of each director of the Company ("Director", collectively "Directors") for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Employer's contributions to pension scheme HK$'000	Share option benefits HK$'000	Total HK$'000
For the year ended 31 December 2008						
Mr. Zhou Zhongshu	–	–	–	–	13	13
Mr. Qian Wenchao	–	–	150	–	13	163
Mr. He Jianbo (note (i))	–	2,002	520	–	17	2,539
Mr. Yin Liang	–	1,240	320	–	12	1,572
Mr. Yan Xichuan	–	1,300	100	60	12	1,472
Ms. He Xiaoli	–	1,240	220	–	10	1,470
Mr. Lam Chun, Daniel	300	–	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	–	300
	910	5,782	1,310	60	77	8,139

The remuneration of each Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Employer's contributions to pension scheme HK$'000	Share option benefits HK$'000	Total HK$'000
For the year ended 31 December 2007						
Mr. Zhou Zhongshu	–	–	–	–	–	–
Mr. Qian Wenchao	–	–	–	–	–	–
Mr. He Jianbo (note (i))	–	–	–	–	–	–
Mr. Wang Xingdong (note (ii))	–	1,430	–	–	–	1,430
Mr. Yin Liang	–	1,040	–	–	–	1,040
Mr. Yan Xichuan	–	1,300	–	60	–	1,360
Ms. He Xiaoli	–	1,040	–	–	–	1,040
Mr. Lam Chun, Daniel	300	–	–	–	–	300
Mr. Selwyn Mar	310	–	–	–	–	310
Ms. Tam Wai Chu, Maria	300	–	–	–	–	300
	910	4,810	–	60	–	5,780

8 EMPLOYEE BENEFIT EXPENSE (Cont'd)

(a) Directors' emoluments (Cont'd)

During the year, no Directors waived or agreed to waive any emoluments (2007: Nil).

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or as compensation for loss of office (2007: Nil).

Notes:

(i) Appointed on 7 December 2007

(ii) Resigned on 7 December 2007

(b) Five highest-paid individuals

In 2008, five highest-paid individuals in the Group include three (2007: three) directors of the Company. These Directors' emoluments are disclosed in (a) above. Details of the emoluments of the remaining two (2007: two) individuals are as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries, allowances and benefits in kind	**2,861**	3,661
Bonuses	**423**	1,482
Employer's contributions to pension schemes	**279**	234
Share option benefits	**11**	–
	3,574	5,377

The emoluments fell within the following bands:

	2008	2007
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	1
	2	2

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME AND COSTS

	2008 HK$'000	2007 HK$'000
Finance income		
Interest income from bank deposits	17,238	8,580
Finance costs		
Bank borrowings		
Wholly repayable within five years	11,571	9,655
Other loans		
Wholly repayable within five years	22,418	20,490
	33,989	30,145
Less: amount capitalised into properties under development (a)	(33,589)	(28,584)
	400	1,561

(a) Borrowing costs were capitalised at rates ranging from 3.19% to 7.56% (2007: 4.21% to 8.96%).

10 TAX CHARGE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Enterprise income tax has been calculated on the estimated assessable profit for the year derived in the PRC at the rates of 18% to 25% (2007: 15%).

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

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong		
Profits tax	111	153
Current tax – PRC		
Enterprise income tax	23,971	–
Land appreciation tax	46,866	–
	70,837	–
Deferred tax		
Recognition of temporary differences (Note 28)	–	76
Tax charge	70,948	229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TAX CHARGE (Cont'd)

The tax charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008 HK$'000	2007 HK$'000
Profit before tax	**199,732**	158,439
Tax calculated at domestic tax rates applicable to profits in the respective countries	**31,752**	27,967
Income not subject to tax	**(15,936)**	(37,431)
Expenses not deductible for tax purposes	**14,949**	3,922
Utilisation of previously unrecognised tax losses	**(14,549)**	(1,683)
Land appreciation tax	**46,866**	–
Unrecognised tax losses	**7,866**	7,454
Tax charge	**70,948**	229

The weighted average applicable tax rate was 15.9% (2007: 17.6%). The year-on-year change is primarily caused by a change in the relative profitability of the Group's subsidiaries in the respective countries and the decrease in Hong Kong tax rate.

11 DISCONTINUED OPERATIONS

On 31 December 2008, the Group completed the disposal of 100% equity interest in Jaeger Oil and Chemical Holdings Limited and its subsidiaries for a cash consideration of HK$12,056,000.

An analysis of the results and cash flows of the discontinued operations is as follows:

	2008 HK$'000	2007 HK$'000
Results		
Revenue	**71,289**	65,892
Expenses	**(67,977)**	(63,380)
Profit before tax from discontinued operations	**3,312**	2,512
Tax credit/(charge)	**700**	(1,224)
Profit after tax	**4,012**	1,288
Loss on disposal of subsidiaries	**(4,487)**	–
(Loss)/profit for the year from discontinued operations	**(475)**	1,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 DISCONTINUED OPERATIONS (Cont'd)

	2008 HK$'000	2007 HK$'000
Cash flows		
Operating cash flows	4,331	5,476
Investing cash flows	(324)	(351)
Financing cash flows	(5,580)	(2,839)
Total cash flows	(1,573)	2,286

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company includes a profit of approximately HK$38,367,000 (2007: HK$99,062,000) has been dealt with in the financial statements of the Company.

13 EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED

The calculation of basic and diluted earnings/(loss) per share is based on the Group's profit/(loss) attributable to equity holders divided by the weighted average number of ordinary shares in issue during the year.

The basic and diluted earnings/(loss) per share are the same since there are no potential dilutive shares for the year (2007: Nil). The Company's outstanding share options did not have a dilutive effect on the earnings/(loss) per share.

	2008	2007
Weighted average number of ordinary shares in issue (thousands)	902,380	773,340
Profit from continuing operations attributable to equity holders (HK$'000)	141,339	161,365
Earnings per share from continuing operations (HK cents)	15.66	20.87
(Loss)/profit from discontinued operations attributable to equity holders (HK$'000)	(475)	1,288
(Loss)/earnings per share from discontinued operations (HK cents)	(0.05)	0.16

14 DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

	Leasehold land and buildings (Note a) HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2008						
Opening net book amount	11,578	562	2,204	3,782	2,171	20,297
Exchange differences	–	–	38	58	15	111
Additions	–	5,265	193	1,477	959	7,894
Acquisition of a subsidiary	60,345	–	–	–	–	60,345
Revaluation gain	1,314	–	–	–	–	1,314
Reclassification to investment properties	(7,700)	–	–	–	–	(7,700)
Reclassification	(89)	546	262	(1,586)	867	–
Disposals	–	–	(8)	(45)	(76)	(129)
Depreciation	(487)	(646)	(391)	(903)	(899)	(3,326)
Disposal of subsidiaries	–	(378)	(280)	(320)	(149)	(1,127)
Closing net book amount	64,961	5,349	2,018	2,463	2,888	77,679
At 31 December 2008						
Cost	65,591	6,266	6,731	8,168	6,603	93,359
Accumulated depreciation and impairment	(630)	(917)	(4,713)	(5,705)	(3,715)	(15,680)
Net book amount	64,961	5,349	2,018	2,463	2,888	77,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2007						
Opening net book amount	10,247	580	1,196	2,981	2,541	17,545
Exchange differences	–	–	58	99	92	249
Additions	1,645	521	1,229	1,114	215	4,724
Acquisition of a subsidiary	–	–	–	460	–	460
Disposals	–	–	–	(66)	(51)	(117)
Provision for impairment	–	(10)	(8)	–	–	(18)
Depreciation	(314)	(529)	(271)	(806)	(626)	(2,546)
Closing net book amount	11,578	562	2,204	3,782	2,171	20,297
At 31 December 2007						
Cost	13,459	9,122	4,613	8,624	6,867	42,685
Accumulated depreciation and impairment	(1,881)	(8,560)	(2,409)	(4,842)	(4,696)	(22,388)
Net book amount	11,578	562	2,204	3,782	2,171	20,297

		2008 HK$'000	2007 HK$'000
(a)	Leasehold land	54,552	9,534
	Buildings	10,409	2,044
		64,961	11,578

The carrying amounts of leasehold land and buildings are analysed as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Long-term leases (over 50 years)	60,162	6,554
In the PRC, held on:		
Long-term leases (over 50 years)	4,799	5,024
	64,961	11,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
At beginning of the year	341,249	290,769
Acquisition of a subsidiary	476,133	–
Reclassification from property, plant and equipment	7,700	–
Revaluation gain	72,877	50,480
At end of the year	897,959	341,249

The investment properties were revalued at 31 December 2008 by Vigers Appraisal & Consulting Limited, independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Long-term leases (over 50 years)	897,959	341,249

Investment properties with carrying amounts of approximately HK$343,959,000 (2007: HK$341,249,000) have been pledged as securities for bank borrowings (Note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 GOODWILL

(a) Goodwill arising from acquisitions of subsidiaries are as follows:

	2008 HK$'000	2007 HK$'000
At beginning of the year	8,520	20,095
Exchange differences	483	979
Impairment	–	(12,554)
At end of the year	9,003	8,520

(b) Impairment test for goodwill

Goodwill is allocated to the cash-generating units ("CGU") identified as follows:

	2008 HK$'000	2007 HK$'000
CGU:		
Specialised construction	9,003	8,520

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a one-year period and extrapolated for the remaining operating period based on the following information with reference to past performance and expectation for market development.

	2008	2007
Estimated growth rate	5.00%	-10.00%
Discount rate	5.31%	7.47%

The estimated growth rates disclosed above applied to the five-year cash flow projections and no growth was assumed when extrapolating to later periods. The estimated growth rate of 5% used represents the general growth and inflation in the market. A negative growth rate of 10% was used for year ended 31 December 2007 since both the number and amounts of contracts on hand were lower than in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES

(a) Investments in subsidiaries

	2008 HK$'000	2007 HK$'000
Unlisted share investments, at cost	**695,296**	695,296
Less: provision for impairment	**(629,759)**	(621,016)
	65,537	74,280

(b) Loans to subsidiaries

	2008 HK$'000	2007 HK$'000
Loans to subsidiaries	**47,800**	49,584
Less: provision for impairment	**(47,800)**	(47,800)
	–	1,784

Loans to subsidiaries of approximately HK$47,800,000 (2007: HK$47,800,000) are non-interest bearing. The remaining balances bore interest at commercial lending rates. All balances are unsecured and repayable on demand.

(c) Amounts due from/to subsidiaries

	2008 HK$'000	2007 HK$'000
Amounts due from subsidiaries	**1,618,034**	1,080,342
Less: provision for impairment	**(254,102)**	(319,231)
	1,363,932	761,111
Amounts due to subsidiaries	**13,682**	–

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (Cont'd)

(d) List of principal subsidiaries as at 31 December 2008:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/registered and paid up capital (note (i))	Percentage of equity interest: Directly held by the Company	Percentage of equity interest: Indirectly held by the Company	Principal activity
Best Pearl Development Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Bright Circle Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property investment
Condo (Hong Kong) Decoration Engineering Company Limited	Hong Kong	1 share of HK$1	–	100	Design and installation of curtain walls
龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Properties Co., Ltd.) (note (ii))	PRC	US$6,600,000	–	71	Property development
Eastrend (Hong Kong) Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Full Pacific Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Great Way Properties Limited	Hong Kong/PRC	2 shares of HK$1 each	–	100	Property investment
Linkcheer Limited	Hong Kong	2 shares of HK$1 each	–	100	Property investment
Minmetals Land (China) Limited	Hong Kong/ Hong Kong and PRC	2 shares of HK$1 each	–	100	Provision of management service
Minmetals Land Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$10 each	100	–	Investment holding
ONFEM Finance Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	100	–	Provision of financing for group companies
Oriental Dragon Construction Limited	Hong Kong/ Hong Kong and PRC	10,000 shares of HK$1 each	–	71	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (Cont'd)

(d) List of principal subsidiaries as at 31 December 2008: (Cont'd)

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/registered and paid up capital (note (i))	Percentage of equity interest: Directly held by the Company	Percentage of equity interest: Indirectly held by the Company	Principal activity
Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd. (note (iii))	PRC	US$2,040,000	–	100	Design and installation of curtain walls and aluminium windows
Texion Development Limited	Hong Kong	50,000,000 shares of HK$1 each	–	100	Property investment
Tinnex Management Limited	Hong Kong	2 shares of HK$1 each	–	100	Property management
Top Gain Properties Limited	Hong Kong/PRC	2 shares of HK$1 each	–	100	Property investment
Virtyre Limited	Hong Kong	2 shares of HK$10 each	–	100	Property investment
Wilson Murray Far East Limited	Hong Kong	100 shares of HK$10 each	–	100	Provision of construction project management services
Zhuhai (Oriental) Blue Horrison Properties Company Limited (note (iv))	PRC	RMB44,000,000	–	100	Property development
五礦建設(湖南)嘉和日盛房地產開發有限公司 (note (v))	PRC	RMB380,000,000	–	51	Property development

Notes:

(i) The class of shares held is ordinary unless otherwise stated. None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2008.

(ii) 龍建(南京)置業有限公司 (Dragon Construction (Nanjing) Properties Co., Ltd.), a wholly-owned subsidiary of Oriental Dragon Construction Limited, is a foreign investment enterprise established in the PRC with an operating period of 15 years up to 2021.

(iii) Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd., a wholly-owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 30 years up to 2023.

(iv) Zhuhai (Oriental) Blue Horrison Properties Company Limited, a wholly-owned subsidiary of the Company, is a foreign investment enterprise established in the PRC with an operating period of 23 years up to 2022.

(v) 五礦建設(湖南)嘉和日盛房地產開發有限公司 is a Sino-foreign equity joint venture established in the PRC with an operating period of 20 years up to 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	1,480	6,384
Finished goods	–	4,253
	1,480	10,637
Less: provision for inventory obsolescence	–	(3,671)
Manufacturing and trading stocks, net	1,480	6,966
Properties held for sale – located in the PRC	15,934	–
Properties under development – located in the PRC (a)	1,217,523	1,304,870
	1,233,457	1,304,870
Total	1,234,937	1,311,836

(a) Properties under development

	2008 HK$'000	2007 HK$'000
Land use rights	731,673	835,083
Construction in progress	485,850	469,787
	1,217,523	1,304,870

Properties under development with carrying amounts of approximately HK$428,665,000 (2007: HK$476,132,000) have been pledged as securities for bank borrowings (Note 27(a)).

20 TRADE AND OTHER RECEIVABLES

The Group

	2008 HK$'000	2007 HK$'000
Trade and contract receivables, net (a)	169,812	149,057
Retention receivables (Note 21)	46,454	35,943
Deposits	7,479	7,713
Prepayments (b)	22,726	61,727
Others	4,967	8,478
	251,438	262,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (Cont'd)

The Company

	2008 HK$'000	2007 HK$'000
Deposits	143	92
Prepayments	254	421
Others	65	47
	462	560

The carrying amounts of trade and other receivables are denominated in the following currencies:

The Group

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	19,984	27,045
RMB	231,454	235,873
	251,438	262,918

The Company

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	462	560

(a) The aging analysis of trade and contract receivables is as follows:

The Group

	2008 HK$'000	2007 HK$'000
0 to 30 days	39,899	62,949
31 to 60 days	31,811	37,634
61 to 90 days	25,525	15,277
Over 90 days	73,773	43,835
	171,008	159,695
Less: provision for impairment	(1,196)	(10,638)
	169,812	149,057

No credit period is granted by the Group to the customers for contract receivables. For the year ended 31 December 2007, credit period of 30 days to 60 days from the date of invoice was granted to customers for trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) The aging analysis of trade and contract receivables is as follows: (Cont'd)

The credit quality of the receivables that are neither past due nor impaired can be assessed by the good repayment history and no default in the past.

Trade and contract receivables that are less than six months and one year past due respectively are generally not considered impaired. Trade and contract receivables of HK$169,812,000 (2007: HK$136,311,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade and contract receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Past due days		
0 to 90 days	**97,235**	103,313
Over 90 days	**72,577**	32,998
	169,812	136,311

Trade and contract receivables of HK$1,196,000 (2007: HK$10,638,000) were impaired and provision for impairment was made. The individually impaired receivables mainly relate to construction customers, which are in unexpected difficult financial situations. The aging of these receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Past due days		
Over six months	**1,196**	10,638

Movements in the provision for impairment of trade and contract receivables are as follows:

	2008	2007
	HK$'000	HK$'000
At beginning of the year	**10,638**	17,809
Exchange differences	**382**	311
Disposal of subsidiaries	**(170)**	–
Provision for impairment	**52**	4,226
Receivables written off during the year as uncollectible	**(9,706)**	(11,708)
At end of the year	**1,196**	10,638

The creation of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (Cont'd)

(b) Prepayments include prepaid taxes and other charges of approximately HK$16,265,000 (2007: HK$55,869,000) in relation to the deferred revenue received.

The other classes within trade and other receivables do not contain past due or impaired assets.

The maximum exposure to credit risk at the reporting dates is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 CONSTRUCTION CONTRACTS IN PROGRESS

	2008 HK$'000	2007 HK$'000
Contract costs incurred plus recognised profits less recognised losses	582,217	312,796
Less: progress billings	(581,889)	(311,921)
Gross amounts due from customers for contract work	328	875

Retentions held by customers for contract work included in trade and other receivables of the Group under Note 20 amounted to approximately HK$46,454,000 (2007: HK$35,943,000).

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 HK$'000	2007 HK$'000
At beginning of the year	–	136,080
Disposals	–	(136,080)
At end of the year	–	–

Available-for-sale financial assets include the following:

	2008 HK$'000	2007 HK$'000
Unlisted securities, at cost	243,600	243,600
Less: provision for impairment	(243,600)	(243,600)
Total	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESTRICTED CASH AND PLEDGED DEPOSITS

The Group

	2008 HK$'000	2007 HK$'000
Restricted cash	8,687	–
Pledged deposits	5,601	17,850
	14,288	17,850

As at 31 December 2008, the effective interest rate was 3.19% (2007: 2.46%).

The Company

	2008 HK$'000	2007 HK$'000
Pledged deposits	5,601	5,000

As at 31 December 2008, the effective interest rate was 1.7% (2007: 3.0%).

The carrying amounts of restricted cash and pledged deposits are denominated in the following currencies:

The Group

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	5,601	5,000
RMB	8,687	12,850
	14,288	17,850
Maximum exposure to credit risk	14,288	17,850

The Company

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	5,601	5,000
Maximum exposure to credit risk	5,601	5,000

The restricted cash represents performance deposits placed in banks. Pledged deposits represent deposits pledged to banks to secure banking facilities granted to the Group (Note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS

The Group

	2008 HK$'000	2007 HK$'000
Cash at banks	287,074	400,452
Short-term deposits	348,657	396,221
Cash on hand	122	111
Cash and bank deposits (a)	635,853	796,784
Bank overdrafts (Note 27)	–	(101)
	635,853	796,683
Maximum exposure to credit risk	635,731	796,673

Short-term deposits mature approximately in 16 days (2007: 86 days) from the balance sheet date. As at 31 December 2008, the effective interest rate was 1.90% (2007: 2.90%) per annum.

The Company

	2008 HK$'000	2007 HK$'000
Cash at banks	14,756	1,206
Short-term deposits	12,615	17,657
Cash on hand	17	20
Cash and bank deposits (a)	27,388	18,883
Maximum exposure to credit risk	27,371	18,863

(a) The carrying amounts of cash and bank deposits are denominated in the following currencies:

The Group

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	56,001	37,010
RMB	575,959	759,544
US dollar	3,873	198
Other currencies	20	32
	635,853	796,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS (Cont'd)

(a) The carrying amounts of cash and bank deposits are denominated in the following currencies: (Cont'd)

The Company

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	27,229	18,680
US dollar	139	171
Other currencies	20	32
	27,388	18,883

25 SHARE CAPITAL

	2008		2007	
	No. of shares ('000)	Amount HK$'000	No. of shares ('000)	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	1,113,832	111,383	773,832	77,383

During the year, the Company allotted and issued 340,000,000 ordinary shares of HK$0.1 each at HK$1.58 per share as consideration for the acquisition of a subsidiary (Note 31(b)) (2007: 1,650,000 ordinary shares of HK$0.1 each at HK$0.83 per share as a result of the exercise of share options).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL (Cont'd)

(a) Share options

On 29 May 2003, the Company adopted a share option scheme under which the Directors may, at their discretion, invite any person who has contributed or will contribute to the Group to take up options at a nominal consideration of HK$10 for each lot of share options granted.

(i) All share options granted under the share option scheme prior to 1 January 2008 have expired as at 31 December 2007.

On 1 December 2008, 7,850,000 and 5,780,000 share options were granted to directors and certain eligible employees respectively at an exercise price of HK$0.51, which represents the closing price of the Company's shares on the Stock Exchange of Hong Kong Limited on the date of grant. Details of the share options granted are as follows:

Category of participants	Exercise period of share options	Exercise price HK$	2008 Number of share options ('000)	2007 Number of share options ('000)
Directors	1 December 2010 to 30 November 2018	0.51	**7,850**	–
Employees	1 December 2010 to 30 November 2018	0.51	**5,780**	–
			13,630	–

The options are exercisable upon fulfillment of certain performance targets achieved by the Group and grantees. These options are exercisable in three tranches : the maximum percentage of options exercisable within the periods commencing from 1 December 2010 to 30 November 2018, from 1 December 2011 to 30 November 2018 and from 1 December 2012 to 30 November 2018 are 30%, 30% and 40% respectively.

(ii) Movements in the above share options are as follows:

	2008 Number of share options ('000)	2007 Number of share options ('000)
At beginning of the year	**–**	14,800
Granted	**13,630**	–
Exercised	**–**	(1,650)
Lapsed	**–**	(13,150)
At end of the year	**13,630**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL (Cont'd)

(a) Share options (Cont'd)

(iii) The fair value of the share options granted during the year is estimated at approximately HK$0.34 each using the Trinomial Option Pricing Model. Values are appraised based on the risk-free rate of 1.75% per annum with reference to the average yield of the Exchange Fund Notes of comparable terms, an approximate two-year historical volatility of 82.3%, assuming no dividend and an expected option life of five years.

26 RESERVES

(a) Group

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 1 January 2007	409,738	600,412	769	–	119,160	8,314	–	(397,782)	740,611
Issue of shares on exercise of share options	1,204	–	–	–	–	–	–	–	1,204
Disposal of available-for-sale financial assets	–	–	–	–	(119,160)	–	–	–	(119,160)
Currency translation adjustments	–	–	–	–	–	15,399	–	–	15,399
Profit for the year	–	–	–	–	–	–	–	162,653	162,653
Balance at 31 December 2007	410,942	600,412	769	–	–	23,713	–	(235,129)	800,707
Issue of new shares	503,200	–	–	–	–	–	–	–	503,200
Employee share option benefits	–	–	–	133	–	–	–	–	133
Revaluation gain of property, plant and equipment	–	–	–	–	–	–	1,314	–	1,314
Currency translation adjustments	–	–	–	–	–	24,459	–	–	24,459
Profit for the year	–	–	–	–	–	–	–	140,864	140,864
Balance as at 31 December 2008	914,142	600,412	769	133	–	48,172	1,314	(94,265)	1,470,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RESERVES (Cont'd)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2007	409,738	575,220	769	–	(304,359)	681,368
Issue of shares on exercise of share options	1,204	–	–	–	–	1,204
Profit for the year	–	–	–	–	99,062	99,062
Balance at 31 December 2007	410,942	575,220	769	–	(205,297)	781,634
Issue of new shares	503,200	–	–	–	–	503,200
Employee share option benefits	–	–	–	133	–	133
Profit for the year	–	–	–	–	38,367	38,367
Balance at 31 December 2008	914,142	575,220	769	133	(166,930)	1,323,334

(c) Contributed surplus mainly represents the excess of the fair value of shares in Minmetals Land Investments Limited acquired by the Company over the nominal value of the new shares of the Company issued pursuant to the Share Exchange Agreement dated 19 November 1991.

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

(d) As at 31 December 2008, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately HK$409,059,000 (2007: HK$370,692,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BORROWINGS

	2008 HK$'000	2007 HK$'000
Non-current		
Loan from a minority investor, unsecured (Note 34)	–	204,923
Current		
Bank overdrafts, secured	–	101
Bank loans, secured	259,222	273,798
Bank borrowings, secured (a)	259,222	273,899
Loan from a fellow subsidiary, secured (Note 34)	169,711	87,601
Loan from a minority investor, unsecured (Note 34)	210,201	–
	639,134	361,500
Total borrowings	639,134	566,423

(a) Banking facilities

The Group's aggregate banking facilities, including bank borrowings, as at 31 December 2008 amounted to approximately HK$361,517,000 (2007: HK$330,456,000), of which approximately HK$81,396,000 (2007: HK$37,414,000) was unutilised. As at 31 December 2008, the assets pledged by the Group as securities for the banking facilities are as follows:

(i) fixed deposits of the Group of approximately HK$5,601,000 (2007: HK$17,850,000), including that of the Company of approximately HK$5,601,000 (2007: HK$5,000,000);

(ii) Investment properties with carrying amounts of approximately HK$343,959,000 (2007: HK$341,249,000);

(iii) properties under development with carrying amounts of approximately HK$428,665,000 (2007: HK$476,132,000); and

(iv) corporate guarantees given by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BORROWINGS (Cont'd)

(b) The maturity of the Group's borrowings is as follows:

	2008 HK$'000	2007 HK$'000
Bank borrowings		
Within one year	259,222	273,899
Loan from a fellow subsidiary		
Within one year	169,711	87,601
Loan from a minority investor		
Within one year	210,201	–
In the second year	–	204,923
	210,201	204,923

(c) All the borrowings are on a floating interest rate basis. The effective interest rates at the balance sheet dates were as follows:

	2008		2007	
	HK$	RMB	HK$	RMB
Non-current				
Loan from a minority investor	–	–	–	7.56%
Current				
Bank overdrafts	–	–	6.75%	–
Bank loans	3.19%	5.67%	4.21%	8.79%
Loan from a fellow subsidiary	–	5.67%	–	6.92%
Loan from a minority investor	–	5.40%	–	–

The fair values of borrowings approximate their carrying amounts. The fair values are based on cash flows discounted using the weighted average borrowing rate as at 31 December 2008 of 4.78% (2007: 6.42%) per annum.

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	200,857	201,255
RMB	438,277	365,168
	639,134	566,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED TAX

	2008 HK$'000	2007 HK$'000
Deferred tax assets	–	–
Deferred tax liabilities	(7,069)	(123)
	(7,069)	(123)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	2008 HK$'000	2007 HK$'000
Tax losses		
At beginning of the year	–	932
Recognised in the consolidated income statement	–	(932)
At end of the year	–	–

Deferred tax liabilities

	2008 HK$'000	2007 HK$'000
Fair value gain		
At beginning of the year	123	–
Recognised in the consolidated income statement	–	123
At end of the year	123	123
Accelerated differences		
At beginning of the year	–	–
Acquisition of a subsidiary	6,946	–
At end of the year	6,946	–

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. At 31 December 2008, the Group had unrecognised tax losses in Hong Kong of approximately HK$143,648,000 (2007: HK$136,193,000) to carry forward against future taxable income; these tax losses have no expiry date. In addition, the Group had unrecognised tax losses in the PRC of approximately HK$30,505,000 (2007: HK$90,450,000). These tax losses will expire by 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE AND OTHER PAYABLES

The Group

	2008 HK$'000	2007 HK$'000
Trade, bills and contract payables (a)	134,333	151,531
Retention payables	39,810	29,998
Accruals and other payables	258,968	55,135
Rental deposits received	5,081	1,571
Amount due to a minority investor (Note 34)	11,130	7,422
Amount due to a fellow subsidiary (Note 34)	–	21,946
	449,322	267,603

The Company

	2008 HK$'000	2007 HK$'000
Accruals and other payables	14,521	2,585
Provisions (b)	–	16
	14,521	2,601

The carrying amounts of trade and other payables are denominated in the following currencies:

The Group

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	49,050	34,787
RMB	389,142	224,596
US dollar	11,130	7,422
Other currencies	–	798
	449,322	267,603

The Company

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	14,521	2,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 TRADE AND OTHER PAYABLES (Cont'd)

(a) The aging analysis of trade, bills and contract payables of the Group is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	29,222	47,493
31 to 60 days	18,116	32,234
61 to 90 days	21,280	17,871
Over 90 days	65,715	53,933
	134,333	151,531

(b) Provisions

The Company

	2008 HK$'000	2007 HK$'000
At beginning of the year	16	7,351
Unused amounts reversed	(16)	(7,335)
At end of the year	–	16

The amount represents the provision made for corporate guarantees in respect of banking facilities extended to subsidiaries.

30 PENSION OBLIGATIONS

The Group participates in a defined contribution pension scheme and a Mandatory Provident Fund ("MPF") scheme for the eligible employees in Hong Kong.

Before 1 December 2000, a defined contribution pension scheme was provided to certain eligible employees ("Employees") employed by the Group. The Group was required to make monthly contributions to the scheme at 5% of the Employees' monthly salary but have ceased the contributions since 1 December 2000. Employees under the defined contribution scheme are entitled to 100% of the employer's contributions and the accrued interest upon retirement or upon leaving the Group after completing ten years of service from the date of joining the Group, or at a scale of between 20% and 90% after completing at least two but less than ten years of service from the date of joining the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 PENSION OBLIGATIONS (Cont'd)

Under the MPF scheme, the Company and each of the Hong Kong subsidiaries of the Company make monthly contributions to the MPF at 5% of the employees' cash income as defined under the MPF legislation. Contributions by both the Company/Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month per employee and thereafter contributions are voluntary and are not subject to any limitation. The mandatory contributions under the MPF are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees. In addition to the mandatory contribution, employees are entitled to 100% of the employers' voluntary contributions to the fund plus investment earnings upon leaving employment after completing ten years of service, or upon retirement after attaining the retirement age notwithstanding the number of years of service, or upon death or ceasing to be an employee due to total incapacity. Employees are also entitled to the employers' voluntary contributions to the fund plus investment earnings calculated at a scale of between 20% and 90% after completing a period of service of at least two but less than ten years.

The Group's contributions to the MPF scheme are expensed as incurred. Contributions to the scheme are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Forfeited contributions totalling approximately HK$217,000 (2007: HK$26,000) were utilised during the year and there were no unutilised forfeited contributions available as at 31 December 2008 (2007: Nil).

As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local government. The Group is required to contribute to the plan at a rate ranging from 10% to 22% of the basic salary of the PRC employees in addition to contributions by employees at a rate of 8% of the basic salary as specified by the local government, and the Group has no further obligations for the actual payment of the pensions or post-retirement benefits beyond the annual contributions made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to cash (used in)/generated from operations

	2008 HK$'000	2007 HK$'000
Profit before tax		
– continuing operations	199,732	158,439
– discontinued operations	3,312	2,512
Interest income	(17,238)	(8,645)
Interest expense	418	1,579
Depreciation	3,326	2,546
Revaluation gain on investment properties	(72,877)	(50,480)
Provision for impairment of goodwill	–	12,554
Provision for impairment of property, plant and equipment	–	18
Loss on disposals of property, plant and equipment	99	–
Share option benefits	133	–
Provision for inventory obsolescence	–	1,150
Provision for impairment of receivables	52	4,226
Gain on disposal of available-for-sale financial assets	–	(140,911)
Operating profit/(loss) before working capital changes	116,957	(17,012)
Decrease/(increase) in other assets	437	(240)
Decrease/(increase) in inventories	103,350	(215,952)
Decrease in trade and other receivables	1,761	53,665
Decrease/(increase) in gross amounts due from customers for contract work	547	(258)
Increase in trade and other payables	181,781	98,953
(Decrease)/increase in deferred revenue	(638,250)	833,245
Increase in other liabilities	2,860	2,073
Exchange adjustments	36,799	17,723
Cash (used in)/generated from operations	(193,758)	772,197

(b) Acquisition of subsidiaries

On 15 August 2008, the Group acquired 100% of the share capital of Texion Development Limited ("Texion") which is principally engaged in property investment in Hong Kong. The acquisition was considered as an acquisition of a group of assets and liabilities, and was outside the scope of HKFRS 3 "Business Combinations". The acquisition was settled by allotment of the Company's shares, hence it was considered as a significant non-cash transaction during the year (Note 25).

On 20 July 2007, the Group acquired 51% of the share capital of 五礦建設（湖南）嘉和日盛房地產開發有限公司 ("嘉和日盛"). 嘉和日盛 is principally engaged in property development and it contributed revenue of HK$nil and net loss of HK$1,354,000 to the Group for the period from 20 July 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been increased by HK$nil and profit for the year would have been decreased by HK$3,440,000. These amounts have been calculated using the accounting policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Acquisition of subsidiaries (Cont'd)

The assets and liabilities as of the respective acquisition dates are as follows:

	Texion As at 15 August 2008 HK$'000	嘉和日盛 As at 20 July 2007 HK$'000
Net assets acquired		
Property, plant and equipment	60,345	460
Investment properties	476,133	–
Inventories	–	579,843
Current tax recoverable	707	–
Trade and other receivables	857	153,580
Cash and bank deposits	11,937	73,840
Trade and other payables	(5,833)	(327)
Short-term borrowings	–	(410,748)
Deferred tax liabilities	(6,946)	–
Minority interests	–	(194,848)
	537,200	201,800
Satisfied by cash	–	201,800
Satisfied by allotment of shares	537,200	–
Total consideration	537,200	201,800

The fair values of all assets and liabilities acquired as of the respective acquisition dates, 15 August 2008 and 20 July 2007, approximate their carrying amounts.

Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries:

	Texion 2008 HK$'000	嘉和日盛 2007 HK$'000
Cash and bank deposits acquired	11,937	73,840
Less: cash consideration	–	(201,800)
Net cash inflow/(outflow) in respect of the acquisition of subsidiaries	11,937	(127,960)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Disposal of subsidiaries

The assets and liabilities disposed during the year are as follows:

	Carrying amounts HK$'000
Property, plant and equipment	1,127
Inventories	7,138
Trade and other receivables	10,524
Cash and bank deposits	3,649
Trade and other payables	(5,895)
Net assets disposed	16,543
Loss on disposal of subsidiaries	(4,487)
Proceeds on disposal	12,056
Net inflow of cash and cash equivalents on disposal:	
Proceeds received in cash	12,056
Cash and cash equivalents in subsidiaries disposed	(3,649)
	8,407

32 FINANCIAL GUARANTEES

At 31 December 2008, the Company had executed corporate guarantees amounting to approximately HK$310,291,000 (2007: HK$253,867,000), to various banks in respect of banking facilities extended to subsidiaries. At 31 December 2008, the utilised facilities, under which corporate guarantees from the Company were given, amounted to approximately HK$228,895,000 (2007: HK$216,453,000).

At 31 December 2008, the Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK$422,249,000 (2007: HK$346,887,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 COMMITMENTS

(a) The Group had capital commitments as follows:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for		
Property development	289,816	338,338
Capital contribution in a new property development company (note 35)	514,101	–
Others	187	–
	804,104	338,338

As at 31 December 2008, the Company did not have any outstanding capital commitments (2007: Nil).

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2008 HK$'000	2007 HK$'000
Not later than one year	4,010	4,539
Later than one year but not later than five years	199	5,279
After five years	–	1,278
	4,209	11,096

As at 31 December 2008, the Company did not have any operating lease commitments (2007: Nil).

(c) The Group leases out investment properties under operating leases which generally run for initial periods of one to three years. None of the leases includes contingent rentals.

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2008 HK$'000	2007 HK$'000
Not later than one year	35,897	17,663
Later than one year but not later than five years	19,410	15,701
	55,307	33,364

As at 31 December 2008, the Company did not have any future lease receipts (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS

The Directors consider the immediate holding company to be June Glory International Limited, a company incorporated in the British Virgin Islands; the intermediate holding company to be China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), a company incorporated in Hong Kong; and the ultimate holding company to be China Minmetals Corporation ("China Minmetals"), a company incorporated in the PRC.

China Minmetals itself is controlled by the PRC government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include China Minmetals and its subsidiaries, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Group and China Minmetals as well as their close family members.

For the purpose of the related party transactions disclosures, the Group has identified, to the extent practicable, its tenants as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structure may also change over time as a result of the transfers and privatization programmes. Nevertheless, management believes that all material related party transactions have been adequately disclosed.

The Group had the following material transactions and balances with related parties, which were carried out in the ordinary and normal course of business of the Group:

(a) Transactions with related parties

	2008 HK$'000	2007 HK$'000
Construction project management service revenue from a fellow subsidiary (note (i))	563	2,467
Specialised construction revenue from related companies (note (ii))	78,036	152,886
Construction costs to a fellow subsidiary for real estate development projects (note (iii))	114,450	22,540
Construction costs to related companies for real estate development projects (note (ii))	82,554	66,846
Rental income from fellow subsidiaries (note (iv))	2,407	–
Rental expenses and license fees to fellow subsidiaries (note (iv))	1,392	1,536
Loan interest costs to a minority investor (note (v))	15,316	13,504
Loan interest costs to a fellow subsidiary (note (vi))	6,480	5,832
Interest costs to a fellow subsidiary (note (vii))	621	559
Loan interest costs to state-owned banks (note (ii))	11,172	8,669
Bank interest income from state-owned banks (Note (ii))	17,022	5,872
Payment to local governments in the PRC for settlement of land costs (note (ii))	–	517,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Balances with related parties

	2008 HK$'000	2007 HK$'000
Contract receivable from a fellow subsidiary for construction project management services (note (i))	–	4,447
Contract and other receivables from related companies for specialised construction contracts (note (ii))	71,009	48,305
Contract payable to a fellow subsidiary for real estate development projects (note (iii))	21,469	8,800
Contract payable to a related company for real estate development projects (note (ii))	59,958	3,383
Loan from a minority investor (note (v))	210,201	204,923
Short-term loans from a fellow subsidiary (note (vi))	169,711	87,601
Amount due to a fellow subsidiary (note (vii))	–	21,946
Amount due to a minority investor (note (viii))	11,130	7,422
Bank borrowings from state-owned banks (note (ii))	251,658	265,353
Bank deposits in state-owned banks (note (ii))	638,471	752,661

(c) Key management compensation

	2008 HK$'000	2007 HK$'000
Salaries and short-term employee benefits	8,002	5,720
Pension costs – defined contribution plans	60	60
Share option benefits	77	–
	8,139	5,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management compensation (Cont'd)

Notes:

(i) Details of the construction project management agreement dated 29 July 2004 entered into between a subsidiary and a fellow subsidiary of the Company have been published in the Company's announcement dated 29 July 2004. The transaction constituted a connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) As China Minmetals is a state-owned enterprise, the PRC Government is considered as the Company's ultimate controlling party. Other state-controlled enterprises and their subsidiaries, in addition to China Minmetals, directly or indirectly controlled by the PRC Government are also considered as related parties of the Group. To balance the cost and benefit in making disclosure, the Group has only disclosed material transactions with such state-controlled enterprises.

(iii) Details of the construction contracts dated 31 July 2007 and 30 September 2008 entered into between subsidiaries and a fellow subsidiary of the Company have been published in the Company's announcements dated 31 July 2007 and 30 September 2008. The transactions constituted connected transactions as defined in the Listing Rules.

(iv) Rental income, rental expenses and license fees received from/paid to fellow subsidiaries of the Company were based on the agreements entered into between the parties involved with reference to market rates. The transactions constituted continuing connected transactions as defined in the Listing Rules.

(v) The unsecured, long-term loan from a minority investor, an indirect subsidiary of China Minmetals, bears interest at the floating rate for Renminbi 1–3 years term loans as quoted by The People's Bank of China per annum from time to time, and is repayable on 12 November 2009. The transactions constituted connected transactions as defined in the Listing Rules.

(vi) The short-term loan from a fellow subsidiary made on 14 October 2008, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 7.2765% per annum, are secured by corporate guarantee from Minmetals HK. The short-term loans from a fellow subsidiary made on 11 January 2007 and 19 March 2007, for working capital purposes to a subsidiary of the Company for a term of 1 year bearing interest at the rate of 6.732% and 7.029% per annum respectively, were secured by corporate guarantees from Minmetals HK and were repaid during the year. The transactions constituted connected transactions as defined in the Listing Rules.

(vii) The amount due to a fellow subsidiary bears interest at the floating rate of 90% of the rate for Renminbi short-term loans as quoted by The People's Bank of China per annum from time to time, is unsecured and repaid during the year. The transactions constituted connected transaction as defined in the Listing Rules.

(viii) The amount due to a minority investor of a subsidiary of the Company, is unsecured and repayable on demand.

35 EVENT AFTER BALANCE SHEET DATE

Subsequent to 31 December 2008, the Group has injected RMB455,400,000 (approximately HK$514,101,000) to 五礦地產南京有限公司 ("五礦地產南京"), for the acquisition of 50.89% equity interests in 五礦地產南京. The transaction is expected to be completed by end of April 2009, upon the issue of the relevant legal documents. Details of the transaction were set out in the circular of the Company dated 14 November 2008.

GROUP PROPERTIES

1. MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
ONFEM Tower, No. 29 Wyndham Street, Central, Hong Kong	Commercial	Long
China Minmetals Tower, No. 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong	Commercial	Long
Flat B on 13th Floor, Willow Mansion, Harbour View Gardens, No. 22 Taikoo Wan Road, Taikoo Shing, Quarry Bay, Hong Kong	Residential	Long
Flat D on 19th Floor, Tai Yuen Court, No. 38 Tai Yuen Street, Wanchai, Hong Kong	Residential	Long
Unit 6 on 8th Floor of Block 2, Heng Fa Chuen, No. 100 Shing Tai Road, Chai Wan, Hong Kong	Residential	Long
Unit 611 on 6th Floor, Block N, Kornhill, Nos. 14-16 Hong On Street, Quarry Bay, Hong Kong	Residential	Long
Unit 2603 on 26th Floor, Block Q, Kornhill, Nos. 6-8 Hong On Street, Quarry Bay, Hong Kong	Residential	Long

GROUP PROPERTIES

2. MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Usage	Site area/ gross floor area	Group's interest	Expected construction completion date
		(square metres)		
At the junction of Xue Si Road and Xue Qi Road, Science Park, Jiangning District, Nanjing, the PRC	Residential	310,296 / 301,670	71%	4Q 2011
At Yuetang Village and Gaotang Village, Muyun Town, Changsha County, Changsha City, Hunan Province, the PRC	Residential	632,837 / 1,071,300	51%	4Q 2013

FIVE-YEAR FINANCIAL SUMMARY

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Results					
Revenue	**1,166,307**	365,314	303,085	231,322	86,605
Operating profit	**182,894**	151,420	106,671	22,732	85,193
Finance income	**17,238**	8,580	1,562	2,358	2,383
Finance costs	**(400)**	(1,561)	(948)	(583)	(1,385)
Profit before tax	**199,732**	158,439	107,285	24,507	86,191
Income tax	**(70,948)**	(229)	(1,440)	3,642	(1,082)
Profit for the year from continuing operations	**128,784**	158,210	105,845	28,149	85,109
(Loss)/profit for the year from discontinued operations	**(475)**	1,288	–	–	–
Profit for the year	**128,309**	159,498	105,845	28,149	85,109
Profit attributable to:					
Equity holders of the Company	**140,864**	162,653	105,845	28,149	85,109
Minority interests	**(12,555)**	(3,155)	–	–	–
Assets and liabilities					
Non-current assets	**984,641**	370,503	329,538	305,249	285,481
Current assets	**2,137,551**	2,390,263	945,628	533,186	449,972
Total assets	**3,122,192**	2,760,766	1,275,166	838,435	735,453
Capital and reserves attributable to equity holders of the Company	**1,582,060**	878,090	817,829	600,034	561,060
Minority interests	**194,918**	195,246	–	–	–
Total equity	**1,776,978**	1,073,336	817,829	600,034	561,060
Non-current liabilities	**18,228**	213,345	105,866	7,325	7,039
Current liabilities	**1,326,986**	1,474,085	351,471	231,076	167,354
Total liabilities	**1,345,214**	1,687,430	457,337	238,401	174,393
Total equity and liabilities	**3,122,192**	2,760,766	1,275,166	838,435	735,453

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM"	annual general meeting of the Company for 2009
"Board"	the board of directors of the Company
"Brena"	Brena Company Limited
"Bye-laws"	the Bye-laws of the Company
"Cheemimet"	Cheemimet Finance Limited
"Cheerglory Traders"	Cheerglory Traders Limited
"CG Code"	the Code on Corporate Governance Practices
"China Minmetals"	China Minmetals Corporation
"CMID"	Minmetals Investment & Development Co., Ltd.
"Company"	Minmetals Land Limited
"Condo HK"	Condo (Hong Kong) Decoration Engineering Company Limited
"Director(s)"	director(s) of the Company
"DCPCL"	Dragon Construction (Nanjing) Properties Co., Ltd.
"Eastern Master"	Eastern Master (HK) Limited
"Ershisanye"	Ershisanye Construction Group Co., Ltd.
"Glorious Time"	Glorious Time Limited
"Glory Dragon"	Glory Dragon Development Limited
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Jaeger"	Jaeger Oil & Chemical Holdings Limited and its subsidiaries
"Jiahe Risheng"	五礦建設（湖南）嘉和日盛房地產開發有限公司
"June Glory"	June Glory International Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

GLOSSARY OF TERMS

"Luck Achieve"	Luck Achieve Limited
"Minmetals Finance"	Minmetals Finance Company Limited
"Minmetals HK"	China Minmetals H.K. (Holdings) Limited
"Minmetals Property Nanjing"	Minmetals Property Development Nanjing Co., Ltd.
"MLI"	Minmetals Land Investments Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"Mountain Trend"	Mountain Trend Global Limited
"OFL"	ONFEM Finance Limited
"PRC"	the People's Republic of China
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Shareholder(s)"	the shareholder(s) of the Company
"Share(s)"	the ordinary share(s) of par value HK$0.1 each of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 29 May 2003
"SJQ"	Shanghai Jin Qiao Condo Decoration Engineering Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Texion"	Texion Development Limited
"US$"	United States dollars
"Virtyre"	Virtyre Limited
"ZOBHP"	Zhuhai (Oriental) Blue Horrison Properties Company Limited
"%"	percentage

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